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GIs - Should there be an international GI registration system?

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Session 2

GIs - Should there be an international GI registration system?

What are Geographical Indications?

GIs are signs that link a product to

- ▶ a *particular place*, such as a city or region, indicating that a product
- ▶ possesses certain qualities, or
- ▶ enjoys a reputation *associated with its geographical origin.*

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What are Geographical Indications?

Although frequently applied to

- ▶ food and wine products, for which quality is often directly linked to a region's inherent characteristics, such as *soil attributes* or *climatic conditions*,

GIs may be associated with ▶ any product (*e.g.* Swiss watches).

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What are Geographical Indications?

Historically, protection was first afforded through consumer protection laws, such as regulations against false trade descriptions.

In many countries, GIs have also been recognized as a form of intellectual property—either as part of the trademark system or through dedicated laws for their protection.

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Why Geographical Indications?

Products with known quality variations (and therefore *differentiated* or *heterogeneous*), do carry significant search costs for consumers.

By providing a signal to potential buyers, GIs can lower those costs and make markets more efficient. Such a signal can be particularly important in the case of *experience goods*, such as wine, where consumers understand the quality from prior consumption but cannot distinguish quality simply by inspecting the products.

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Why Geographical Indications?

GIs' *signalling function* is valuable not only for consumers in the ► domestic economy, but also for those in ► foreign countries.

In fact, GIs' role in international trade may be greater than in domestic commerce, because *informational problems* are likely to be more pronounced when producers and consumers are located in ► different countries.



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Why Geographical Indications?

From the perspective of producers, GIs offer a means of

- ▶ attaching a *reputation* for quality to
- ▶ a place name that may then be *marketed* and used on labels.

In this context, GIs can encourage firms to add value to their products, either by investing in higher-quality *production techniques* or by *marketing*.

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Why Geographical Indications?

While consumers commonly understand these labels to mean quality, GIs for food products (others than wine) mainly refer to a defined ► production process or ► location.

Although GIs may benefit from a certain reputation or characteristic, their ► quality (wholesomeness, healthiness, safety) is not guaranteed above the minimal level guaranteed for all similar food items.

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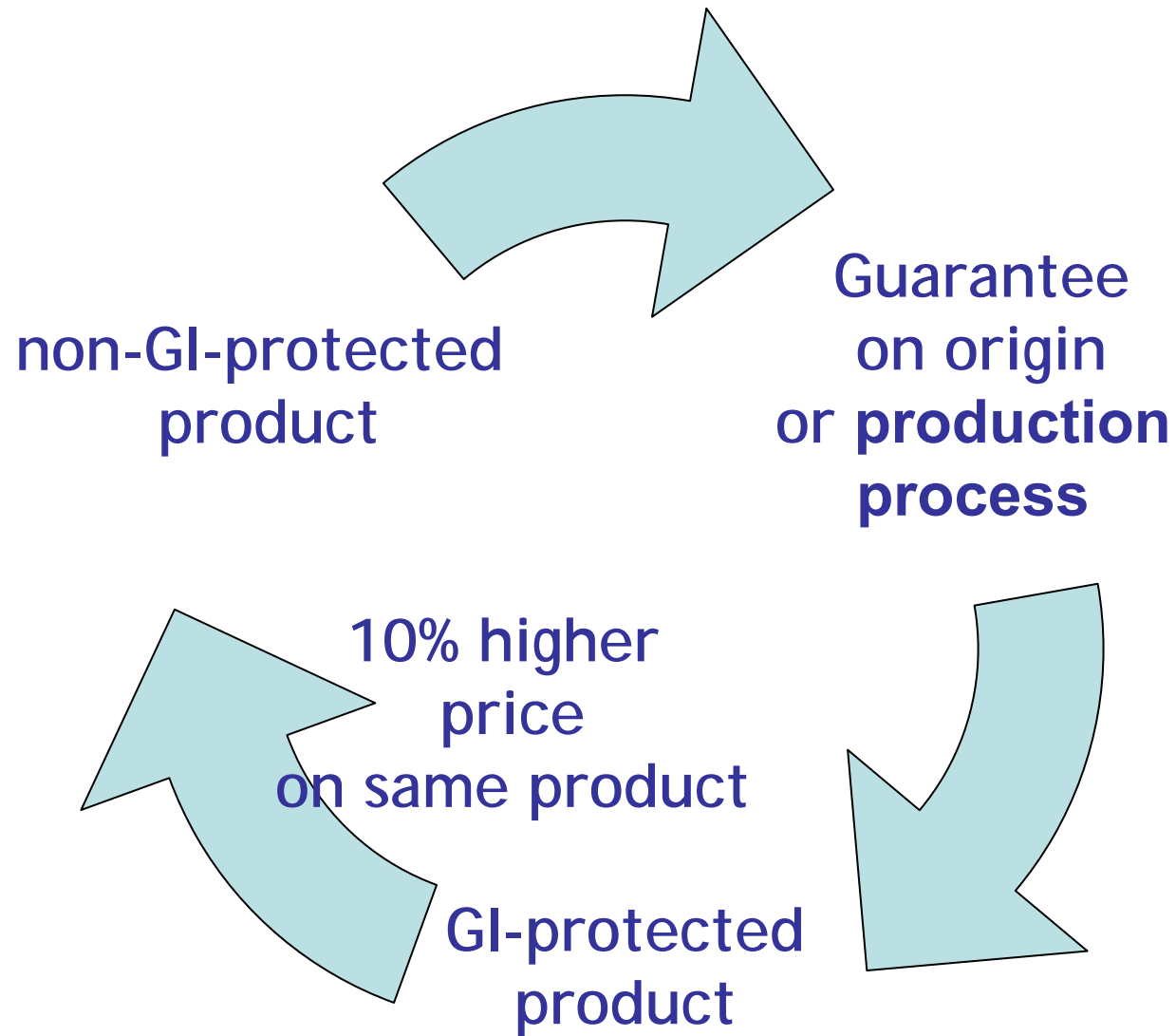
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Why Geographical Indications?

