



Intellectual Property as a Policy Tool for Development:

The Ethiopian Fine Coffee Designations Trade Marking & Licensing Initiative Experience

A case study commissioned by the
World Intellectual Property Organization

Getachew Mengistie



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Abbreviations

a.s.l above sea level

DFID Department for International Development

ECEE Ethiopian Coffee Export Enterprise

EIPO Ethiopian Intellectual Property Office

EAFCA Eastern African Fine Coffee Association

FDRE Federal Democratic Republic of Ethiopia

ICTSD International Centre for Trade and Sustainable Development

IFIPR International Food Policy Research Institute

IP Intellectual Property

IPRs Intellectual Property Rights

LMU Licensing Management Unit

LYIP Light Years IP

MARD Ministry of Agriculture and Rural Development

MTI Ministry of Trade and Industry

SCAA Speciality Coffee Association of America

SCAE Speciality Coffee Association of Europe

TBT Agreement on Technical Barriers to Trade

TRIPS Agreement Agreement on Trade-Related Aspects of Intellectual Property Rights

UN United Nations

UNDP United Nations Development Programme

WIPO World Intellectual Property Organization

WTO World Trade Organization



I. Introduction

Intellectual property is a tool for the creation of wealth. This is evidenced by the experience of developed and developing countries. These countries have succeeded in fostering development by encouraging inventive, creative and innovative activities as well as stimulating the transfer and acquisition of technologies using intellectual property. As a result, the products and services of a number of companies worldwide are dominated by the creative or intangible value of assets such as technological know-how, designs, patents, trademarks, copyrights, brand names, trade secrets and other forms of intellectual property. Furthermore, the price of goods and services is determined not by production costs but mainly by the value of IP assets.

The share of IP assets in business establishments has shown a significant increase. A study carried out by the Brookings Institution on Fortune 500 companies reveals that in 1982 the share of tangible assets was 62 per cent and intangibles 38 per cent. This changed significantly in 1998; only 15 per cent of the assets were tangible and the rest, 85 per cent, were intangible.¹

Intellectual property assets are valuable assets that should be carefully protected and fully utilized to increase competitive needs and realize business objectives. In this context, it is recognized that the protection and economic utilization of IPRs is one of the factors that explains the economic success in established market economies as well as the present gap between developed and developing countries. Developed countries recognize and appreciate the value of IP assets and protect and facilitate their exploitation.

Developing countries, like those of the developed world, also have IP assets. However, these assets are not - or are little - recognized, identified, protected and strategically exploited. Furthermore, there have been cases where they have been misappropriated by foreigners. If developing countries aim to change their present position and be competitive in the growing international trade in this knowledge era then they should embark on identifying their IP assets and protect and strategically exploit them. Ethiopia has recognized this fact and has initiated a number of programs including the Ethiopian Fine Coffee Designations Trade Marking & Licensing Initiative.

This study has been commissioned by the World Intellectual Property Organization (WIPO) to examine the Ethiopian Fine Coffee Designations Trade Marking & Licensing Initiative. It attempts to highlight the experience gained and to identify the lessons that may be learned by Ethiopia and countries at similar stages of development. The study is divided into four chapters. The first chapter briefly explains the objectives and methodologies. The second chapter gives an overview of the Ethiopian economy and the IP system. The third chapter deals with the Trade Marking & Licensing Initiative, summarizes the achievements of and challenges faced during the Initiative and outlines lessons to be learned. The last chapter draws the conclusions.

The author would like to express his deepest gratitude to WIPO for entrusting him with a task that may contribute to overcoming the prevailing erroneous perception in low-income developing countries and least-developed countries (LDCs) that intellectual property is a matter for the developed world only as well as to contribute to reorienting their development policies. The author would further like to thank those who assisted him in providing relevant information and commenting on the study.² Had it not been for this support, the study would not have the shape it has at present.

¹ Light Years IP (LYIP) (2008), *Distinctive Values in African Exports* (www.LightyearsIP.net/scoping study).

