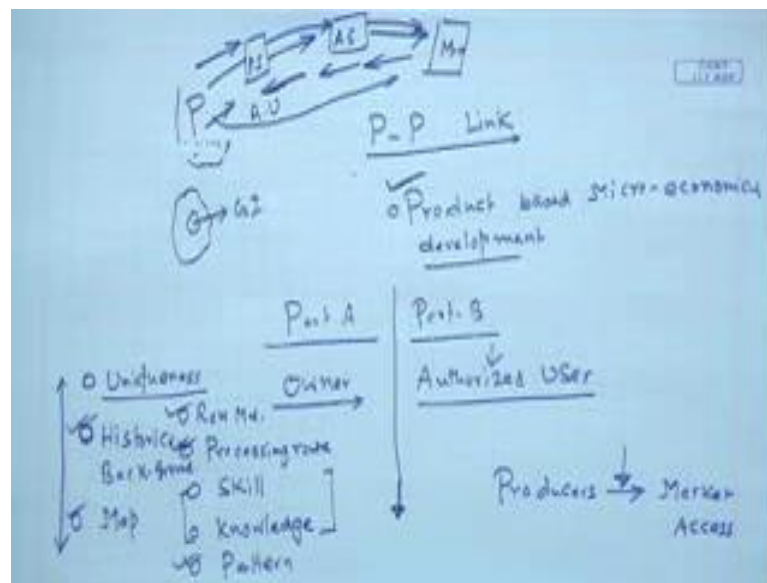


Introduction on Intellectual Property to Engineers and Technologists
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Lecture- 29
Economics of G.I

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So last class we discussed about geographical indication. And you know that geographical indication established product place link. So I also told you that this can be used as a potential tool for social economical development, considering the product of a particular region so today I will discuss about economics of geographical indications. That how geographical indication can be used as a potential intellectual property or you can consider the tool for economical development of a region or territory. And I told you that product based micro economical development. And I will show you some case study to support my hypothesis so now, geographical indication when we are discussing about it. I told you that this is a public right.

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Economics of Protection

Information Theory [the transaction costs for consumers to make informed buying decisions could rise significantly (Landes and Posner, 1988)]

✓ **Reputation Theory [Shapiro's Model]**

- GI prevents market distortion in case of Asymmetry of information between producers and consumers
- GI prevent the consequences of such asymmetry of information on the level of output quality (OECD (2000)).

• Reputation can overcome the market failure associated with asymmetry of information.

• According to Shapiro (1983) reputation embodies expected quality in that individuals extrapolate past behavior to make inferences about likely future behavior.

- ◊ Search goods: These are goods where consumers develop a robust notion of quality prior to purchase through either inspection and/or research.
- ◊ Experience goods: These are goods where quality is known through use and experience, which then guides future consumer decisions.
- ◊ Credence goods: These are goods where neither prior inspection nor subsequent use is sufficient for developing a robust notion of quality.

So, the community or community rights, so it will benefit the community instead of individual and ultimately the members of the societies will also get returned as being a producer with reference to that, so generally let say before starting to the direct economics, you will refer that geographical indication just like a trademark a registration is not compulsory, was registration give them a better protection, because registration certificate gives the evidence of ownership. So now, who can register the geographical indication in India producers or any organization claiming to who protect the interest of the producers so he should protect the interest of the producer just like say a society formed by the producers or some government body or some a NGO, which will protect the interest of the producers of that particular goods of or particular geographical indication.

They can also register that geographical indication. It is better if the producers association register that. So if producer also not able to form the associations, then may government may also facilitate, just like say PFC, patent facilitital centers of state in respect of west Bengal. They are facilitating with reference to the registration of geographical indication in west Bengal. Similarly, Orissa department of textiles, they are facilitating the registration of geographical indication with reference to textile part. So a different way few cases may be NGO is actively involved in that part registration. Few

cases definitely produce form the associations and it is registers on the name of association. And subsequently it thus the part Be registration the producers as an individual can registers. Now registers their name as an authorized user with reference to the particular GI also.