Producers use GIs to create market recognition, hopefully at a premium price.

Studies have quantified the price premia associated with certain GI-protected products.

A 1999 EU consumer survey found that 40 percent of consumers would pay a 10 percent premium for origin-guaranteed products (WTO 2004).



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The Italian perspective

Although the perceived “quality” of GIs may be a matter of taste and marketing, there is little doubt that protection through GIs can support significant increases in value-added through premium pricing.

In this context, Italian enterprises may be able to make additional profit by using GIs in national and international markets.

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The Italian perspective

Italy uses the European Union's trademark system of Geographical Indications (GIs) to protect its traditional food products.

Italian GIs cover a range of products, from the well-known *Parmigiano-Reggiano* to little-known varieties of olive oil (38 DOP and IGP).

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At the end of year 2007, Italy had 114 Protected Designation of Origin (DOP) products, 57 Protected Geographical Indication (IGP) products and 2 Traditional Specialty Guaranteed (STG) products.

In 2008, Italy's GI production was worth €5.3 billion with the bulk of value in cheese and processed meats. While GIs constitute *a third* of processed food production, they make up only *10%* of processed food exports.

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Italian wines with a designation of origin (DOC) or geographical indication (IGT) were 479 in year 2009, for a total production of almost 1 billion litres.

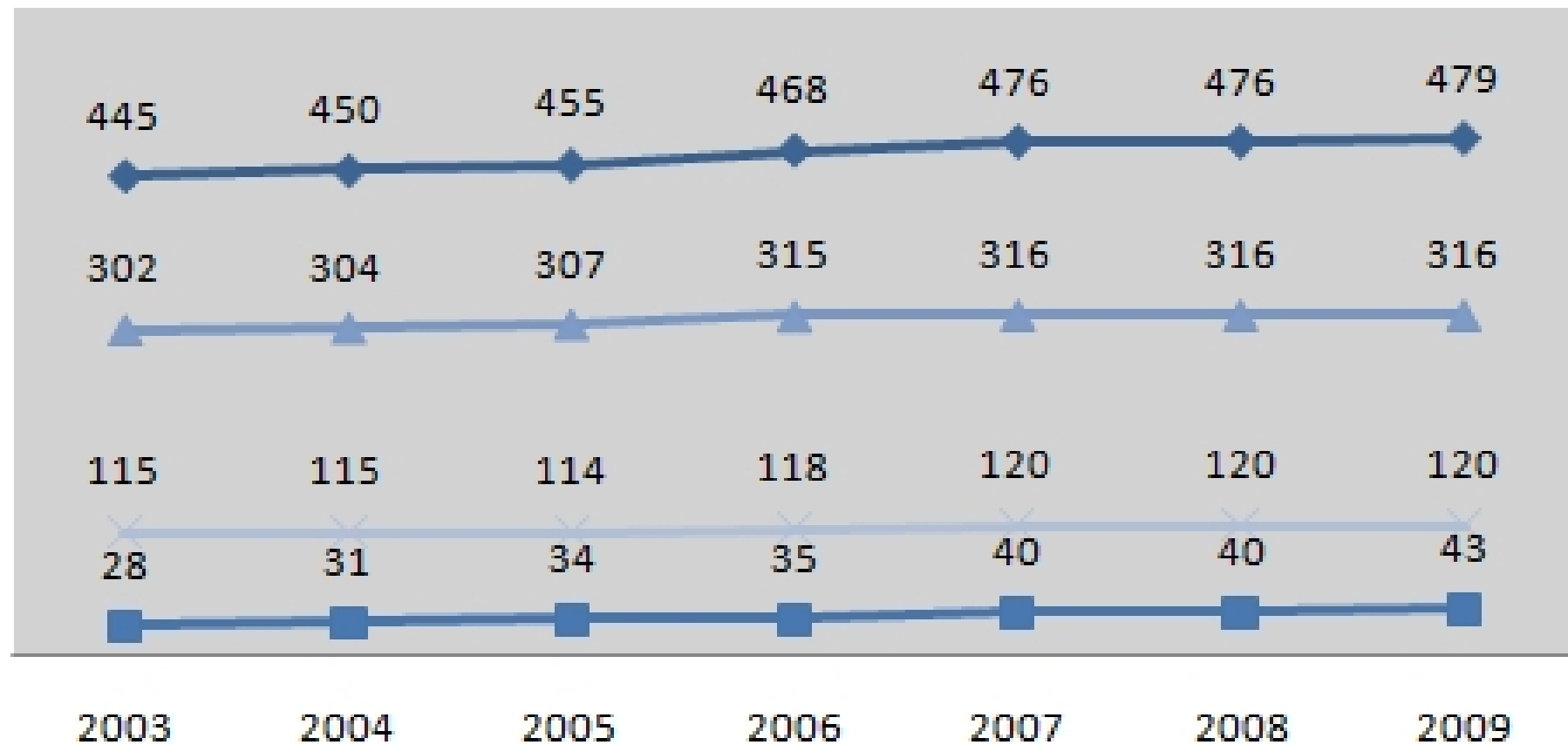
43 are with Guaranteed and Controlled Designation of Origin (DOCG), 316 are DOC and 120 are instead the wines with a geographical indication (IGT).

The total quantity of wine produced in Italy is around 5 billion litres per year.

DOC-DOCG-IGT in Italia

Quality wine denominations in Italy

◆ Totale ■ DOCG ▲ DOC × IGT



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In year 2008, Italian production of wines with a geographical indication (IGT) was 13,7 M hl, of which about 8,8 M were bottled, by a total of 158.950 wineries, the most important of which in Sicily, Veneto and Marca Trevigiana.

Production of wines with a designation of origin (DOC) was 13 M hl.

Denominazioni in Italia al 31/7/2009

	DOCG	DOC	IGT	Totale
Piemonte	12	43	0	55
V-Aosta	0	1	0	1
Lombardia	4	15	15	34
TrentinoAA	0	8	4	12
Veneto	6	25	10	41
FriuliVG	2	9	3	14
Liguria	0	8	3	11
EmiliaRomagna	1	20	10	31
Toscana	7	36	6	49
Umbria	2	11	6	19
Marche	2	15	1	18
Lazio	1	26	4	31
Abruzzo	1	4	10	15
Molise	0	3	2	5
Campania	3	17	9	29
Puglia	0	26	6	32
Basilicata	0	3	2	5
Calabria	0	12	13	25
Sicilia	1	22	6	29
Sardegna	1	19	15	35
Totale	43	316	120	479

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An important strategy of Italy's agricultural, food and wine processing sectors is that the country will profit most by manufacturing high-quality goods that reflect the standards implicit in the "*Made in Italy*" label.

