

# ***In vino veritas?* The Dubious Legality of the EU's Claims to Exclusive Use of the Term "Prosecco"**

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*The European Union (EU) maintains that the word "Prosecco" is a geographical indication for a type of wine made in Northern Italy, rather than a grape variety. This position has been relied on by the EU to ban the importation of any wine labelled as Prosecco into the EU, and into other countries with which the EU has free trade agreements. Moreover, the EU is demanding that Australian wine producers be prohibited from marketing wine labelled Prosecco in Australia, as a condition of its entry into a bilateral trade agreement. Based on a detailed historical analysis of the use of the term Prosecco in Italy, this article argues that the EU's characterisation of the term is erroneous and is intended to operate to protect Italian Prosecco producers from international competition. By implication, the EU regulation is likely to contravene Article 20 of the World Trade Organization's Trade Related Aspects of Intellectual Property Agreement (which prohibits governments from unjustifiably encumbering the use of trademarks) and Article 2.1 of the Agreement on Technical Barriers to Trade, (which prohibits, inter alia, technical regulations pertaining to terminology and labelling that unjustifiably discriminate between similar domestic and imported products). Furthermore, a prohibition on the use of the word Prosecco on Australian products in the Australian market may be inconsistent with the Australian Constitution, which prohibits the acquisition of property by government on other than just terms. These issues also point to a more fundamental question: namely, whether and if so to what extent domestic legal systems may permissibly be used to generate claims to intellectual property that are then used to leverage international protection for that intellectual property.*

## **INTRODUCTION**

The European Union (EU) maintains that the word "Prosecco" is a geographical indication for a type of wine made in Northern Italy in the Prosecco *Denominazione di Origine Controllata* (DOC, meaning controlled designation of origin) area. Prosecco was recognised as a geographical indication by Italian law in 2009 by the creation of a DOC area spanning significant parts of Veneto and Friuli.<sup>1</sup> Prosecco was subsequently recognised in EU law as a Protected Designation of Origin (PDO).<sup>2</sup> The EU's insistence that Prosecco is a geographical indication has led it to ban the importation of any wine labelled as Prosecco into the EU. Moreover, during negotiations for the EU-Australia Free Trade

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<sup>1</sup> *Gazzetta Ufficiale della Repubblica Italiana* (Italy) No 173, 28 July 2009.

<sup>2</sup> Commission Regulation (EC) No 1166/2009 of 30 November 2009 amending and correcting Commission Regulation (EC) No 606/2009 laying down certain detailed rules for implementing Council Regulation (EC) No 479/2008 as regards the categories of grapevine products, oenological practices and the applicable restrictions [2009] OJ L 314/27 which provides, inter alia, that in the European Union the "vine variety 'Prosecco' is now renamed 'Glera.' PDO, in the context of wine, means the name of a region, a specific place or, in exceptional cases, a country used to describe a wine that complies with the following requirements: (i) its quality and characteristics are essentially or exclusively due to a particular geographical environment with its inherent natural and human factors; (ii) the grapes from which it is produced come exclusively from this geographical area; (iii) its production takes place in this geographical area; (iv) it is obtained from vine varieties belonging to *Vitis vinifera*. Article 118b A Protected geographical indication PGI an indication referring to a region, a specific place or, in exceptional cases, a country, used to describe a wine that complies with the following requirements: (i) it possesses a specific quality, reputation or other characteristics attributable to that geographical origin; (ii) at least 85 % of the grapes used for its production come exclusively from this geographical area; (iii) its production takes place in this geographical area; (iv) it is obtained from vine varieties belonging to *Vitis vinifera* or a cross between the *Vitis vinifera* species and other species of the genus *Vitis*.

Agreement, the EU has demanded, as a condition of its entry into a trade agreement with Australia, that Australian wine producers be prohibited from marketing wine labelled Prosecco.<sup>3</sup>

The issue also extends beyond the EU's demands in respect of the use of the term in Australia. The EU has made similar demands in its negotiations of trade agreements with other countries, with the intended consequence that Australian Prosecco could not be labelled as such and sold in those markets.<sup>4</sup> Prosecco is not made in those countries, so there is no real disincentive for those states to agree to such demands as part of a wide-ranging trade agreement—unless the legality of such moves under international trade law is challenged.

Previous negotiations and disputes concerning EU geographical indications have tended to revolve around whether those geographical indications had become generic in other locations, and whether those indications could become de-genericised. The Prosecco issue, in contrast, concerns the question whether Prosecco is a geographical indication or, as we argue, a grape variety.<sup>5</sup> The EU's attempt to unilaterally convert Prosecco into solely a geographical indication by legislation gives rise to the primary issue dealt with in this article: namely, whether this transmutation of the term Prosecco may now be leveraged into global protection via free trade agreements in a manner consistent with international law.

Grape vines called Prosecco were first imported into Australia from Italy in 1997, and a sparkling wine called Prosecco has been produced in Australia in commercial quantities since the early 2000s.<sup>6</sup> The Australian market for Prosecco is now worth about \$60 million per year and is growing.<sup>7</sup> Those wines have been labelled Prosecco on the basis that Prosecco is a grape variety, not a geographical indication.<sup>8</sup> Until 2009, there appears to have been no legal prohibition on using the term Prosecco or translations of it as the name of a grape variety in Italy or elsewhere in the EU. A decision of the Australian Trade Marks Office in 2013 held that Prosecco was the name of a grape variety in Australia.<sup>9</sup>

In 2010, pursuant to a European Commission regulation, the grape variety formerly known as Prosecco became known, as a matter of law, as Glera.<sup>10</sup> The adoption of the term Glera is controversial for

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<sup>3</sup> See generally DFAT, *Australia-European Union Free Trade Agreement* <<https://dfat.gov.au/trade/agreements/negotiations/aeufta/Pages/default.aspx>>. The exact legal mechanism by which this could be implemented in domestic legislation, and its scope, are issues that are yet to be determined.

<sup>4</sup> See e.g. Keiko Fujibayashi, Tomohiro Kurai and Joseph Degreenia, 'Public Comment Period Open for EU-Proposed Geographical Indicators' (Report no JA7098, Global Agriculture Information Network, 2 December 2017).

<sup>5</sup> It is possible that the word could be both a geographical indication and a grape variety, but legal difficulties then arise as a consequence of demands for protection of Prosecco as *exclusively* a geographical indication. If it is a grape variety, as we consider to be the case, prohibition of labelling that clearly identifies wine as being made from that grape variety is, in our view, very arguably inconsistent with the international legal obligations identified later in this article.

<sup>6</sup> Statutory declaration of Mr Ottorino Dal Zotto dated 11 November 2018, held on file by the authors.

<sup>7</sup> Natalie Kotsios, 'Geographical Indication: EU Digs in on FTA Until Label Issue Resolved' *The Weekly Times* (online), 14 March 2018 <<https://www.weeklytimesnow.com.au/news/national/geographical-indications-eu-digs-in-on-fta-until-label-issue-resolved/news-story/5191d1195ef8f24fa3de37cc712926f5>>.

<sup>8</sup> Verification of that proposition is derived from examining the label of any Australian Prosecco in Australian retail stores.

<sup>9</sup> *Winemakers' Federation of Australia v European Commission* [2013] ATMOGI 1 (22 November 2013). The issue could have been appealed to the Federal Court of Australia.

<sup>10</sup> Commission Regulation (EC) No 1166/2009 of 30 November 2009 amending and correcting Commission Regulation (EC) No 606/2009 laying down certain detailed rules for implementing Council Regulation (EC) No 479/2008 as regards the categories of grapevine products, oenological practices and the applicable restrictions [2009] OJ L 314/27 introduced a decree stating that the vine variety 'Prosecco' be renamed as 'Glera'.

various reasons, including the fact that Glera appears not to have been especially widely known or used as the name of the Prosecco grape variety throughout the various regions in Italy where Prosecco is made. Nor was it used to any meaningful extent in the main Prosecco growing province of Treviso in the region of Veneto. While some recognised wine reference books refer to Glera as a synonym for Prosecco in parts of the region of Friuli-Venezia Giulia ('Friuli'), many make no mention of the term at all, while expressly referring to Prosecco as a grape variety. The word Glera has also been used in Friuli to describe grapes other than the main variety of Prosecco called Prosecco Tondo. When used to describe a type of Prosecco grape it has been used in Friuli primarily to describe Prosecco Lungo, a relatively rarer type of Prosecco and some other minor grape varieties.<sup>11</sup>

There is a great deal of evidence to suggest that Prosecco is the name of a grape variety, and significant evidence that its renaming as the grape variety Glera within Italy was the unilateral creation of a legal fiction made in order to prevent the marketing of wines of other geographical origin as Prosecco. There is considerable doubt as to whether a national government may, consistently with international law obligations, unilaterally declare an indication to be a geographical indication and then demand international protection for that geographical indication.