So, here understood two parts - Part A and part B registration; Part A owner, part B authorized user. So part A, part B registration. Also when the owners are registering for a particular geographical indication, he may have to give the name of few producers which may a producer. And subsequently the producer will also come by part B registration as authorized users. So that way the registration and registration formality is let us mention that. He has to create indications indication, just say like mark now what type of indication can be registered will be that has been specified in that. Just like say place names or non-geographical names, just like if any refer that part.

Again along with that he has to provide these important parameters, he has to provide the uniqueness of the product. Just like say I told you uniqueness of the product. Just like it is with reference to the same characteristics or some attributes of a product. So you have to refer that how what is the uniqueness, what characteristics is providing a uniqueness, of that that product with reference to the skill, with reference to the pattern, with respect to the material, with reference to the processing, so definitely this uniqueness is definitely required some sorts of thought process. Just like if I want to separate out Orissa Ikat from Pachampuli growth. Then I have what are the characteristics. I will have specified with reference to the Orissa Ikat. That will ultimately separate Orissa Ikat, from the Pachampuli Ikat. So there lies the role of uniqueness of the product. So this may come already I referred that it is refers to the raw material. Which raw material you are using? So technically it is involved the processing routes skill, knowledge. Then it is deflecting based on a pattern. It may reflect some pattern. Pattern the skill is reflected means of pattern. So objectivity you are trying to put it a skill.

Then so uniqueness, then you have to give the reference to based on, say subjectively verifiable criteria means agro, climatic conditions, soil conditions. You should give that particular place latitude longitude. Just like to provide some objective criteria with reference to the agro climatic and soil condition. Definitely you give the soil condition

agro climatic condition and also link it see latitude longitude of that particular place will be better. So, uniqueness then with reference to then location agro climatic condition; if it is with reference to the skill or knowledge, or traditional skill, or knowledge, then you have to give that a historical background.

You have to provide a historical background. Because you have to establish that uniqueness has been originated in that particular place. Because product place link, so you have to establish a historical background, why how it has been originated in that area, how long of the people have had, have been practicing these art or culture that part will be reflected in the historical background. Then you have to provide a geographical map. Of that map will linked that in Orissa district Orissa which are the districts or within the districts which are the territory, this within the purview of that GI. So you have to make provide a map. So the only 0 indication will be restricted to that a to the point or mark, wherever you are putting, in whatever the curve territory or region, you are putting them in a so geographical indication will be restricted to that region or territory. So producer of that territory will get the rights or privilege, whatever you tell with reference to the geographical indication, but he has to be authorized user.

If you are also putting that map, so any persons on those localities will be treated as producers. But he has to he has to ultimately register as an authorized user. If you not register as an authorized user, you will not be allowed to trade with reference to the goods produced in that locality, using that geographical indication. So the important parameters you understand that uniqueness, the technicalities, historical background, research with reference to the historical background.

Then map all you linked, that all you restrict the area, whether you will go for larger area, will go for small area, both has pros and cons with reference to geographical indication that part. Also have to thought about so just give him your overview with reference to the registration of geographical indication, who can register, how to registers according to the content of this GI applications so GI applications contents specifically you refer the indications goods with which class it will be there uniqueness of the product, or goods. Then historical backgrounds, then a map of which is restrict map the area restricting the geographical indication that has to be specified.

Then it will be registered in the geographical indication registries. Only in Chennai or India then, they it will be also they will examine it. They may call for a hearing. They will conquer. I have forgot to mention in that application form you have to mention an expert you have to constitute, the expert body who will ultimately judge with reference to uniqueness and on product based link based on the historical background. And you have to provide evidences of historical background. Then, that is also an important part of an economists or say historians so that, you have to go and survey. Based on survey in that particular region, have to collect the evidences with reference to the product base links. They may go for interviews, of the age old people and may collect the evidences from the houses of those age old people, the old people from that locality.