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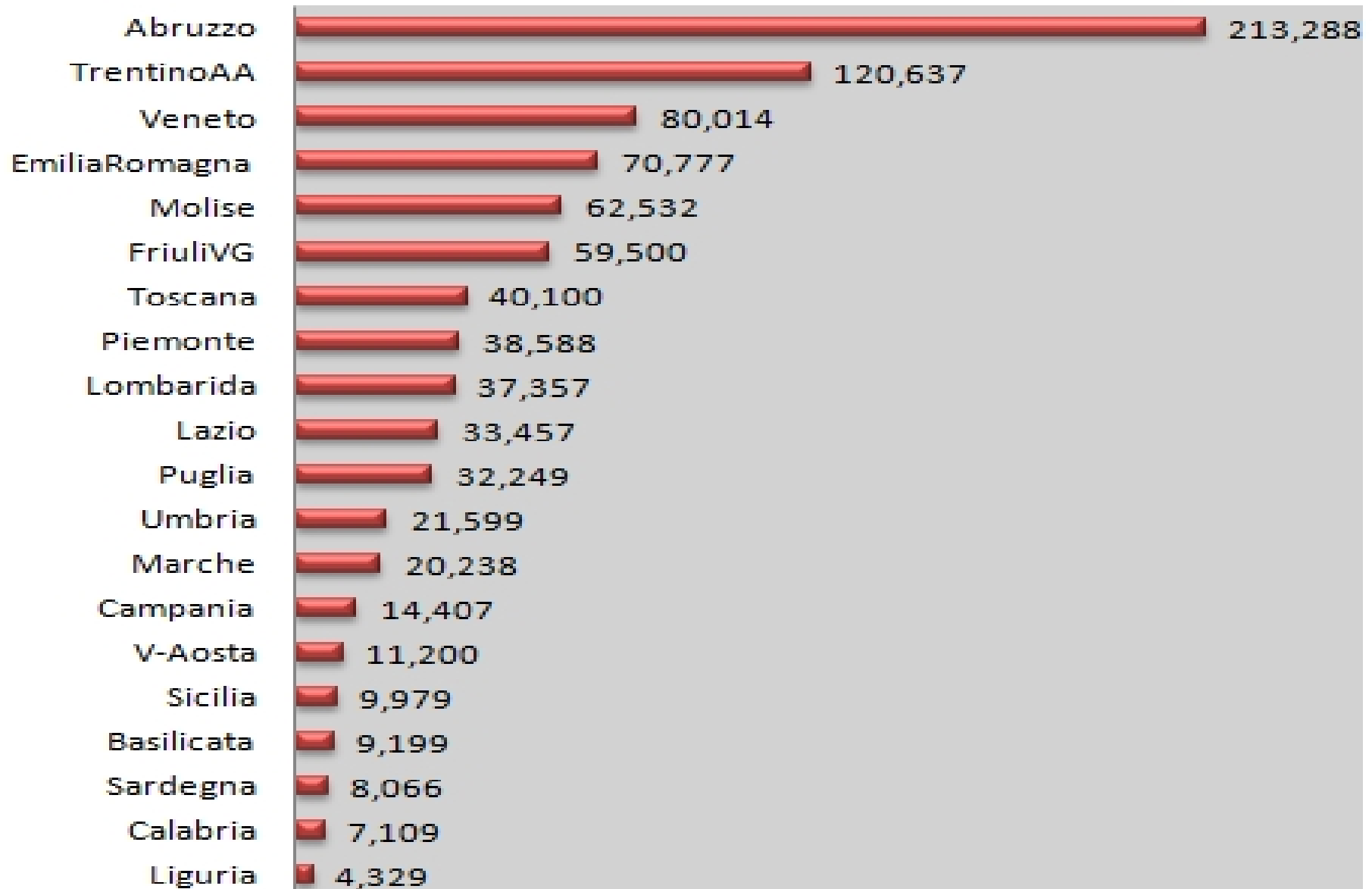
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The Italian perspective

Industry representatives cite aesthetics, quality, variety and culture as the key images that all Italian products, not only wine, command in international food markets.