One of the consequences of this disagreement is that it might well result in claims for protection of other geographical indications that have received legal protection in the EU relatively recently, or for geographical indications created in the future. One example relating to wine is Arneis, a white wine that seems to be the name of a grape variety and also the name of an Italian geographical indication since the late 1980's.<sup>12</sup>

## I A (PARTIAL) HISTORY OF PROSECCO

The history of Italian geographical indications for wine is complex. The first legal system of Italian GI's was created in the 1960's.<sup>13</sup> Under the Italian wine labelling system, wines are categorised according to both geographical origin and the method of their production by reference to *Denominazione di Origine Controllata* (DOC) and *Denominazione di Origine Controllata e Garantita* (DOCG).<sup>14</sup> In 1992, the *Indicazione Geografica Tipica* (IGT) designation was introduced which permits greater flexibility in the method of production while still recognising the geographical origin of the wine.<sup>15</sup> IGT was primarily introduced as a recognition of what are referred to as the Super Tuscan wines, which were being made by wine producers unwilling to be bound by the strict rules of production as well as origin imposed by DOC or DOCG regulations.

The first use of the word Prosecco within that system was created in 1969, but the DOC created at that time referred to a particular geographic area, namely Conegliano (a town and commune in the province

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<sup>11</sup> 'Prosecco tondo' takes its name from the village of Prosecco, in Trieste province, where it is also known as 'Glera'. The 'Gleras' are an ensemble of different ancient varieties cultivated in this province. Recent research has shown that the name Glera refers mostly to 'Prosecco lungo' and less frequently to 'Prosecco tondo' or other minor varieties M. Crespan et al, 'Vitouska' is the Progeny of 'Prosecco tondo' and 'Malvasia Bianca Lunga' (2007) 46 *VITIS - Journal of Grapevine Research* 192, 192; 'The name "Glera which is an old synonym of the Prosecco grape variety was chosen as the new name of the grape variety' Stefano Meneghetti et al 'Genetic Variability and Geographic Typicality of Italian Former Prosecco Grape Variety Using PCR-Derived Molecular Markers' (2014) 56 *Mol Biotechnol* 408, 409.

<sup>12</sup> Stuart Walton, *The New Encyclopaedia of Wine* (Lorenz Books, 2006) 153.

<sup>13</sup> For an explanation of the system and its history, see *Italian Appellation System* (2011) Tar and Roses – The Italian Wine Resource <[http://tarandroses.net/index.php?option=com\\_content&id=879&Itemid=37](http://tarandroses.net/index.php?option=com_content&id=879&Itemid=37)>.

<sup>14</sup> *Italian Appellation System*, n 13.

<sup>15</sup> *Italian Appellation System*, n 13.

of Treviso in the region of Veneto) and Valdobbiadene (another town and commune within Treviso).<sup>16</sup> To this day, the Italian Prosecco that is regarded as being of the highest quality is that produced in the area around those two locations.<sup>17</sup> It is that area that is primarily responsible for the reputation for Prosecco in Italy.

The small village of Prosecco, which probably gives its name to the wine in question, was originally part of Slovenia and is located on the north east coast of what is now Italy. The village is now an outer suburb of the city of Trieste, which is part of the Friuli region of Italy. It is some distance from the original DOC areas within the adjoining Veneto region created in the 1960's, which contain the word Prosecco but refer to particular geographical areas such as Conegliano and Valdobbiadene.

The DOC and DOCG areas within Treviso were extensively expanded in 2009. The original area covered by the pre-existing DOC and DOCG areas was about 5,000 hectares. Under the new arrangements, the area became about 20,000 hectares. Such an area is very large for GI areas.<sup>18</sup> The Prosecco DOC now covers 9 provinces across the two regions of Veneto and Friuli.<sup>19</sup> Within the larger Prosecco DOC region are Treviso Prosecco DOC, Asolo Prosecco DOCG (formerly known as Colli Asolani Prosecco until 2014) and Conegliano Valdobbiadene DOCG which was the first area granted DOC status in April 1969 and which was upgraded to DOCG status in 2009 upon the creation of the broader Prosecco DOC area.<sup>20</sup> As already stated, Conegliano and Valdobbiadene are in the Veneto region and within the province of Treviso. Asolo is another town and commune within the province of Treviso in the Veneto region. The Prosecco DOC area created in 2009 includes the areas from Veneto and an area from Friuli that contains areas around the cities of Udine and Trieste and the place called Prosecco.

## II GRAPE VARIETY OR GEOGRAPHICAL INDICATION?

There is very significant evidence that Prosecco is the name of a grape variety, and that Glera is but one of several, infrequently used synonyms for Prosecco that were also used to describe grapes other than Prosecco and to describe Prosecco Lungo. Until 2009, the term Glera was used rarely, especially in contrast to the wide use of Prosecco, and, even then, almost exclusively in some parts of Friuli. Some of the extensive evidence to this effect is discussed below.

### A Leading Reference Works

Reference works on grape varieties for wine have been published by different authors over a period in excess of 100 years. Every leading reference work has, until quite recently, referred to Prosecco as a grape variety, not the name of a wine made predominantly or solely from a grape variety called Glera. Even the more recent works acknowledge that Prosecco 'used' to be the name of a grape variety.<sup>21</sup> In

<sup>16</sup> See *Conegliano Valdobbiadene Prosecco DOCG* (2018) Italian Wine Central <<https://italianwinecentral.com/denomination/conegliano-valdobbiadene-prosecco-docg/>>.

<sup>17</sup> See e.g. Tim Gaiser 'Discovering Prosecco Superiore' on Tim Gaiser, Master Sommelier (2 September 2012) <<http://www.timgaiser.com/blog/prosecco>>.

<sup>18</sup> 'Prosecco – Get the Facts' Wine Federation of Australia, March 2018. Copy held on file by the authors

<sup>19</sup> See *Consortium for the Protection of Prosecco Wine* (2012) <<http://www.uvive.it/en/zones-and-consortia/consorzio-tutela-vino-prosecco~17.html>>.

<sup>20</sup> *Consortium for the Protection of Prosecco Wine*, n 19.

<sup>21</sup> 'The exact origin of Glera, once better known as Prosecco...' I D'Agata, *Native Wine Grapes of Italy* (University of California Press, 2014) 308. 'Prosecco was given its first boost in development and its first protection by the law on the Denominazioni di Origine dei Vini (Delimitation of Wine Origins). In fact, the decree of 7 June 1969 defined "Prosecco di Conegliano e Valdobbiadene" as a white wine made from Prosecco

addition, while some of those reference works list Glera as a synonym of Prosecco in the Friuli region, many do not list it at all. It is the combination of the repeated references to Prosecco as a grape variety and the repeated lack of references to Glera in the same works that casts considerable doubt on the legality of the attempt to convert Prosecco into a geographical indication.

Some of the leading reference works in question, spanning many decades of writing on the topic of grape varieties, include the following (discussed chronologically):

**1 Viala and Vermorel, *Ampelographie* (1909)<sup>22</sup>**

This 7-volume work was published in the early part of the twentieth century. It clearly identified Prosecco as the name of a grape variety in Italy while referring to Glera as a name used in Trieste and Udine.<sup>23</sup> Trieste did not become part of Italy until 1918, at the end of World War I. Udine became part of Italy in 1866.

**2 Robinson (ed), *The Oxford Companion to Wine* (1994)<sup>24</sup>**

'Prosecco – late ripening white grape variety native to the Friuli region in North East Italy. It is responsible for wine of the same name sometimes called Prosecco di Conegliano Valdobbiadene ...'<sup>25</sup> There is no reference to Glera.

**3 Robinson, *Robinson's Guide to Wine Grapes* (1996)<sup>26</sup>**

Robinson's views on Prosecco have been consistent. This book, published in 1996, includes a section on 'the grapes behind the name'. Prosecco is identified as one of the grapes behind a number of wines from the Veneto region.<sup>27</sup> There is no reference to Glera in the book.

**4 Cernilli and Sabellico, *The New Italy* (2000)<sup>28</sup>**

This book has two photographs with the captions referring to 'Prosecco grapes'.<sup>29</sup> It contains the following reference to Prosecco in the context of discussing the wines of Veneto but not Friuli:

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variety produced in the Treviso hills.' Diego Tomasi Federica Gaiotti and Gregory V Jones, *The Power of the Terroir: The Case Study of Prosecco Wine* (Springer, 2013) 8.

<sup>22</sup> P Viala and V Vermorel, *Ampelographie Tome VII* (Libraires de l'Academie de medicine, 1909).