So this is also an important parameters important task for a social, economical survey. Say that is an also help like that to work in a grassroots level. So that expert body, so that, whatever they have to apply, they will apply, they will examine, they may call for hearing the expert in presence of expert body. They will judge the uniqueness, then the product base links and with reference to territorial and others in that hearing, you may call the producers, also they may demonstrate their product in front of the expert committee, to prove the uniqueness, to prove the historical backgrounds of that product. Then ultimately it will, it they may, they will accept. Then again just like a trademark. It will go for oppositions; any persons can oppose the registration of that trade, that geographical indications different ground. Then it will be registers in for these competitions of part B registration 10 years and can be renewed.

Then part B registrations, subsequently after part A registration, a part B registration for registration of the authorized users. So these are the not end sale with reference to the registration procedure of geographical indication in India. So although this module is for economics, but how to crate rights if you do not know, then what is the economics behind that? So now, economics of protection, why that I told you that every IP is specifically linked with the economy and GI mode directly, economics of protection, let say different theories economics sometime, apply with reference to geographical indications, just like uniform information theory, transaction costs for consumers to make informed buying decisions, to could way raise significantly.

So just like a GI product of informed buying, so just like Darjeeling tea is giving a logo or Darjeeling tea names on that product. So informed buying, information theory, just inform the transaction cost for consumer to make informed buying, decision could rise significantly. If information is not provided with reference to that good, the cost of buying may increase. So if you provide the indication, then information with reference to quality is provided to the product. So then may lead to the reduction of the transaction cost. So information asymmetry lead to the increase of transaction cost is asymmetry information symmetry may lead to the decrease in transaction cost for GI. Somehow try to provide information symmetry, so you may consider try to reduce the transaction cost.

So, information then reputation theory; just like GI prevent market distortion in case of asymmetry of information, same thing between the producers and consumers. So market distortion means by providing the symmetry information, they are trying to harmonize the market with reference to GI product. So GI prevent the consequences of such asymmetry of information on the level of output quality. That is, very report I have taken it from voice report. So prevent consequences of such asymmetry of information GI. Right holder if somebody tries to miss represent try to confused, then immediately they will try to enforce their rights. So ultimately there that leads to prevent that lead to the prevention with reference to the asymmetry of information. Just like say I am giving the example let say Darjeeling tea.

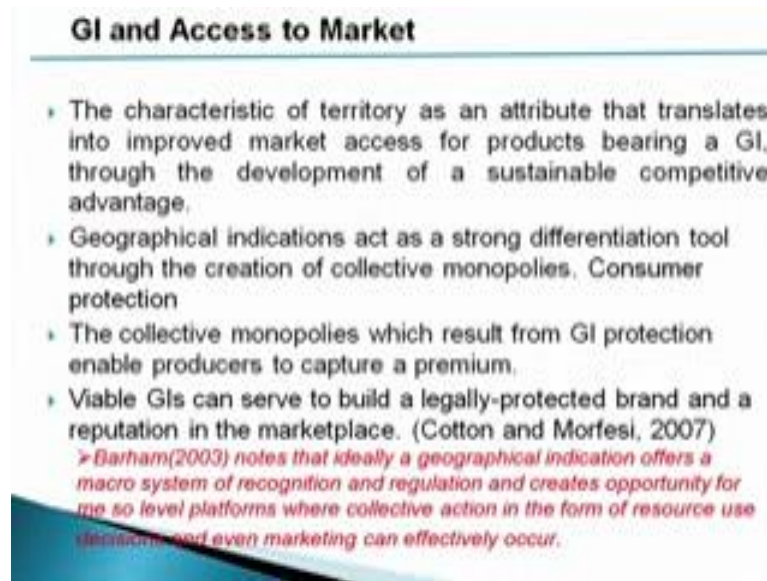
Now let us see new year a particular company they are trying to sell tea naming at a new year Darjeeling tea. So definitely that that lead to the may be asymmetry of information because people may be confused that whether it is a new year Darjeeling tea, Darjeeling tea both are same or there is some likelihood of association between the 2 product, though that may lead to the asymmetry of information. So in that case GI right holder have to immediately exercise their right then they will ultimately enforce their right and try to prevent that asymmetry of information. So that if you do not provide a GI right to the owners, then that asymmetry will ultimately increase the gap between the producers and consumers and that may lead to the market, many failures also in long time long range.