Central to the Italian strategy are GIs - protected labels, including DOP/DOP, IGP/IGT and STG - that tie a product to its territory of origin, signalling its *authenticity* to consumers.

Produzione media per DOC/DOCG 2008
Average production per DOC/DOCG 2008



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The Italian perspective

During the last twenty years the international protection of GIs has experienced a worldwide resurgence spurred by both the greater need and the additional opportunities offered by the global marketplace for the diversification of agricultural products and foodstuffs.

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The Italian perspective

During the last twenty years, Italian wines have gained their place into the world market, mainly thanks to the protection of the designation of origin and to the great efforts of entrepreneurs that have endeavoured to make their trade marks and wines known to the international public.

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On the ground of this positive experience, Italy has constantly reviewed rules concerning the wine sector, now contained in the law for the protection and regulation of DOC and IGT wines, Legislative Decree no. 61, which has been approved on 8 April 2010 and repeals the Law no. 164 of 1992.

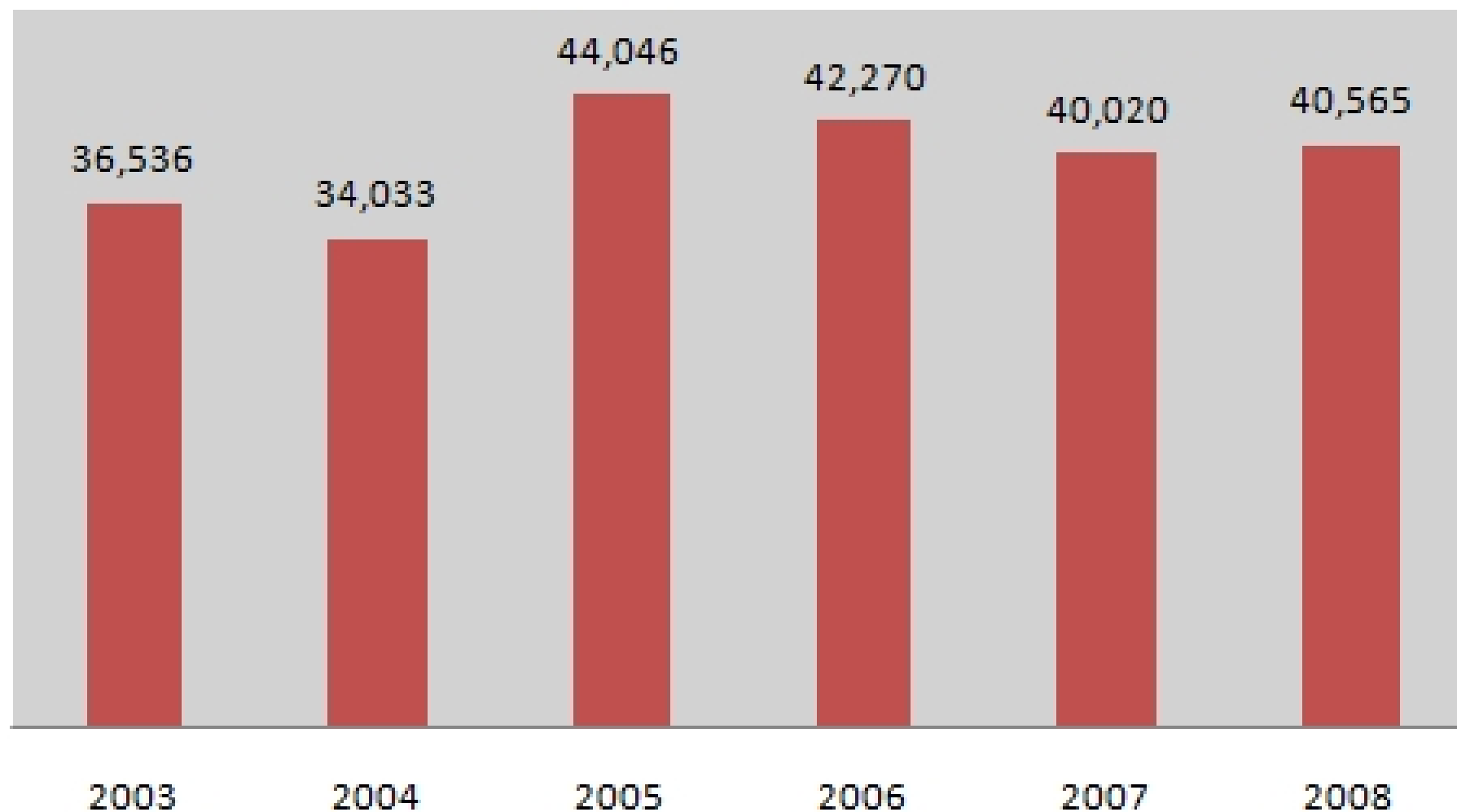
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That's why, when talking about Italian wines with a designation of origin or a geographical indication, ► “quality” is an intrinsic characteristic, certified by the specialised laboratories and by the pools of wine tasting experts, of each Chamber of Commerce.