<sup>23</sup> P Viala and V Vermorel, 'Prosecco Bianco, Prosecco Tondo – Noms de cepages italiens d'Istrie' in *Ampelographie Tome VII* (Libraires de l'Academie de medicine, 1909) 272 and 'Glera Bianca, Secca – Noms cites par Acerbi pour Trieste et Udine', 137.

<sup>24</sup> Jancis Robinson, *The Oxford Companion to Wine* (Oxford University Press, 1994).

<sup>25</sup> Jancis Robinson, *The Oxford Companion to Wine*, n 26, 764.

<sup>26</sup> Jancis Robinson, *Robinson's Guide to Wine Grapes* (Oxford University Press, 1996).

<sup>27</sup> Robinson, *Robinson's Guide to Wine Grapes*, n 24, 150.

<sup>28</sup> Daniele Cernilli and Marco Sabellico, *The New Italy: A Complete Guide to Contemporary Italian Wine* (Octopus Publishing Group, 2000).

<sup>29</sup> Cernilli and Sabellico, n 40, 74, 83.

‘the only remaining *native vines are Prosecco and Raboso*’<sup>30</sup> (emphasis added)

This book clearly describes Prosecco as a grape variety in multiple places, including reference to the making of a dessert wine Torchiata di Fregona from a blend of ‘Prosecco Verdiso Boschera’.<sup>31</sup> Verdiso and Boschera are also grape varieties.

The index to the book includes this entry: ‘Prosecco (grape)’ followed by ‘Prosecco di Congeliano’.<sup>32</sup>

There is no reference to Glera in the index, the table of contents, the discussion of Prosecco or the discussion of wines of Friuli or anywhere else in the book. The book also refers to Incrocio Manzoni and describes one of two varieties of grape by that name as ‘a cross of Prosecco and Cabernet Sauvignon. It is grown in a few parts of the Veneto, most notably in the Treviso province.’<sup>33</sup> The origin of the name Incrocio Manzoni is discussed later in this article.

## 5 Johnson, *Pocket Wine Book* (2000)<sup>34</sup>

‘White grape making v light dry sp wine very popular in Venice. Next is better.’<sup>35</sup> The next entry is ‘Prosecco di Conegliano- Valdobbiadene’.<sup>36</sup> There is no reference in the book to Glera.

## 6 Anderson, *The Wines of Italy* (2004)<sup>37</sup>

This book was published by the Italian Trade Commission, Montreal with sponsorship from the Italian Ministry of Agriculture, Food and Forestry.

‘Verona’s Soave, Valpolicella and Bardolino derive from native *varieties*. But in the central and eastern Veneto and Friuli imported *varieties*—such as Merlot, Cabernet, the Pinots, Chardonnay and Sauvignon—share vineyard space with *the local Tocai, Prosecco, Verduzzo, Refosco, Schioppettino, Ribolla Gialla and Raboso*.’<sup>38</sup> (emphasis added)

‘Treviso’s province takes in the hills north of Venice between the towns of Conegliano and Valdobbiadene, noted for the popular Prosecco, a dry to softly sweet white, almost always bubbly. A refined version is known as Superiore di Cartizze. The adjacent Montello e Colli Asolani zone is noted for *Prosecco, Cabernet and Merlot*. Producers of Prosecco have used their experience with sparkling wine to build markets with Pinot and Chardonnay, made either by the tank fermentation or the classical bottle fermentation methods.’<sup>39</sup> (emphasis added)

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<sup>30</sup> Cernilli and Sabellico, n 40, 74.

<sup>31</sup> Cernilli and Sabellico, n 40, 82.

<sup>32</sup> Cernilli and Sabellico, n 40, 221.

<sup>33</sup> Cernilli and Sabellico, n 40, 27.

<sup>34</sup> Hugh Johnson, *Hugh Johnson’s Pocket Wine Book* (Octopus Publishing Group, 2000).

<sup>35</sup> Johnson, n 30, 124.

<sup>36</sup> Johnson, n 30, 124.

<sup>37</sup> Burton Anderson, *The Wines of Italy* (Italian Trade Commission, 7<sup>th</sup> ed , 2004). At the time of writing, the first six editions of the book had not been located by the authors.

<sup>38</sup> Burton Anderson, n 36, 78.

<sup>39</sup> Burton Anderson, n 36, 80.

The book goes on to list the describe the grape varieties used in the Montello e Colli Asolani area, including ‘Prosecco WDr/Sw/Fz; Prosecco Spumante W-Dr/Sw-Sp.’<sup>40</sup>

## 7 Bastianich and Lynch, *Vino Italiano: The Regional Wines of Italy* (2002, 2005)<sup>41</sup>

The 2002 and 2005 editions of this book list, under the heading ‘KEY GRAPE VARIETIES’, the grape varieties of wine from Friuli—including Prosecco.<sup>42</sup> Glera is not mentioned anywhere in either edition of the book.

Both the 2002 and the 2005 editions of this book state as follows:

‘Despite Friuli’s relatively cool climate and wealth of white wine, there isn’t a big sparkling wine culture in the region. There are a handful of solid proseccos to be found, and a few sparklers .... But on the whole, Friuli is not a place to look for bubbly.’<sup>43</sup>

On the other hand, in the section on the wines of Veneto, Prosecco is classified as a grape variety under the heading ‘KEY GRAPE VARIETIES’, straight after reference to Garganega and Trebbiano.<sup>44</sup> The same statements apply to the 2002 edition of the book, which also contains a detailed discussion of Prosecco, the grape variety.<sup>45</sup>

There is an important point to note about one of the authors, Bastianich. Bastianich’s family business owns a commercial winery located in a north eastern region of Italy.<sup>46</sup> The region is Friuli. Yet in two editions of his book, Glera receives no mention at all but Prosecco is repeatedly referred to as a grape variety in both Veneto and Friuli.

## 8 Walton, *New Encyclopedia of Wine* (2006)<sup>47</sup>

‘Prosecco di Conegliano /Valdobbiadene. Made near Piave, Prosecco can be a still dry white but its more celebrated manifestation ...’<sup>48</sup> There is no reference to Glera.

Robinson, Harding and Vouillamoz, *Wine Grapes: A Complete Guide to 1,368 vine varieties* (2012)<sup>49</sup>

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<sup>40</sup> Burton Anderson, n 36, 82. Note that this reference to Prosecco as a grape variety for Montelli e Colli was confirmed by the European Union itself in its agreement with Australia in 1994.

<sup>41</sup> Joseph Bastianich and David Lynch, *Vino Italiano: The Regional Wines of Italy* (Clarkson Potter, 2002); Joseph Bastianich and David Lynch, *Vino Italiano: The Regional Wines of Italy* (Clarkson Potter, 2<sup>nd</sup> ed, 2005).

<sup>42</sup> Bastianich and Lynch (2002) n 46, 38; Bastianich and Lynch (2005) n 47, 40.

<sup>43</sup> Bastianich and Lynch (2002) n 46, 35; Bastianich and Lynch (2005) n 47, 37-38.

<sup>44</sup> Bastianich and Lynch (2005) n 47, 64.

<sup>45</sup> Bastianich and Lynch (2002) n 46, 38.

<sup>46</sup> See Bastianich (2018) <<http://www.bastianich.com/>>.

<sup>47</sup> Walton, n 12.

<sup>48</sup> Walton, n 12, 156.

<sup>49</sup> Jancis Robinson, Julia Harding and José Vouillamoz, *Wine Grapes: A Complete Guide to 1,368 Vine Varieties* (Penguin, 2012).

Published in 2012, this book has won every major prize for wine books, including the 2013 *Prix de l'OIV*. Among other statements in respect of Prosecco and criticising the renaming of Prosecco as Glera, it describes Prosecco as 'Misleadingly renamed Glera for commercially protective reasons.'<sup>50</sup>

**9 Anderson, *Which Winegrape Varieties are Grown Where? A Global Empirical Picture* (2013)<sup>51</sup>**

This book won the *Prix de l'OIV* in 2014. It has multiple references to Prosecco and Prosecco Lungo, including considerable detail of production quantities in multiple countries such as Argentina and Brazil. Glera is not even mentioned as a synonym for Prosecco or Prosecco Lungo; in fact, the word 'Glera' appears nowhere in the book.

**B Italian organisations and publications**

There might be grounds for criticising some of the above publications on the grounds that they are published by English speaking authors who may not be sufficiently acquainted with the Italian wine industry and, in particular, the wine industry within Veneto and Friuli. Those grounds do not appear strong given the reputation of the authors in question and, as just explained in respect of Bastianich, their particular knowledge of Veneto and Friuli.