² The author benefited from the inputs of WIPO officials and staff during his visit to WIPO headquarters in February 2009, comments from stakeholders who took part in the Forum organized in April 16 in Addis Ababa and feedback from Mr. Yohnees Assefa, a trade lawyer, who reviewed the draft study.

II. Objectives and Methodologies of the Study

2.1. Objectives

The main objectives of this study are to:

- (a) Examine the Ethiopian experience of developing and implementing appropriate IP-related strategies and mechanisms for the protection and exploitation of the intangible values embodied in its fine coffees, thereby increasing the benefits to coffee farmers, traders and distributors as well as catering to the interests of coffee buyers and consumers.
- (b) Identify lessons that may be learned from the present Ethiopian Fine Coffee Designations Trade Marking & Licensing Initiative in Ethiopia and countries at a similar level of socio-economic development to enable them to develop and implement appropriate IP-related strategies and mechanisms for the protection, distribution and marketing of their specialty products of export interest so that they benefit from their wealth-creating ability.
- (c) Highlight the importance of leadership, networking, partnership and cooperation between key players at home as well as other appropriate stakeholders, such as private sector interests, international organizations, donor countries and other support groups for the expansion of the use of intellectual property as a tool for economic growth and development in Ethiopia and other similar countries.

The study attempts to examine and identify:

- i. Why and how trademarks are used to capture the intangible values incorporated in Ethiopian fine coffees.
- ii. The licensing strategy used to promote brands, enhance consumer recognition and increase the demand for Ethiopian fine coffees.
- iii. The strategies followed by Ethiopia to deal with problems encountered in the course of trademarking their fine coffee brands and exploitation of the brands through licensing.
- iv. The dispute with Starbucks Corporation and how it was possible to strike a deal with them.
- v. The lessons learned and their use by Ethiopia and other developing countries and LDCs.



2.2. Methodologies

The methodologies used in the study include:

- (a) Review of relevant literature, policies, legislation, project documents, press releases and correspondence, and
- (b) Consultations with stakeholders.

The study was presented at a Forum organized by the LDC unit of WIPO at WIPO headquarters in Geneva, and was followed by meetings and discussions with the heads and staff of relevant bureaus in February 2009. The findings of the study were also presented at a stakeholders' workshop organized by WIPO in cooperation with the Ethiopian Intellectual Property Office (EIPO) in Addis Ababa, Ethiopia on April 16, 2009. The inputs obtained from the officials and staff of WIPO, the validation workshop as well as the reviewer of the study have helped to further enrich its content.

It is expected that the study will be published and translated into local languages when approved by WIPO.

III. Background to the Ethiopian Economy, the Significance of Coffee and the Intellectual Property System in Ethiopia

3.1. The Ethiopian Economy and Coffee

3.1.1. The Structure of the Ethiopian Economy

The Ethiopian economy is heavily dependent on agriculture. The sector contributes about 48 per cent of the country's GDP,³ while accounting for 90 per cent of foreign exchange earnings, 85 per cent of employment and 70 per cent of the raw material requirements of local industries.⁴ The level of development of the industrial sector, which comprises handicrafts, mining and quarrying, construction, electricity and water is in its infancy; and the country's industrial base is very low. The sector accounts for about 13 per cent of GDP.⁵ Although Ethiopia has great potential and offers excellent opportunities for mineral prospecting and development, the sector merely contributes 1 per cent to the national economy.⁶

The service sector, which comprises social service, trade, hotels and restaurants, finance, real estate, transport and communications accounts for about 39 per cent of GDP.⁷

The export trade is dominated by agricultural products and characterized by price instability and fluctuation. Furthermore, there is a deficit in the balance of trade: payment for imported goods and services exceeds export income.