Produzione DOC/DOCG per denominazione
Average production of DOC/DOCG denominatio



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It is only since the approval of the first law for the protection of the designation of origin, no. 116 of 1963, that Italy started the process of protection and exploitation of its large selection of varietals and wines.

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The first protected designation of origin was granted to the Marsala wine, by D.L. no. 930 of 12 July 1963, although restriction of the Marsala production to a defined geographical area dates back to 15 October 1931.

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The current regulations (D.Lgs. no. 61/2010) innovate insofar as the previous law (*i.e.*, Law no. 116/1963) was almost completely concerned with the protection of traditions, and therefore in most cases not updated with the developments in the production of the more active areas.

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This situation had brought into the market several innovative wines, which may be named "*author's wines*", often characterised by great quality and high price, although distributed as "table wines", such as, *e.g.*, ► "Super Tuscans".

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The Italian perspective

Quality of a wines with a designation of origin or a geographical indication is essentially based on three elements, the so called

► "*quality triangle*":

- a) grape (the species of vine - varietals);
- b) b) climate and soil (factors which influence the quality of the grape);
- c) c) human factor, which includes the cultivation techniques, production, preservation and ageing methods.

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The Italian perspective

These are the three main factors precisely regulated by the rules for making wines with a designation of origin or a geographical indication.

Such rules codify and protect, in particular, the *environmental factor*, which is the unique blend of climate and soil, the only element which may not be reproduced and may not be transferred.

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The Italian perspective

The only fixed, non-reproducible factor is the territory, the climate-soil factor, the factor that influence exclusively and decisively the character, the quality and the typical attributes of a wine.

The same vines and the same production techniques used in different environments and soils will make substantially different grapes and wines.

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That is why, through protecting the reputation of GIs and putting into force provisions for cultivation, transformation and conservation of the wine, it is possible to set up the “concept” of protected designation of origin.

Besides the climate-soil factor, several of the cultivation practises and techniques play a significant role in the production and are therefore integrated in the core of the production provisions of wines with PDO/PGI .

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Can wine with a geographical indication be
a profitable differentiation strategy?

A wine with PDO/PGI seems to generate a premium; however, it is hard to predict whether entry into the market of wines without PDO/PGI which nevertheless bear wine grapes varieties' names and vintage years if they conform with a certification accreditation (so-called 'varietal wines'), will have an impact on wines with PDO/PGI.

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Can wine with a geographical indication be a profitable differentiation strategy?

It should not be neglected the role of PDO/PGI productions as a mere firms' differentiation strategy.

Having wines with a designation of origin or a geographical indication within the product line, in fact, differentiates the firm/winery, gives it a reputational return and increases its profits.

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Can wine with a geographical indication be
a profitable differentiation strategy?

The answer seems to be, that in fact producing wines with a designation of origin or a geographical indication is a profitable differentiation strategy for most Italian wine firms.

According to most analysts, the adoption of such a strategy results into an effective differentiation tool and, as a consequence, determines an increase of the price-cost-margin (PCM).

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A GI is a profitable differentiation strategy

Decree of 17 July 2009, Designation of origin of the wines «Prosecco», «Conegliano Valdobbiadene - Prosecco» and «Colli Asolani - Prosecco» or «Asolo - Prosecco»

The grape variety “Prosecco” is since 17 July 2009 named “Glera”, while Prosecco, the name of an unknown suburb of Trieste, gives the name to the new GI “Prosecco”.

The Italian way to fight varietal wines?

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