Even assuming those grounds are strong, a consideration of publications by Italian wine organisations and those of the Italian government itself may assist. As noted above, the work by Burton Andersen was published by the Italian Trade Commission in Montreal and sponsored by the Italian Ministry of Agriculture, Food and Forestry.<sup>52</sup>

Information from other sources with very strong links to the Italian wine industry and the wine industries of Veneto and Friuli in particular, confirms the position described in the reference works cited above.

**1 *Vitis Rauscedo***

Vitis Rauscedo is a leading Italian vine growers co-operative from Friuli, which has categorised Prosecco as a grape variety and vine since 1773.<sup>53</sup> Its 2007 general catalogue describes the organisation as:

'a group of vine-growers from Friuli belonging to families, who – for generations now – produce grafted plants in the European area with the most special calling for this kind of activity.'<sup>54</sup>

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<sup>50</sup> Robinson, Harding and Vouillamoz, n 22, 853.

<sup>51</sup> Kym Anderson, *Which Wine Grapes are Grown Where?* (University of Adelaide Press, 2013). The database upon which the book is based is available at <https://www.adelaide.edu.au/wine-econ/databases/>.

<sup>52</sup> Burton Andersen, n 36.

<sup>53</sup> Vitis Rauscedo, *General Catalogue* (2007) <<http://www.vitisrauscedo.it/pdf/catalogue-en.pdf>>.

<sup>54</sup> Vitis Rauscedo, n 55, 4.



One might reasonably infer from this description that the organisation knows quite a deal about Italian grape vines and, in particular, those from Friuli. Its catalogue has an alphabetical list of Italian vine varieties. One might expect to see Glera listed prominently in that alphabetical list if Glera was, in 2007, the name commonly used anywhere to describe Prosecco.

The entry for Prosecco refers to Prosecco Lungo and Prosecco Tondo. It identifies some synonyms for the latter including Glera and Serprina, but the organisation clearly describes Prosecco as the primary name for the relevant grape.<sup>55</sup>

Under 'Origin and History', the catalogue states:

'Already in the 15th-17th centuries the hills around Conegliano, Veneto, were famous on the main markets of the day as a valuable vine-growing and wine-making area, but the name Prosecco had not yet appeared (Calò et al.1999). *Only in 1773 did Villafranchi mention this vine for the first time as one cultivated in the Conegliano area.* Prosecco tondo (round) has a better yield and therefore subsequently replaced the original Prosecco lungo (long), characterised by the elongated berry of higher quality. Recent research (Calò et al. 1999) has proven that there are various biotypes within the Prosecco population, which can be traced back to *two distinctive vines* called Prosecco lungo and Prosecco tondo'<sup>56</sup> (emphasis added).

## 2 *Principali Vitigni Da Vino Coltivati in Italy*

If one seeks a source even closer to the Italian government, one might wish to inspect the 5 volumes of this impressive work, given that they were commissioned and published by the then Italian Ministry for Agriculture and Food. The Italian DOC system was created in the early 1960's and it is a reasonable assumption that the work was undertaken as part of the process of creating and implementing the DOC system.

Volume V alone contains a number of lists and indices, and is 485 pages long.<sup>57</sup> Each of the other four volumes is significantly larger with detailed commentary on individual vine varieties. Volume V has an alphabetical list of vines, a list of synonyms and a list of the recommended vines for each region of Italy. The alphabetical list refers to Prosecco, but Glera does not get a mention.<sup>58</sup> Incrocio Manzoni 2.15 (the cross between Prosecco and Cabernet Sauvignon) is also listed.<sup>59</sup> In the list of synonyms, Glera is not listed as the common name for any grape. It is listed as a synonym under the heading for Prosecco along with Prosecco Balbi, Prosecco Bianco, Prosecco Tondo and Serprina.<sup>60</sup>

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<sup>55</sup> 'In DOC wines such as Bagnoli, Breganze, Colli di Conegliano, Colli Euganei, Gambellara, Montello, Colli Asolani, Piave, Prosecco di Conegliano Valdobbiadene Cartizze the *Prosecco tondo* grape is used. *Prosecco* Grape cluster: medium-large, elongated pyramidal-shaped, winged (two wings), sparse. Grape berry: medium, spheroid. The skin is pruinose, thin but rather consistent with a golden-yellow colour with slight pitting. *Prosecco lungo* Grape cluster: medium, truncate-pyramidal-shaped, usually simple, semicompact or compact. Grape berry: medium, sub-ellipsoid or ellipsoid. The skin is pruinose, slightly thick and consistent, bright golden tending to pink, with pitting. The pulp has a special herbaceous flavour.' (emphasis added) *Vitis Rauscedo*, n 55, 85.

<sup>56</sup> *Vitis Rauscedo*, n 55, 85.

<sup>57</sup> Cosmo, Grafiche Longo & Zoppelli, *Indici dei Principali Vitigni Da Vino Coltivati in Italia E Guida viticola D'Italia Volume V* (1st ed, Treviso, 1966); Commissione per Lo Studio Ampelografico dei Principali vitigni ad uve da vino coltivati in Italia Ministero Dell'Agricoltura E Delle Foreste

<sup>58</sup> Cosmo, Grafiche Longo & Zoppelli, n 59, 18.

<sup>59</sup> Cosmo, Grafiche Longo & Zoppelli, n 59, 13.

<sup>60</sup> Cosmo, Grafiche Longo & Zoppelli, n 59, 82-83.

In the alphabetical list of synonyms, Glera also gets a mention in small font next to the word 'PROSECCO' in all caps.<sup>61</sup> The words in large capitals appear to be the names of varieties recommended for planting. The other synonyms for Prosecco are also listed in lower case next to PROSECCO.<sup>62</sup> The significance of the differences in font size and capitalization does not appear to lose anything in translation.

Volume I of the book lists the grape varieties described in that volume. While Prosecco is listed, Glera again gets no mention. Prosecco receives a nine-page analysis as a grape and vine variety.<sup>63</sup> Glera is referred to there, but only as one of four synonyms for Prosecco, the others being Prosecco Tondo, Prosecco Balbi and Serprina. Glera is described as merely a synonym sometimes used by people in Friuli. The history of the Prosecco grape is also discussed with clear references to Prosecco as the primary name for the relevant grape. Volume III of the book refers to Incrocio Manzoni 2.15, which is described as a cross between Cabernet Sauvignon and Prosecco.<sup>64</sup> There is no mention of Glera.

In summary, this five-volume work, published by the Italian government over a period of several years prior to and during the time of the creation of the Italian DOC system, unequivocally describes Prosecco as a grape variety and Glera as a minor, less commonly used synonym in the Prosecco-growing region of Friuli, and confirms that Incrocio Manzoni is a cross between Cabernet Sauvignon and Prosecco.

### 3 *Aree Viticole del Veneto*

Another Italian book deals specifically with the grape vines of Veneto. *Aree Viticole del Veneto* was published by the Istituto Sperimentale per la Viticoltura in 1988.<sup>65</sup> The authors are highly regarded for their knowledge and publications relating to Italian wine.<sup>66</sup>

The Institute has had its headquarters in Conegliano since 1923.<sup>67</sup> Its original director of Viticultural Physiology and Pathology was Professor Luigi Manzoni, after which Incrocio Manzoni 2.15, the grape variety that is a cross between Prosecco and Cabernet Sauvignon, was named. Professor Manzoni created this new grape variety as part of his work for the Institute. The numbers 2.15 refer to the particular location of the cross-variety vine within the Institute's experimental plots.<sup>68</sup> Professor

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<sup>61</sup> Cosmo, Grafiche Longo & Zoppelli, n 59, 135.

<sup>62</sup> Cosmo, Grafiche Longo & Zoppelli, n 59, 135.

<sup>63</sup> *Principali Vitigni Da Vino Coltivati in Italia Volume I* (Raccolta delle monografie pubblicate negli Annali della Sperimentazione Agraria, Roma (dal 1952 al 1960). Commissione per Lo Studio Ampelografico dei Principali vitigni ad uve da vino coltivati in Italia Ministero Dell'Agricoltura E Delle Foreste Each grape variety is assigned its own number and Prosecco, with its 9 pages of discussion, is no 41 in Volume 1

<sup>64</sup> *Principali Vitigni Da vino Coltivati in Italia*, Volume III. Commissione per Lo Studio Ampelografico dei Principali vitigni ad uve da vino coltivati in Italia Ministero Dell'Agricoltura E Delle Foreste The discussion of Incrocio Manzoni 2.15 is no 25 of the grape varieties discussed in this volume.

<sup>65</sup> A Calo, G Moretti, A Costacurta, *Aree Viticole Del Veneto: Vitigni Consigliati per nuovi impianti* (Allegato Al Vol XLV (1998) Degli Annali Dell'Istituto Sperimentale per la viticoltura.