These problems are common in developing countries and LDCs. These countries suffer from fluctuating export prices of and income mainly from primary products as well as a trade imbalance. These problems may be addressed using a mix of policy and related measures. One such measure could be shifting the present policies in many developing countries such as Ethiopia that focus on increasing the quantity of agricultural products and diversification of primary products to identifying export products that have intangible values, capturing and exploiting them using appropriate IP and business tools.⁸ The Ethiopian Fine Coffee Designations Trade Marking & Licensing Initiative can be cited as an example of what Ethiopia and other developing countries and LDCs can do to capture intangible values and protect valuable IP assets using intellectual property to meet social, economic and development needs.

3.1.2. Coffee and Ethiopia

A. Ethiopia and the Significance of Coffee

Ethiopia is the birthplace of coffee. The word "coffee" is taken from the name of an administrative region, "Kaffa", where coffee was discovered and where it grows wild.⁹ According to legend, a goat herder named Kaldi noticed how frisky his goats became after eating coffee berries. He then decided to try some

³ *Annual Report 2004/2005*, National Bank of Ethiopia quoted in UNDP, Draft Report: Potential Impacts of the WTO-TBT Agreement on Ethiopia, May 2006, p.36.

⁴ UN (2004), *Investment Guide*, March 2004, p.44.

⁵ UNDP, Draft Report, *supra note 3*, p.36.

⁶ UN, *supra note 3*, p.44.

⁷ UNDP, Draft Report, *supra note 3*, p.36.

⁸ See LYIP, *supra note 1*. A number of developing countries have been advised to embark on value adding on their export products. However, this may have shortcomings as developing countries which export similar primary products would do the same, putting them in a similar position as a result of the operation of market forces. To deal with this problem, developing countries should also embark on programs that can help them to capture their intangible values and complement the ongoing effort of adding value.

⁹ Bernard Lewis, *From Babel to Dragomans-Interpreting The Middle East*, pp.48-49.



and found himself enjoying their stimulating effect. He passed his discovery on to a monk who perfected the roasting, grinding and brewing process. Coffee helped the monks to keep awake and alert during their devotions.¹⁰

Coffee was taken from Ethiopia to Yemen,¹¹ from Yemen through Arabia in the sixteenth century to Egypt and Syria, then to Turkey and from there to Europe.¹² The Europeans took to coffee and introduced it in their colonies.¹³

Ethiopia is not only the home of coffee but it also possesses 99.8 per cent of Arabica's genetic diversity, which enables it to produce different coffee types with a vast range of inherent characteristics that make them unique and distinctive.¹⁴ The Arabica coffee that is produced by other countries is derived from about four to five gene bases, taken from Ethiopia.¹⁵ The rich genetic resource pool could be attributed to the different coffee growing agro-ecological zones and natural factors such as rainfall, shade, altitude, climate and soil. Coffee grows in almost all the administrative regions of Ethiopia under different conditions ranging from the semi-savanna climatic condition of the Gambela plain (500m a.s.l) to the continuously wet forest zone of the South Western region (2200m a.s.l).¹⁶

Ethiopia's vast genetic resource is more precious than any other; an example is that Arabica is 95 per cent self-pollinating and in-breeding as opposed to Robusta, which is cross-pollinating.¹⁷ Moreover, the huge genetic resource pool is valuable in that it may be used to meet the need for high-yield, disease-resistant and preferred traits such as low caffeine or caffeine-free coffee. Surendera Kotcha argues that "If the coffee world at large and the specialty coffee world in particular are to achieve results in future breeding programs, we need this diversity to produce rarities best suited to their environment for quality and disease resistance."¹⁸ The fact that Brazilian scientists identified caffeine-free coffee from Ethiopia and the identification of varieties that were resistant to coffee-berry disease in Ethiopia signifies the value and potential of the genetic pool. However, little has been done to identify and make use of these valuable resources: much more needs to be done to adequately explore and exploit the resources.

Coffee has economic, environmental and social significance in Ethiopia. It accounted for an average of 51 per cent of the total value of Ethiopia's export earnings during the period 2000-2005. In 2007, the share of coffee in the export income of the country was 37 per cent. Despite a drop in share percentage, it is still the leading foreign exchange earner.