So, that way reputation associated with that GI, I told you reputation or characterization

of the GI that is advantageous. So the reputation theory can be applicable for GI. So information theory reputation theory, so reputation can overcome the market failure associated with the asymmetry of information, correct according to Shapiro reputation, embodies expected quality. So that embodies expected quality in that individual. Extrapolate past behavior to make in inferences about likely future behaviors that is a Shapiro icon. Try to create a model on that part so that reputation theory, information theory of economist, just like a brief, I have referring that can be applicable. So then I think suggest economist try to define the goods in different way just like search good experience goods and credence goods.

Just like these are the goods where the consumer develops a robust notion of quality prior to purchase through the either inspection and or research experience goods, these are the good where quality is known through use and experience, which then guide future consumer decisions credence goods. These are the goods where neither prior inspection or nor consequent use is sufficient for developing a robust notions of qualities. Just like I say with the search good you have to do a search or inspection, research or inspection. Just like supermarket research sometimes it tries to do market research, by market research with reference to the goods. Which goods will be I want to procure, Some goods? Then I should go for a market research market research and either or sometimes you split a particular store. Then we make a purchase decision. Then experience good if some, if I already experienced that of goods, just like say gone to, I am using a LG TV; Then I am experiencing that LG with reference to that; Then I again a thought about LG fridge. Now because of experience with reference to the particular name LG so that that is the experience good so that, those are the things. So how the GI can create a market access?

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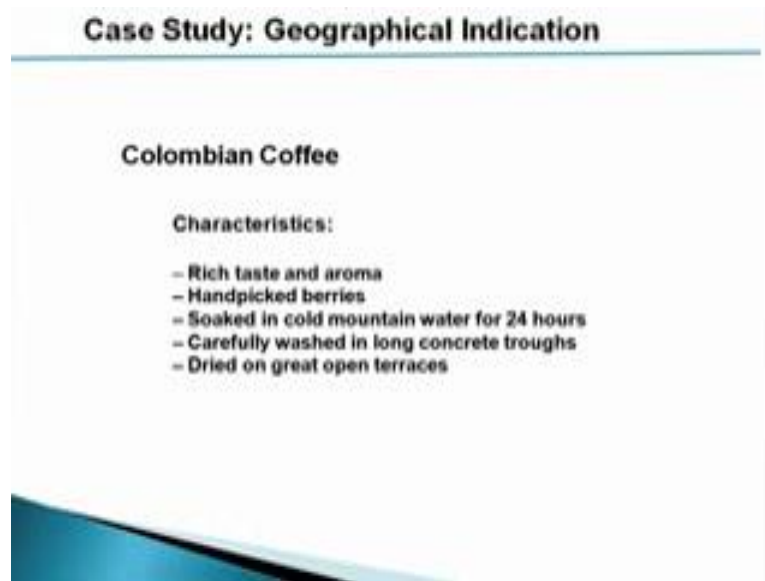


GI and Access to Market

- ▶ The characteristic of territory as an attribute that translates into improved market access for products bearing a GI, through the development of a sustainable competitive advantage.
- ▶ Geographical indications act as a strong differentiation tool through the creation of collective monopolies. Consumer protection
- ▶ The collective monopolies which result from GI protection enable producers to capture a premium.
- ▶ Viable GIs can serve to build a legally-protected brand and a reputation in the marketplace. (Cotton and Morfesi, 2007)
▶ Barham(2003) notes that ideally a geographical indication offers a macro system of recognition and regulation and creates opportunity for me so level platforms where collective action in the form of resource use decisions and even marketing can effectively occur.