<sup>66</sup> Two of the authors, Calo and Costacurta, are former directors of the Institute.

<sup>67</sup> See Consiglio per la ricerca in agricoltura e l'analisi dell'economia agraria (29 November 2018) <[http://sito.entecra.it/portale/cra\\_dati\\_istituto.php?lingua=EN&id=212](http://sito.entecra.it/portale/cra_dati_istituto.php?lingua=EN&id=212)>.

<sup>68</sup> The numbers refer to the 15<sup>th</sup> vine in the second row of the relevant vineyard where Incrocio Manzoni was developed.

Manzoni, who was Director of the leading wine research institute in Italy, which is located in the heart of the Prosecco-growing areas of Italy, regarded both Prosecco and Cabernet Sauvignon as names of grape varieties.

Page 14 lists the wine varieties for the Province of Treviso, including Prosecco and Incrocio Manzoni. There is no reference to Glera. The table of contents contains a list of white grape varieties, including Prosecco, along with others such as Chardonnay and Garganega—but not Glera. Relevant pages in the text contain lists of grape varieties from various provinces within the region of Veneto. Prosecco B (for Bianco, white) is listed under ‘Varieta di viti raccomandate’ for the provinces of Vicenza, Padova, Treviso and Belluno.<sup>69</sup> There is no listing for Glera anywhere.

Page 24 contains a pie chart of the ‘Diffusione Vitigni in Prov Di Treviso’, showing that Prosecco accounts for 22 per cent of the wine grapes grown in Treviso.<sup>70</sup> There is no reference to Glera or to Serprina, a synonym for Prosecco in some provinces in Treviso. The book also contains a table with geographical zones within Veneto in one column, and another column showing the ‘Vitigni consigliati’ (‘recommended vine’) for each zone. For a number of the zones, one of the vines listed is Prosecco.<sup>71</sup> There is no reference to Glera or to Serprina.

To summarise, a book published by a research institute based in Conegliano since 1923 and written by highly qualified authors in 1988 repeatedly describes Prosecco as a grape variety. It fails to even mention Glera except on page 79 where it refers to it as one of several synonyms for Prosecco. The book repeatedly lists Prosecco as a grape variety grown in particular geographical zones within Veneto.

#### **4      *L’UVA E IL VINO: Friuli-Venezia Giulia, Trentino-Alto Adige, Veneto***

This book, dealing with the wine of Friuli, Trentino Alto Adige and Veneto was published in 1982.<sup>72</sup> The book lists and describes grape varieties in alphabetical order. After dealing with Garganega, the next entry is Incrocio Manzoni, the cross between Prosecco and Cabernet Sauvignon already described above. There is no separate reference to Glera. Prosecco has its own entry together with a reference to the history of the grape. Within that entry, Glera is described as ‘almost identical’. This statement is consistent with other evidence that Glera was usually the term to describe either Prosecco Lungo or some other minor varieties of Prosecco in Friuli.

As with other books, there are lists of the grape varieties grown in various geographical zones. Prosecco is listed under Trieste and under Udine, but not Glera. Under the zone of Veneto, Prosecco is listed as a grape for the provinces of Belluno, Padova, Treviso and Vicenza. Again, Glera receives no mention.

### **C      Ampelology**

DNA analyses of the different grapes called Prosecco have been published in a variety of scientific journals. As noted above, there are at least two varieties of Prosecco that are related in some ways but quite distinct grapes: Prosecco Lungo (long) and Prosecco Tondo (round). Prosecco Tondo is, by far, the more common grape in the Veneto region and it is this grape that is usually called Prosecco. It seems that Prosecco Lungo is more common in the Friuli region. There is considerable evidence that

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<sup>69</sup> See A Calo, G Moretti, A Costacurta, *Aree Viticole Del Veneto: Vitigni Consigliati per nuovi impianti* (Allegato Al Vol XLV 1998) Degli Annali Dell’Istituto Sperimentale per la viticoltura 14-23.

<sup>70</sup> Calo, Moretti and Costacurta, n 72, 24.

<sup>71</sup> Calo, Moretti and Costacurta, n 72, 30 and beyond.

<sup>72</sup> L Plozner and P Pitarro *L’Uva e il vino: Friuli-venezia Giulia Trentino-Alto Adige Veneto* (Magnus, 1982)

the word Glera was used only in Friuli to describe Prosecco Lungo or a number of other grapes grown in that region.<sup>73</sup>

One of the articles expressly uses the term Prosecco rather than Glera, which it states is the ‘new’ name for Prosecco.<sup>74</sup> Its reason for doing so is instructive. The article states that it uses the term Prosecco rather than Glera because Prosecco was the term used in the multiple vineyards from which multiple samples were taken in Veneto and Friuli for the purposes of the research described in the article.<sup>75</sup>

In any event, one of the best ways of identifying vines is by DNA testing. Those undertaking the testing would have clear views about the name to be accorded to any vine they test. A leading French Institute, the *Institut Français de la vigne et du vin*, undertakes this work on samples provided to it from all over the world. In 2011, the Institute received 11 samples of different vines from an Australian vineyard, and was asked to undertake DNA testing in order to identify the names of the vines from which they were taken. It determined that one of the samples was a Prosecco vine. The word Glera was not mentioned in the report.<sup>76</sup>

Thus, the scientists appear to agree with the wine writers about the use of the terms Prosecco and Glera.

## **D Recognition by the Organisation of International Vine and Wine**

The Organisation of International Vine and Wine (OIV) is an international organisation, established by an international treaty in 2001 as the successor to the International Vine and Wine Office, created in 1924.<sup>77</sup> Member countries include almost all of the major wine producing countries of the world. The OIV publishes a number of documents concerning grape varieties, which clearly indicate that Prosecco is understood to be a grape variety in a number of countries, including Australia, Slovenia and Argentina.<sup>78</sup> Those publications also indicate that Prosecco was considered a grape variety in Italy itself until the recent change in the law.<sup>79</sup> Finally, the OIV has a prize for the best publications in wine worldwide, which have been awarded to works including some of those mentioned above which, in turn, make it abundantly clear that Prosecco is the name of a grape variety.

## **E Linguistic uses of Prosecco**

One of the further difficulties with claiming Prosecco as a geographical indication relates to the way in which the word has frequently been used in combination with other words. In particular, even to this day, types or individual brands of Prosecco have names with geographical suffixes such as Prosecco di

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<sup>73</sup> M. Crespan et al, ‘Molecular Contribution to the Knowledge of Two Ancient Varietal Populations: ‘Rabosi’ and ‘Glere’ (2009) 827 *Acta Horticulturae* (ISHS) 217.

<sup>74</sup> Meneghetti et al, n 11, 409.

<sup>75</sup> Meneghetti et al, n 11, 409.

<sup>76</sup> Report from the Institut Français de la vigne et du vin, held on file by the authors (11 April, 2011).

<sup>77</sup> *Agreement Establishing the International Organisation of Vine and Wine* (3 April 2001) <<http://www.oiv.int/public/medias/2197/en-oiv-accord-20010403.pdf>>.

<sup>78</sup> International Organisation of Vine and Wine, *International List of Vine Varieties and their Synonyms* (2013) 135 <<http://www.oiv.int/public/medias/2273/oiv-liste-publication-2013-complete.pdf>>; International Organisation of Vine and Wine, *Description of World Vine Varieties* (2009) <<http://www.oiv.int/public/medias/2272/des-cep-monde-edition-2009.pdf>> lists Prosecco Lungo and Prosecco Tondo as Italian grape varieties. Glera does not appear to be listed in the latter document.

<sup>79</sup> International Organisation of Vine and Wine, *International List of Vine Varieties and their Synonyms*, n 78, 135; International Organisation of Vine and Wine, *Description of World Vine Varieties*, n 78.

Treviso (the name of a city, a province and a commune of the Veneto region), or Prosecco di Conegliano Valdobbiadene.

Coupled with that aspect of wording is that the Prosecco grape comprises the sub-varieties (mentioned above) of Prosecco Lungo and Prosecco Tondo, the latter being the most common variety of Prosecco. These two terms are expressly recognised in documentation of the OIV<sup>80</sup>, and are used in a number of the reference works identified above. Moreover, it is hard to understand how the adjectives 'long' and 'round' have any geographical significance in this context. For example, expressions such as 'long Champagne' or 'round Champagne' are certainly uncommon. On the other hand, it is reasonably easy to grasp the significance of those expressions in the context of a grape variety – one sub-variety has a long shaped fruit; the other has a round fruit. It is not entirely clear how or whether a law declaring Prosecco to be a geographical indication can thereby abolish the linguistic concepts of Prosecco Lungo or Prosecco Tondo. Nor is it clear how the expressions Glera Lungo or Glera Tondo can play any meaningful role when the word Glera was used inconsistently and rarely in the Friuli region to describe either just Prosecco Lungo, or a number of other grape varieties, including but not limited to both varieties of Prosecco.