Coffee is not only the major source of the country's export earnings but also the main provider of employment opportunities. One fourth of the population is engaged in coffee production,¹⁹ transportation and marketing.²⁰ In addition to the economic contribution, coffee has environmental and social significance.

¹⁰ *Coffee, The Gift of Ethiopia to the World*, p.12.

¹¹ It is believed that the reason behind the name "Arabica coffee" lies in the fact that the Arabs introduced coffee to the rest of the world.

¹² Bernard Lewis, *supra note 9*, p.49.

¹³ *ibid.*

¹⁴ *Coffee, supra note 10*, p.3.

¹⁵ Surendera Kotcha, *Coffee Origins - Arabica's Garden of Eden. Café Europa*, Voice of the Speciality Coffee Association of Europe, No.31, December 2007, p.4.

¹⁶ *Coffee, supra note 10*, p.3.

¹⁷ Surendera Kotcha, *supra note 15*, p.4.

¹⁸ Surendera Kotcha, *supra note 15*, pp.3-4.

¹⁹ This includes the families of about 1 million small-scale coffee-growers, who are involved in coffee production.

²⁰ *Coffee, supra note 10*, p.4.

About 45 per cent of coffee is produced in forest and semi-forest areas. Moreover, coffee that grows in the backyards of the homes of small farmers, known as garden coffee, constitutes about 50 per cent of total coffee production and plantations growing under shade trees, account for 5 per cent of the total.²¹ Coffee production and shade trees are linked in that coffee helps to protect the environment and conserve valuable genetic resources.

Coffee has social and cultural benefits; it is part of Ethiopian tradition and is used in social interaction such as get-togethers with family members, neighbors; for celebrations, mourning and receiving guests. The coffee ceremony is where a number of economic and social issues such as pests and rainfall problems that may affect production, and HIV-Aids, which is affecting the health of many people, are discussed. Ethiopia is the largest consumer of Arabica coffee in Africa and about 50 per cent of the total production is consumed locally.²² The annual *per capita* consumption of coffee in Ethiopia, which is about 2.4 kilograms, is comparable to the consumption level of the leading coffee-consuming countries.²³

B. Coffee Production, Processing and Quality Control

There are four types of coffee-farming systems in Ethiopia, namely:

- i. forest coffee²⁴
- ii. semi-forest coffee²⁵
- iii. garden coffee²⁶
- iv. plantation coffee²⁷

Western Ethiopia produces most of the forest and semi-forest coffee. Much of it grows wild under the canopy provided by tall trees in the lush, dense forests that cover the mountainsides.²⁸

In forest, semi-forest and garden coffee production, no chemicals or fertilizers are used. These production systems are different from the coffee-growing systems elsewhere in that they are controlled by ecological conservation principles and embrace the basic characteristics of agro-ecological sustainability. As a result, Ethiopian coffee has acquired the reputation of being natural and organic.²⁹ This characteristic should be

²¹ Shades are used in both traditional and modern coffee management practices in Ethiopia. In modern plantations, selected trees are planted to protect the coffee bushes and serve as a shade. The major indigenous permanent coffee shade trees in Ethiopia are acacias, *albizzias*, *milletia* and *cordia* and the temporary shade trees include *Sesbania sesban*, *Bananas* and *Enset* which are mostly inter-planted with coffee, (Yilma, 1996) quoted in the Ministry of Trade and Industry, Government of Federal Democratic Republic of Ethiopia, and the International Food Policy Research Institute (IFPRI) Markets, Trade, and Institutions Division (MTID) Washington, DC, (2003) *Getting Markets Right in Ethiopia: An Institutional and Legal Analysis of Grain and Coffee Marketing*, Final Report. For the share of the coffee production system, please see *Coffee*, *supra* note 10.

²² *Coffee*, *supra* note 10, p.4.

²³ *Coffee*, *supra* note 10, p.12.