So, the characteristic of territory as an attribute that translate into improved market access to for your product bearing a GI, through a development of a suitable compact through the development of suitable competitive advantage. So that was geographical indication or try to separate the one, separate the goods is GI goods, the Darjeeling tea on having the GI. And let us say tea from consider Nal Nilgiri tea. They do not have a GI or tea from Africa not having GI. Then GI related goods have some advantage compared to the goods, which are not protected or not covered under the GI, because of that those theories just like an information theory or reputation theory is applied. Then it will try to give that type of information.

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Case Study: Geographical Indication

Colombian Coffee

Characteristics:

- Rich taste and aroma
- Handpicked berries
- Soaked in cold mountain water for 24 hours
- Carefully washed in long concrete troughs
- Dried on great open terraces

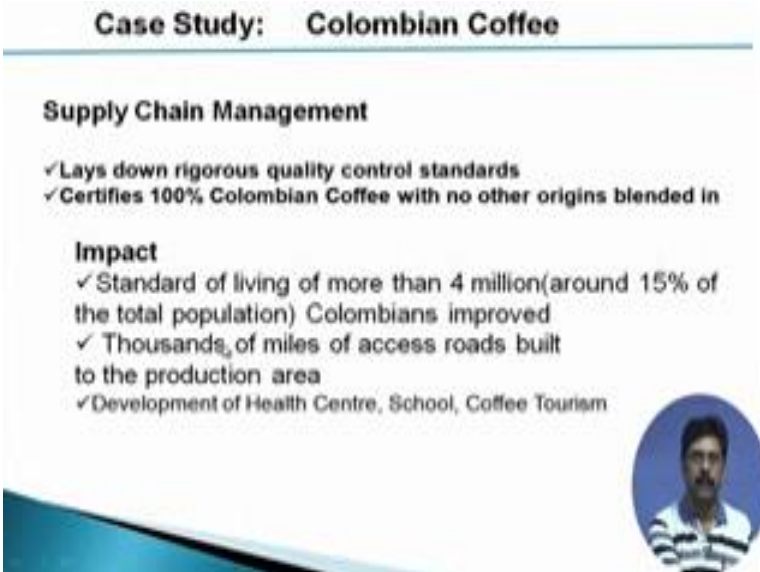
So, legal protection of GI is required to for the market access. It will ultimately facilitate the producers, facilitate producer to facilitate whom producers for market access. Why? Because all those things just like reputation associated to the product will give some competitive edge. And as then they try to advertise those products and this is providing which information, so that they will get in market. They will get a competitive edge compared to the others.

So, I told you in the beginning of the class, that the product based micro economical development. Then I will just give you few case studies with a really how the GI have been used as a potential economical tool for European countries China also. Just like say I have given a case called Colombian coffee. And Columbia coffee, then I told you the uniqueness with reference to characteristics they have to what they have consider the rich taste and aroma it has rich taste and a particular aroma, then that coffee just like Darjeeling tea. You know that we have to handpick the leaves, you have to collect and that in the garden, and you have to collect the leaves by means of hand using hand so handpicked.

Here also handpicked berries soaked in a processing part I told you that you eliminate with reference to processing part soak in cold mountain water for 24 hours. That is the

uniqueness. Carefully washed in a long concrete troughs dried on great open terraces. So in respect of Columbia coffee what characteristics they have picked up characteristics rich taste and aroma. Then in respect to processing handpicked berries, then soaked in a cold mountain water for 24 hours, carefully washed in long concrete troughs, then dried on great open terraces, so these are the characteristics of that coffee then processing characteristics with respect to processing also they picked up.

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Case Study: Colombian Coffee

Supply Chain Management

- ✓ Lays down rigorous quality control standards
- ✓ Certifies 100% Colombian Coffee with no other origins blended in

Impact

- ✓ Standard of living of more than 4 million (around 15% of the total population) Colombians improved
- ✓ Thousands of miles of access roads built to the production area
- ✓ Development of Health Centre, School, Coffee Tourism



Then what happened? I told again, I have to be more cautious and also as in engineering and technologist, you know already I referred certification mark, so they are how you properly maintain the quality of a product. Is an important because if you do not maintain the quality, for longer period of time ultimately, this will lead to the erosion of your goodwill, and that lead to the dilution of your brand. So in respective of GI this is totally depends upon the quality, reputed quality or reputation is embedded in the form of a qualities, if you do not able to maintain the qualities properly, then ultimately down the down the in futures it will not give you any encasement.