## F The EU's own statements

Tellingly, the EU itself has expressly acknowledged in a treaty with Australia concluded in 1994 that Prosecco is a vine variety. On page 62 of that agreement, after claiming protection for the geographical indication 'Montello e Colli Asolani', the agreement follows reference to that geographical indication with the following statement:

'accompanied by one of the following expressions:

- *rosso*
- *superior*

or by the name of *one of the following vine varieties:*

- *Prosecco*
- Merlot
- Cabernet
- Cabernet franc
- Cabernet sauvignon
- Chardonnay
- Pinot bianco
- Pinot grigio<sup>81</sup>

The word 'Glera' does not appear anywhere in the 1994 agreement.

In light of the above evidence, there is a serious question to be asked as to how, exactly, a grape variety that was clearly identified as such for centuries - and by the European Union in an international treaty; by Italian experts; by international wine experts; by ampelologists; by the Italian Department of Agriculture and Forestry; by Italian grape growers and grower organisations and by Italian wine research

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<sup>80</sup> International Organisation of Vine and Wine, *Description of World Vine Varieties*, n 78.

<sup>81</sup> *Agreement between the European Communities and Australia on trade in Wine – Protocol – Exchange of letters* [1994] OJ L 86/3, annex II (emphasis added). Note that the EU's 1994 statement is corroborated by the extract from Burton Anderson's 2004 book referred to at FN 36. Anderson's book was published by the Italian Trade Commission.

institutes - became a geographical indication other than by government fiat, and how, exactly, the rarely and inconsistently used name Glera become the new name for Prosecco other than by government fiat.

### III SOME OF THE LEGAL IMPLICATIONS OF THE EU'S DEMANDS

The legal issues surrounding prohibitions by either the Australian government or other governments on the use of Prosecco produced outside the Italian Prosecco DOC area include, but are not limited to,<sup>82</sup> the following issues:

1. Compliance with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS");
2. Compliance with the WTO's Technical Barriers to Trade ("TBT") Agreement;<sup>83</sup> and
3. Compliance with the Australian Constitution.

Free trade agreements or investment treaties between two or more states, such as the proposed EU-Australia FTA, can provide protection for intellectual property that exceeds the protection conferred by the TRIPS Agreement.<sup>84</sup> However, a government cannot contract out of its obligations under the TRIPS and TBT Agreements. Consequently, a WTO member cannot defend an alleged breach of WTO rules by reliance on obligations under a trade or investment agreement that specifically addresses the issue of use of the term Prosecco.

#### A Compliance with Article 20 of the TRIPS Agreement

Each of the three legal issues outlined above depend, to different degrees, on whether Prosecco is a geographical indication within the meaning of the TRIPS agreement.<sup>85</sup> A geographical indication is defined in Article 22 of the TRIPS Agreement as follows:

##### *Article 22 Protection of Geographical Indications*

1. *Geographical indications are...indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.*

An indication includes a word such as Prosecco but, in order for it to be a geographical indication, it must have two other qualities. First, the indication must identify a good as 'originating in the territory of a Member or a region ... in that territory' and second, the good must have a 'given quality, reputation or other characteristic of the good' that 'is essentially attributable to its geographical origin'.

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<sup>82</sup> We do not address here potential issues of inconsistency with the EU's investment agreements.

<sup>83</sup> *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) Annex 1A ('*Agreement on Technical Barriers to Trade*').

<sup>84</sup> See, generally, Bryan Mercurio, 'TRIPS-Plus Provisions in FTAs: Recent Trends' in Lorand Bartels and Federico Ortino (eds), *Regional Trade Agreements and the WTO Legal System* 215 (OUP, 2006). G. E. Evans and Michael Blakeney, 'The Protection of Geographical Indications after Doha: *Quo Vadis?*' (2006) 9(3) *Journal of International Economic Law* 575.

<sup>85</sup> See, generally, Irina Kireeva and Bernard O'Connor, 'Geographical Indications and the TRIPS Agreement: What Protection is Provided to Geographical Indications in WTO Members?' (2010) 13 *Journal of World Intellectual Property* 275.

In respect of Prosecco, both of these qualities are lacking, particularly the second. As we demonstrated in the preceding Part, Prosecco is the name of a grape variety. The good in question must have a ‘quality, reputation or other characteristic’ that is ‘essentially attributable to its geographical origin’. The Shorter Oxford Dictionary defines ‘essentially’ as meaning ‘in essence or character. On the grounds of the actual nature of something’.<sup>86</sup> The actual nature of Prosecco is that it is a wine made from a particular grape variety. Passing a law in 2009 declaring otherwise does not alter the ‘essential’ nature of the good.

A number of potential issues of compliance with the TRIPS agreement flow from the weakness of the argument that Prosecco is a geographical indication, as opposed to a grape variety. These include the obvious fact that the various protections for geographical indications would not be applicable.

Article 20 of the TRIPS Agreement provides that ‘The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements ...’.<sup>87</sup> The recent decision of a WTO dispute settlement panel in relation to Australia’s plain packaging laws found that a prohibition on the use of a trademark can be caught by the provision.<sup>88</sup> The word ‘Prosecco’, by itself, is almost certainly not a trademark that can be owned by one person or organisation, if it simply describes a grape variety. However, many trademarks might include the word Prosecco.

Article 20 applies to all trademarks, not just registered trademarks. At least under common law systems, it is entirely possible for a diverse group of makers of a product to share the reputation with consumers associated with a particular term used to describe the product that they make. For example, the word ‘Advocaat’ refers to a particular type of liqueur made from egg and brandy. An English decision in the 1980’s<sup>89</sup> held that each individual maker shared the reputation for Advocaat with other makers and any one of them could bring action against a trader selling a drink that was called Advocaat, but was made of egg and wine rather than egg and brandy. In that sense, each maker of the ‘real’ Advocaat was a co-owner of the unregistered trademark on the basis that each maker shared in the goodwill associated with the correct use of the term Advocaat. Article 20 of TRIPS applies to all trademarks, whether registered or not.

A ‘special requirement’ is a legal requirement exclusively or closely connected to the use of a trademark.<sup>90</sup> The prohibition of the use of the term Prosecco is likely to be such a special requirement in relation to the use of trademarks containing the word Prosecco in the course of trade. The prohibition would be ‘unjustifiable’ within the meaning of Article 20 if Prosecco is a grape variety of that name. The meaning of ‘unjustifiably’ was considered by the above-mentioned WTO panel in some detail. The question of justifiability involves a weighing and balancing of the interests of the relevant trademark owners against the reasons why government imposed the encumbrance.<sup>91</sup> If Prosecco is not a geographical indication but rather the name of a grape variety, there is no justification for encumbering the use of the term within trademarks for products made from that grape.

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<sup>86</sup> *Shorter Oxford English Dictionary* (Oxford University Press, 6<sup>th</sup> ed 2007).

<sup>87</sup> *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) Annex 1A (*Agreement on Technical Barriers to Trade*) art 2.

<sup>88</sup> Panel Report, *Australia - Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS435; WT/DS441/R, WT/DS458/R, WT/DS467/R (28 June 2018) [7.2240]-[7.2245]; [7.2279]-[7.2292] (*Australia - Certain Measures Concerning Trademarks*).

<sup>89</sup> *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731.

<sup>90</sup> *Australia - Certain Measures Concerning Trademarks*, WT/DS435,441,458,467/R [7.2231].

<sup>91</sup> *Australia - Certain Measures Concerning Trademarks*, WT/DS435,441,458,467/R [7.2430].

## B Compliance with Article 2.1 of the TBT Agreement

The TBT Agreement is designed to ensure, *inter alia*, that technical regulations are non-discriminatory and do not create unnecessary barriers to international trade. Article 2.1 of the TBT Agreement prohibits WTO members from enacting or maintaining technical regulations that, in law or in fact, impose unjustifiable discrimination between 'like' (similar) foreign and domestic products or between foreign products.<sup>92</sup>

A 'technical regulation' is defined in Annex 1.1 to the TBT Agreement<sup>93</sup> as a:

Document which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with *terminology*, symbols, packaging, *marking or labelling requirements as they apply to a product*, process or production method.<sup>94</sup>

In order to determine whether a measure is a technical regulation for the purpose of the TBT Agreement, the following requirements apply:

- (1) the measure must apply to an identifiable product or group of products, although the measure need not expressly refer to the product or products;
- (2) the measure must set out one or more characteristics of the product, whether intrinsic or related to the product and whether imposed in a positive or negative form; and
- (3) compliance with the product characteristics<sup>95</sup> must be mandatory.<sup>96</sup>

A prohibition on marketing wine products labelled with the term Prosecco, for wine that does not come from a particular area in Italy made in accordance with the relevant Italian regulations for making Prosecco, would meet those three criteria. The measure clearly relates to an identifiable product, namely wine. The measure would lay down the relevant characteristics of the product that would be required

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<sup>92</sup> *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) Annex 1A ('*Agreement on Technical Barriers to Trade*') art 2.1: 'Members shall ensure that in respect of technical regulations, products imported from the territory of any Member shall be accorded treatment no less favourable than that accorded to like products of national origin and to like products originating in any other country.'