²⁴ Forest coffee, also known as wild coffee, is not cultivated but found in natural forests. Wild coffee is found in the South-Western part of the country in Western Welega, Ilubabor, Kafasheka, and Bench-Maji. The area covered by forest coffee is estimated at 10 per cent of the total coffee growing area. According to one writer, the volume of forest coffee is declining for two reasons: (a) the yield is very low because the coffee does not receive enough sunlight and proper field management practices do not exist, and (b) forest coffee is almost extinct due to the accelerated deforestation taking place in the country. Yilma (1996) quoted in IFPRI, *supra* note 21.

²⁵ Semi-forest coffees grow in forests with limited human intervention. This is mainly in Illubabor, Jimma, Bench-Maji, Kefa-Sheka and Western Welega and these account for about 35 per cent of total coffee production in Ethiopia.

²⁶ Garden coffee, planted together with cereals, fruit trees and vegetables near to the homestead is widely practiced by small farmers in Ethiopia. This type of coffee farming system is found in the Southern and Eastern regions including Sidama, South and North Omo, Gurage, Welega, East and West Hararge.

²⁷ Plantation coffee is grown on large-scale farms run by private individuals or companies and state-owned enterprises. These plantations, which make up only 5 per cent of the country's coffee production, use modern agricultural inputs, including chemicals, fertilizers, improved high-yield and disease-resistant varieties plus modern techniques such as pruning, stumping and planting of disease-resistant cultivars. (Yilma 1996) quoted in IFPRI, *supra* note 21.

²⁸ *Coffee*, *supra* note 10, p.6.

²⁹ *Coffee*, *supra* note 10, p.5.



promoted in order to ensure a reasonable return from the increasing demand for organic coffee on the international coffee market.

More than 95 per cent of the coffee in Ethiopia is produced by smallholder farmers while the remainder comes from large-scale private and government-owned farms. The annual coffee production, estimated at between 300,000-330,000 tons is about 600kg/ha.³⁰ Compared with other countries such as Brazil, Colombia, Costa Rica, El Salvador and Kenya, productivity is low. Yilma, however, justifies the existing farming systems, which produce low yields, in that they have helped to preserve the local broad genetic coffee base as well as the coffee ecology, which never suffered from serious pest or disease problems until the 1971 coffee-berry disease outbreak and the localized *Antestia* pest problems in the 1960.³¹

There are two methods of coffee processing - wet processing and sun-dried. In wet processing the red cherry is collected and pulped to remove the parchment and mucilage from the beans, fermented in water for further removal of mucilage and then washed and dried.³² This process results in what is known as "washed coffee".³³ In dry processing, fresh, ripe berries are dried on mats or concrete or cement floors, etc. immediately after harvesting. After drying to a moisture content of about 11.5 per cent, the outer layers of the cherries are removed by hulling and the commercial bean obtained.³⁴

There are quality control procedures that are followed from the coffee farm to the coffee exchange and export market in order to ensure quality of exports thereby maximizing returns. Farmers normally harvest coffee cherries that are fully ripe and carry out primary dry and wet processing. The wholesaler who buys coffee from the farmer has a duty to perform a quality check. The law obliges him to ensure that the coffee submitted to coffee quality liquoring and inspection centers conforms to quality requirements and standards and has a moisture content of not more than 12 per cent.³⁵

The Government has set up coffee liquoring units and quality control mechanisms at regional and central levels before the coffee is sent to the auction centers or the Commodity Exchange.

In every major coffee-producing district, there is a quality inspection office which checks the grade and quality of every truckload before the produce leaves for the central quality grading and auction center. Any coffee that does not meet the minimum standard, which is more than 11.5 per cent, moisture content and 8 per cent impurities by volume, is rejected on the spot.³⁶

The pre-inspected coffee, which meets the quality requirements of the regional or district quality-control bodies will be sealed and sent to the coffee quality liquoring and inspection center.³⁷ The powers and duties of the center include:

- (a) verifying that the coffee is properly sealed and delivered;
- (b) grading the coffee after performing quality tests and examinations based on a representative sample, and

³⁰ *Coffee*, *supra* note 10, p.2.