So definitely in respective of GI, just like say, if it is rightly associated in the agro climatic, or soil condition at that, soil condition is reflected in the leaves. Now the product is not directly leaves, from that leaves you are extracting the tea or coffee. So in

that definitely you are using some sorts of equipment or machines or process. So if you do not properly maintain the parameters with reference to the process that lead to the deterioration of the quality of the product. And deterioration of the quality of the product may lead to the subsequent deterioration of the value of that particular geographical indication. So what they have done for the region, you know that, any if you work in engineering shop also there is a term called supply chain management or supply chain integrity. How will you in different steps, how will you monitor the steps, in a production plants or in a chemical plants different steps and so that the quality, you are not compromising with reference to the product.

So supply chain integrity supply chain management and this is the important parameters, with reference to the product management, or even consider irrespective of service managements also. So what they have done supply for supply chain management lays down rigorous quality control standards, certifies the user certification mark for product also. So that way they are invented the supply chain management. So now, what output has come up, so input they register geographic indication Columbia coffee, they are what input they are giving. They are maintaining supply chain integrity, supply chain management. They are making then impact see that standard of living of more than 4 million Colombians improved thousands of miles of access roads built on to the production area, development of health center, school, coffee, tourism. Understand the product base geographical indication lead to the standard of living, lead to the economical development, and lead to the social development. Just like say that, they will also adapt tourism also, so that these are the impact of Columbia coffee.

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Case Study: China

Jinhua ham

Characteristics

- ✓ Tradition of making Jinhua ham goes back almost 200 years
- ✓ Its Colour, Smell, taste, and Shape makes its reputation

Governance

- ✓ Initially by Zhejiang Food Company; They allows some hams produced outside the Jinhua area to be sold on the market with the Jinhua ham trademark, neither the origin nor the quality of the product can be guaranteed
- ✓ Jinhua Ham Producers' Professional Association applied to AQSIQ for an opportunity to protect their interests.
- ✓ Code of Practice Issue
- ✓ Standardization Administration. The standards also define the use of the GI logo, labelling, packaging, transport and storage of

Supply Chain Management by means of Co-operation of various stake holder



Now, come to another person Jinhua ham in China. I told you European country, I will take you in a European. I told you that product and food and agriculture food and food and wines, they product by means of geographic indications and they try to use that as a potential tool for market access, and for economical development. So similarly that Jinhua ham in China, that just characteristics, what characteristics they have, traditions of making Jinhua ham goes back Jinhua in colors, smell, taste and governance framework. What type of governance framework they created which that the association or other than how they are maintaining the product or supply chain management, that part they have mentioned?

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Case Study India: Darjeeling Tea

Characteristics

- World famous. Vary from large wiry tippy leaves to small tippy leaves.
- Black , white , green ,oolong and handpicked speciality teas.
- Cups are light, bright, fresh with mild astringency. Infusions are green.
- Teas have attractive bloom and have a round, mellow flavour. Famous for the muscatel flavour.
- Cultivated only in 87 designated gardens in the Darjeeling district
- 60% of the work force is women employed on family basis

In respect of others Darjeeling tea one important one or one important different geographical indication in India that characteristics are vary from large wiry tippy leaves then green oolong handpicked these are the these are the process other than cultivated 80 to 87 designated tea gardens in the Darjeeling tea Darjeeling district.

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Case Study India: Darjeeling Tea

Governance

✓ Govern By Tea Board


Legal Protection

DOMESTIC PROTECTION

Darjeeling word and logo have been registered as CTM (since '98 and '86 respectively) in India
Important features of registration:

**Can apply only to tea produced in the 87 gardens
Processed in the factories located in the gardens**

Darjeeling word and logo have been registered as Geographical Indications under the new GI law
These registrations date back to October 2003.
In addition, the Tea Board has also registered the Darjeeling artistic copyrighted work




So, then governed by tea board, then how they have extended their right in different jurisdiction, then different jurisdictions. Then how they register by defined countries not only their not relying one is geographic indication, they have go for commodity trademark registration they go for the certification mastery registration.