<sup>93</sup> Under art 1.2 of the *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) Annex 1A ('*Agreement on Technical Barriers to Trade*'), "for the purposes of this Agreement the meaning of the terms given in Annex 1 applies". See also the second paragraph of the introduction to Annex 1 to the TBT Agreement.

<sup>94</sup> Emphasis added.

<sup>95</sup> A "characteristic" within the meaning of Annex 1.1 of the TBT Agreement may refer to, *inter alia*, "any objectively definable 'features', 'qualities', 'attributes', or other 'distinguishing mark' of a product"; "terminology, symbols, packaging, marking or labelling requirements"; as well as characteristics "related" to the product itself, such as "the means of identification, the presentation and the appearance of a product". This definition of "characteristics" is sufficiently broad to encompass requirements relating to terminology, marking or labelling that affect the manner in which a sign, including one that is protected as a trademark, may be displayed on the relevant product: Appellate Body Report, *European Communities-Measures Affecting Asbestos and Asbestos-Containing Products*, WT/DS135/AB/R, AB-2000-11 (5 April 2001) [67].

<sup>96</sup> Appellate Body Report, *European Communities-Measures Affecting Asbestos and Asbestos-Containing Products*, WT/DS135/AB/R [66]-[70]; Appellate Body Report, *European Communities - Trade Description of Sardines*, WT/DS231/AB/R, AB-2002-3 (23 October 2002) [176].



before the term Prosecco could be used on the label: namely, that it must be produced in a particular area of Italy in accordance with the relevant DOC regulations. Compliance with these restrictions on the use of the term would be mandatory.

As noted above, Article 2.1 of the TBT Agreement prohibits technical regulations that provide less favourable treatment to imported products vis-à-vis like domestic products. This provision, like other provisions prohibiting discrimination in the WTO agreements, is aimed at preventing protectionism: that is, measures that discriminate between domestic and imported goods on the basis of national origin.<sup>97</sup> Such discrimination may be direct (apparent from the measure itself) or indirect (where the measure, although facially origin-neutral, nevertheless has a detrimental effect on imported products compared with like domestic products).

Determining whether a technical regulation unlawfully discriminates between domestic and foreign products requires two analytical steps:

- 1) Whether ‘the technical regulation at issue modifies the conditions of competition in the market of the regulating Member to the detriment of the group of imported products vis-à-vis the group of like domestic products’;<sup>98</sup> and, if so:
- 2) Whether this detrimental impact on imports ‘stems exclusively from a legitimate regulatory distinction’ rather than reflecting discrimination against the group of imported products.<sup>99</sup>

The second stage of the inquiry involves analysing the ‘design, architecture, revealing structure, operation, and application of the technical regulation at issue, and, in particular, whether that technical regulation is even-handed.’<sup>100</sup> The key issue, therefore, is whether the distinction that the measure draws between domestic and foreign products is protectionist, or whether it pursues a legitimate regulatory objective.<sup>101</sup>

The WTO’s Appellate Body has to date decided three cases involving Article 2.1. For brevity, we focus on the two cases that involve products with identical physical characteristics.<sup>102</sup> In *United States — Measures Concerning the Importation, Marketing and Sale of Tuna and Tuna Products*, the Appellate Body held that a US measure imposing restrictions on the marketing of tuna products with a ‘dolphin-safe’ label was inconsistent with Article 2.1, on the basis that the measure had the effect of treating Mexican tuna products less favourably than domestic tuna products.<sup>103</sup> Eligibility criteria for a dolphin safe label depended on where the tuna was harvested. For tuna harvested in the Eastern Tropical Pacific (ETP),

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<sup>97</sup> The Appellate Body has confirmed that the national treatment obligation in Article III:4 of GATT provides ‘relevant context’ for interpreting Article 2.1 of the TBT Agreement. The principle underlying GATT Article III is to prevent protectionism. See Appellate Body Report, *United States — Measures Affecting the Production and Sale of Clove Cigarettes*, WT/DS406/AB/R, AB-2012-1 (4 April 2012) [100] (‘US — Clove Cigarettes’).

<sup>98</sup> *Appellate Body Report, US — Clove Cigarettes*, WT/DS406/AB/R [180].

<sup>99</sup> *Appellate Body Report, US — Clove Cigarettes*, WT/DS406/AB/R [181].

<sup>100</sup> *Appellate Body Report, US — Clove Cigarettes*, WT/DS406/AB/R [182].

<sup>101</sup> *Appellate Body Report, United States — Certain Country of Origin Labelling (COOL) Requirements*, WT/DS384/AB/R, WT/DS386/AB/R, AB 2012-3 (29 June 2012) [271] (‘US—COOL’).

<sup>102</sup> See also Appellate Body Report, *US — Clove Cigarettes*, WT/DS406/AB/R (involving discrimination against imported clove and other flavoured cigarettes in a manner that protected the domestic menthol cigarette industry).

<sup>103</sup> The panel had found domestic and Mexican tuna products to be like products, analysing the products’ physical characteristics and properties, end uses, tariff classification and consumer preferences: Panel Report, *United States — Measures Concerning the Importation, Marketing and Sale of Tuna and Tuna Products*, WT/DS381/R (15 September 2011) [7.233]–[7.251] (‘US — Tuna II’). This finding was not appealed.

where dolphins are frequently found in association with tuna, eligibility for dolphin-safe labelling was contingent on the certification of (1) that no dolphins were killed or seriously injured during the harvest, and (2) that no nets (which increase the risk of dolphin mortality) had been deployed or used to encircle dolphins while the tuna harvest was taking place. Tuna products harvested outside the ETP, however, were eligible for a dolphin safe label after satisfying only the second requirement.

The Appellate Body found that the regulation operated in such a way as to modify the conditions of the market to the detriment of Mexican tuna products, given that Mexican tuna fishers were more likely to deploy fishing fleets in the ETP and to use nets in their operations. Moreover, the less stringent certification requirements for non-ETP tuna did not address dolphin mortality in non-ETP areas to the same extent. Non-ETP tuna would be eligible for the dolphin safe label even where dolphins had been killed or seriously injured while the harvest was taking place.<sup>104</sup> Effectively, while the measure appeared to have the legitimate objective of dolphin conservation, the design of the measure and its application revealed protectionism.

The second case we discuss, *United States — Certain Country of Origin Labelling (COOL) Requirements*, involved a challenge to country of origin labelling for certain meat products. Meat sold in the US had to be labelled with information detailing where the animal was ‘born, raised and slaughtered’. The regime obliged producers and processors of meat to maintain detailed records in relation to the cross-border transit of the products.

The effect of the regime was to incentivise the domestic production of meat, because the administrative burdens on meat producers were far greater for imported meat. As such, the measure was held to have modified the conditions of competition in the US meat market to the detriment of foreign products.<sup>105</sup> Moreover, the onerous record-keeping requirements imposed by the regime were incongruent with the actual information conveyed to consumers on the product labels.<sup>106</sup> This led the Appellate Body to conclude that the detrimental impact of the measure on foreign products was not saved by a ‘legitimate regulatory distinction’, and was therefore in violation of Article 2.1 of the TBT Agreement.<sup>107</sup>

Whether a ban on the marketing of wine labelled Prosecco originating from places other than those defined by the rules relating to the Prosecco DOC region would be in violation of Article 2.1 of the TBT Agreement would, in part, depend on whether the two wines were ‘like products’ within the meaning of Article 2.1.

There is a strong argument that Italian wine made from the Prosecco grape and Australian wine made from the Prosecco grape are like products. The key factor is the nature and extent of a competitive relationship between and among Prosecco products in the relevant market or, in other words, the substitutability of one type of Prosecco for another. This analysis is to be undertaken without considering any distortive impact of the challenged measure itself.<sup>108</sup>

Presumably, the underlying purpose of the measure is ostensibly (1) to indicate that the relevant product originates from a particular geographical area and (as above) that it possesses relevant qualities or reputation that distinguish it from other products on account of its geographical origin, and (2) to prevent products not produced in this geographical area from benefiting from that area’s reputation. As we argue above, this ostensible objective cannot be the true objective of this measure, as Prosecco

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<sup>104</sup> Appellate Body Report, *US — Tuna II (Mexico)*, WT/DS381/AB/R (16, May 2012) [244]-[251], [297]-[299].