³¹ Yilma (1996) quoted in IFIPRI, *supra* note 21.

³² *Coffee*, *supra* note 10, see also IFIPRI, *supra* note 21.

³³ Washed coffee is defined under Article 2 (5) of the Proclamation to provide for Coffee Quality Control and Marketing, Proclamation No. 602/2008 enacted on August 25, 2008 as "red cherry coffee, which has been pulped, fermented and washed to remove its sticky mucilage".

³⁴ IFIPRI, *supra* note 21.

³⁵ Article 7(3) of the Coffee Quality Control and Marketing Proclamation.

³⁶ IFIPRI, *supra* note 21.

³⁷ Article 4(1) of the Coffee Quality Control and Marketing Proclamation.

- (c) issuing a certificate that the coffee has been prepared in accordance with the characteristics of the agro-ecology of its production area and meets the required grade standards before it can be exported.³⁸

C. *Coffee Marketing and Export*

The Coffee Quality Control and Marketing Proclamation No.602/2008 (hereinafter referred to as the Coffee Quality Control and Marketing Law) defines where and how coffee transactions will be made as well as outlining the obligations of those involved in coffee transactions.

The Law requires that coffee transactions take place on the Ethiopian Commodity Exchange,³⁹ the auction centers or local markets established by the Ministry of Agriculture and Rural Development or the appropriate regional body.⁴⁰ Failure to comply with this requirement will result in sanctions.⁴¹ The penalty includes a fine of Birr 20,000, which is about 2,000 US dollars and imprisonment of not less than one year but not exceeding three years.⁴²

There are a number of players involved in the coffee marketing chain. These include the coffee producers,⁴³ suppliers,⁴⁴ the Ethiopian Coffee Purchasing Enterprise,⁴⁵ the Ethiopian Coffee Export Enterprise⁴⁶ and private exporters.⁴⁷

The Coffee Quality Control and Marketing Law defines the obligations of those involved in coffee transactions such as purchasing, selling, storage and transport. Their obligations include:

- (a) conducting coffee transactions only at transaction centers;
- (b) complying with all the directives and regulations enacted by the appropriate body for the proper execution of coffee transactions;
- (c) acquiring a certificate from the coffee quality liquoring and inspection center before submitting coffee to auction centers or the Ethiopia Commodity Exchange or consigning coffee to domestic or export markets;
- (d) ensuring, before loading coffee for transportation, that the vehicle and its driver conform to the requirements of the law and legal instruments issued thereunder;
- (e) having the appropriate executive body seal and issue a Letter of Release when transporting coffee from the production area to a coffee quality liquoring and inspection center or from the coffee quality liquoring and inspection center to market centers and to the ports or to markets for local consumption:

³⁸ Article 5, *supra* note 37.

³⁹ This is a wholly state-owned market institution established by law: Ethiopia Commodity Exchange Proclamation No.550/2007, on September 4, 2007. The Exchange started operations in November 2008.

⁴⁰ Article 2(2) and 5, *supra* note 37..

⁴¹ Article 12, *supra* note 37.

⁴² Article 15(2), *supra* note 37.

⁴³ These are small-scale coffee farmers, coffee producers' cooperatives, private investors and state coffee producing enterprises (see Article 2 (19), *supra* note 37).

⁴⁴ These are also known as coffee wholesalers. The suppliers take the coffee collected from the producers or from their own farms to auction centers or the Ethiopia Commodity Exchange (Article 2 (13) *supra* note 37). The suppliers have a duty to purchase, process and transport coffee only in the area designated to them and to market the same without mixing their coffee with that of other agro-ecologies (Article 7 (4) *supra* note 37).

⁴⁵ This is a state-owned enterprise whose objective is to buy coffee at the market price from the interior and sell it at auction or on the Ethiopia Commodity Exchange.