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Case Study India: Darjeeling Tea

International Protection

- 1966 - Benelux Countries (Belgium, Netherlands, Luxembourg) – Collective mark protection for DARJEELING logo
- 1968 - International Registration – Collective Mark protection for DARJEELING logo (Germany, Austria, Spain, France, Italy, Portugal, Switzerland and former Yugoslavia)
- 1989 - Canada - Official Mark protection for DARJEELING Logo.
- 1989 - Japan – Trademark protection for DARJEELING Logo.
- 1991 - U.S.A - Certification Mark protection for DARJEELING Logo
- 1996 - U.K. - Certification Mark protection for DARJEELING Logo
- 1998 - India – Certification Mark protection for DARJEELING w
- 1998 - World Wide Watch agency CompuMark appointed to m



And then, they are they have extended their right in different jurisdiction international products, not only restricted to national jurisdiction, they try to put a big global, let us say the global market or there may be consider now global brand also. So that way by UK they have registered certification mark USA certification mark, Darjeeling logo. They created a logo, Darjeeling logo. They are not the Darjeeling tea the world or place name or place name with reference to the product as GI, they also created a logo for advertisement and promotions.

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Case Study India: Darjeeling Tea

- 1999 - Egypt – Trademark protection for Darjeeling Logo
- 2001 - UK - Certification mark protection for DARJEELING word
- 2002 - USA - Certification mark protection for DARJEELING word
- 2003 – Russia – Trade mark registration for DARJEELING word
- 2003 - India – GI application filed for DARJEELING word & logo marks, accepted and published in the first GI Journal in July 2004
- 2004 - India – Copyright registration for DARJEELING logo
- 2005 - Australia – Certification Mark protection for DARJEELING logo and word (2007)
- 2005 - Germany – Collective Mark protection for DARJEELING word
- 2005 - Lebanon – Collective Mark protection for DARJEELING word & logo

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Case Study India: Darjeeling Tea

- 2006 - EU member countries – Community collective mark protection for DARJEELING word
- 2007 - Japan – Regional Collective Mark protection for DARJEELING word
- 2007 - EU - Application under EU 510/2006 filed for DARJEELING word as a PGI
- 2008 - Taiwan – Certification mark protection for DARJEELING word & logo



So, this is the different way they extended their identifying the jurisdiction (Refer Time: 27:22) different countries. So what I want to mention, that say that case study with reference to the specific GI and defined country. And that has been used in the potential tool for market excess. So geographical indications can be used as a potential tool for market potential economical development tools, for potential tool for economical

development, so just like if you try to create identify GI, for a particular territory, I will suggest first go for registration of that GI then try to create an associations or produces. Let as register through it is better to register through producer associations. Then for market excess you may create an apex society. And subsequently below that you may create societies. Just like apex society will access the market.

Apex society will decide the production promotions, by means of an advertisement and others. Then ultimately that the income generated from that apex society will go to a subsequent society. Let us say producer is at bottom producer is bottom, so producers then below above that one producer society. Producer society, then let say apex society. Let us say the link to the market. You can use this type of a mechanism also. Now what will happen producers will sell their goods may be the producer society. Producer society, will ultimately apex society. Apex society ultimately market. Then the revenue will flow reverse. So each producer may be number of producers are there. They will also get benefited out of that. So even the producers may directly go to the market, if they are he is an authorized user. Authorized user they can also directly go to the market, but this if you go by this route supply chain integrity or supply chain management will be easier.

So this can be a potential vibrant tool for using our traditional knowledge traditional skill for economical use. So that way that say geographic indication and economics directly correlated. If you do not know, if you use it appropriately it can be high will tool for economic and social economic development of any country using micro economical model, that can be the crux of this lecture.

Thank you.