<sup>105</sup> Appellate Body Report, *US—COOL*, WT/DS384/AB/R, WT/DS386/AB/R, [271] [287]-[292].

<sup>106</sup> Appellate Body Report, *US—COOL*, WT/DS384/AB/R, WT/DS386/AB/R, [343]-[349].

<sup>107</sup> Appellate Body Report, *US—COOL*, WT/DS384/AB/R, WT/DS386/AB/R, [349]-[350].

<sup>108</sup> Appellate Body Report, *US — Clove Cigarettes*, WT/DS406/AB/R, [111].

is the name of a grape variety, rather than a wine product. Rather, the objective of the measure is to afford protection to Italian prosecco. Therefore, the detrimental impact on Australian Prosecco does not, in our view, ‘stem exclusively from a legitimate regulatory distinction’ for the purpose of Article 2.1.<sup>109</sup> As such, any prohibition of the marketing of Australian or other countries’ wines labelled as Prosecco but not Italian Prosecco would likely contravene Article 2.1 of the TBT.

## **F Compliance with the Australian Constitution**

At first impression, a federal law prohibiting existing Australian wine producers from using their current label of Prosecco raises an issue about whether such a law might be an acquisition of property by the Commonwealth on other than just terms, in contravention of section 51(xxxi) of the Constitution. This provision usually applies if the actions of the Commonwealth effectively transfer property from one party to another party. The effect of a prohibition on the use of the term Prosecco by Australian wine producers would be to take away their reputation and goodwill associated with that term. Reputation associated with a common law trademark is regarded as a form of property.<sup>110</sup> As such, a prohibition on the use of that property by Australian wine producers might well be considered to be an effective transfer of such property to Italian Prosecco producers, who would then own the entirety of both the goodwill and the reputation in Australia associated with Prosecco.<sup>111</sup>

However, whether a proposed prohibition would in fact engage s 51(xxxi) of the Constitution would depend on whether the Australian government would be relying on its power to make laws for copyright, patents, and trade marks under s 51(xviii), or whether it would be relying on some other power such as the external affairs power. The case law on s 51(xxxi) and its interaction with s 51(xviii) indicates that if a law is enacted pursuant to this head of power, and ‘is not directed towards the acquisition of property as such’, it will not be subject to the requirement to acquire property on just terms, because the very nature of intellectual property laws is that they create, negate and adjust the rights and privileges of use and adjust the powers between different parties in relationship to the intellectual property in question.<sup>112</sup>

The issue would, therefore, come down to whether the law could be characterised as one pertaining to the power to make laws in respect of patents, copyright and trade marks, and whether or not it was properly characterised as being directed towards the acquisition of the existing property rights of Australian trademark owners in favour of Italian Prosecco producers.

As to the first of these questions: while a law relating to geographical indications and their protection is not squarely within the concept of a law in respect of trade marks, the High Court has consistently taken a broad view of the interpretation of the head of powers relating to patents, copyright and trade marks. For example, it has held that specific laws for the protection of plant variety rights come within the head of power concerning patents, and a specific law relating to circuit layouts comes within the

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<sup>109</sup> Although we suggest that the aim of the measure is deliberately protectionist, such a finding is not obligatory when considering whether there has been discrimination: a finding of discrimination could be based on either an intent to discriminate or a discriminatory effect. We leave a more detailed analysis of the TBT Agreement for a future contribution.

<sup>110</sup> See generally M Davison and I Horak, *Shanahan’s Australian Law of Trade Marks and Passing off* (Thomson Reuters, 6<sup>th</sup> ed, 2016) at pp 751- 753.

<sup>111</sup> Ibid.

<sup>112</sup> See e.g. *Nintendo v Centronic* (1994) 181 CLR 134, 160-1. The quoted phrase is found on p 161.

head of power concerning copyright.<sup>113</sup> Similarly, as far back as the *Union Label* case in the early 1900's, some members of the High Court indicated a willingness to adopt a broad view of what constitutes a law with respect to trade marks.

In *Grain Pool of WA v Commonwealth*,<sup>114</sup> members of the High Court cited at length, with approval, from the (dissenting) judgment of Higgins J in *Attorney-General (NSW) ex rel Tooth & Co Ltd v Brewery Employees' Union of NSW* (the '*Union Label*' case):<sup>115</sup>

'Power to make laws as to any class of rights [including trademarks] involves a power to alter those rights, to define those rights, to limit those rights, to extend those rights, and to extend the class of those who may enjoy those rights. ...The power to make laws "with respect to" these rights, involves a power to declare what shall be the subject of such rights.'<sup>116</sup>

Given that any prohibition on the use of Prosecco would involve a recognition of the term as a geographical indication in Italy and a limitation on the use of the word in Australian trade marks on that basis, it is quite possible that such a law would come within the ambit of the power to make laws with respect to trade marks. The fact that Prosecco might not, as a matter of fact, be a geographical indication is not an issue that the High Court would lightly enter into, given its understandable reluctance to consider the merits of a particular statute as opposed to the constitutional question of whether the government has the power to pass the legislation in question.

The TRIPS Agreement itself expressly differentiates between trademarks in section 2 and geographical indications in section 3 and sections 1 and 6 also differentiate between protection for layout-designs (topographies) of integrated circuits and copyright. As noted above, the High Court has held that circuit layout legislation comes within the head of power in s51(xxxi) of the Constitution.

As noted above, even if a law limiting the use of Prosecco in Australian trade marks was characterised as a law enacted under s 51 (xviii), there would be a further question of whether or not it was directed to the acquisition of existing property rights. Resolution of this question would depend upon the detailed wording of the law in question, and also a detailed analysis of the existing property rights of Australian Prosecco producers. This article will only note that this situation – in which legally recognised goodwill may already have arisen based on the use of a word in the course of trade – may well differ from a situation such as that at issue in *Nintendo*, in which the effect of the legislation was to curtail what may have been one producer's existing privileges of use by conferring new intellectual property rights on another producer. In any event, only existing producers with a pre-existing reputation for Prosecco, not potential new producers, would have their property interests in that reputation directly affected by such a prohibition. Finally, there would be an issue of what constitutes 'just terms', if any acquisition of property is taken to occur by dint of the legislative provision.

## VI CONCLUSION

If Prosecco is the name of a grape variety and not a geographical indication, the prohibition of its use in trademarks on exported Australian Prosecco would, in our view, be likely to contravene Article 20

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<sup>113</sup> In *Nintendo*, the Court held that s 51(xviii) 'authorises the making of laws which create, confer, and provide for the enforcement of, intellectual property rights in original compositions, inventions, designs, trade marks *and other products of intellectual effort*' [38] (emphasis added).

<sup>114</sup> *Grain Pool of WA v Commonwealth* (2000) 202 CLR 479.

<sup>115</sup> *Attorney-General (NSW) ex rel Tooth & Co Ltd v Brewery Employees' Union of NSW* (1908) 6 CLR 469.

<sup>116</sup> *Grain Pool of WA v Commonwealth* (2000) 202 CLR 479, 494 [20].

of the TRIPS Agreement and Article 2.1 of the TBT Agreement. It is unclear whether a prohibition on the use of the word on Australian Prosecco in Australia would be inconsistent with the Australian Constitution. This issue would depend, in part, on whether the law in question was characterised as a law with respect to trademarks, in which case it would not constitute an acquisition of property on other than just terms.

The more fundamental question is whether, and if so to what extent, domestic legal systems may permissibly be used to generate claims to intellectual property that are then used to leverage international protection for that intellectual property. When other governments have no particular interest in the subject matter other than to recognise it in return for trade concessions, the position becomes both complicated and distorted, because these governments' interest in concluding trade agreements has come at the cost of detailed consideration of the evidence of the existence of the alleged intellectual property.

The Australian government should not jettison the commercial interests of Australian wine producers without a detailed consideration of the evidence that supports or fails to support the assertions of the European Union. Giving in to bluster and passionate assertion rather than engaging in a principled consideration of the merits of intellectual property claims is unwise from either a principled or pragmatic perspective. The acceptance of one dubious claim without adequate scrutiny paves the way for the making of further dubious claims. In addition, both the EU and other governments that have banned or propose to ban imports of wine labelled as Australian Prosecco should be on notice that such bans might well contravene their WTO obligations.