⁴⁶ This state-owned enterprise is engaged in exporting coffee. Its share of total export volume has been steadily falling as a result of market liberalization policy measures taken by the Government and the increasing share of the private coffee exporters.

⁴⁷ These are coffee traders who are licensed by the Ministry of Trade and Industry to buy coffee through auctions or the Commodity Exchange, process and export it. It should be noted here that private exporters are not allowed to buy coffee directly from farmers and suppliers but only at auction or on the Commodity Exchange.



- (f) maintaining a register of the daily coffee exchange quantity, grade, price and list of purchase and to disclose such a register to the relevant government organ on demand and to cooperate when their physical presence is required for a site visit or for the purposes of inventory, and
- (g) abstaining from any act that might result in the defamation of the reputation of Ethiopian coffee.⁴⁸

In addition to the above, the Law sets out an obligation for coffee suppliers, coffee exporters, domestic coffee wholesalers, coffee roasters, coffee producers and service providers to facilitate the marketing of coffee.⁴⁹

The Law clearly defines the role of each player involved in marketing as well as the place of purchase and sale of their coffee. Suppliers may buy coffee from producers and sell it after processing at auction centers or on the Ethiopia Commodity Exchange within six months of processing.⁵⁰ Domestic wholesalers can only purchase domestic consumption from auction centers or the Commodity Exchange and can only sell coffee on the local market.⁵¹

Coffee exporting is carried out by private exporters and coffee producers. Private exporters, who buy coffee at the auction market or on the Commodity Exchange, are required to process the coffee in accordance with Ethiopia's quality standards and allowed to export coffee collected from their own farms or purchased from the auction centers or the Ethiopian Commodity Exchange.⁵² Coffee producers are allowed to directly sell their processed coffee that has been graded and certified by the quality inspection centers.⁵³ Unlike the exporters, they are not allowed to purchase coffee from the auction centers or the Commodity Exchange and export it.

Although Ethiopia is known to be number one in Africa in terms of coffee production and the eighth major supplier on the global market, its share accounts for only 3 per cent of the international coffee trade.⁵⁴

D. Institutional Framework Governing the Coffee Sector

Regulatory institutions have been set up since the establishment of the National Coffee Board⁵⁵ by Imperial Ethiopia in 1957. Changes were made in the regulatory institutions reflecting the policies of the different regimes.⁵⁶

At present the government bodies which are involved in the regulation of the production, development, processing and marketing of coffee include the following:

⁴⁸ Article 6, *supra* note 37.

⁴⁹ Articles 7- 12, *supra* note 37.

⁵⁰ Article 7 (2), *supra* note 37.

⁵¹ Article 9, *supra* note 37. One may think that the Law does not clearly specify that exporters who collect from farms would need to meet quality requirements. The Law, which aims to protect the good will and reputation of Ethiopian coffee on the export market, does not intend to discriminate based on where and by whom the coffee has been collected. When exporters produce their coffee they will be considered to be producers, who, under Article 11, are obliged to comply with quality requirements.

⁵² Article 8, *supra* note 37.

⁵³ Article 11, *supra* note 37. Some of the producers are organized into cooperatives and cooperative unions. The latter export the coffee produced by their members after complying with the legal quality inspection, grading and certification requirements. The existing coffee producers' unions include *Oromia, Sidama and e* coffee producers' cooperatives.

⁵⁴ Coffee, *supra* note 10, p.2.

⁵⁵ The main aim of the Board was to assist market participants in the production and processing of coffee on the one hand, and to regulate and guide the market on the other. During this period, coffee marketing, including exports, was free and in private hands. However, there was strict control over quality. (Yilma 1996, quoted in IFIPRI, *supra* note 21).

⁵⁶ During the military regime (1974 to 1991), the private coffee-washing stations and the large-scale coffee farms were nationalized. Private traders were not allowed to trade washed coffee: government bodies with broad powers over coffee production, processing, quality control and marketing were established; this was a time when the coffee sector was heavily regulated. After the change of government, a number of liberalization measures were taken. These included measures that lessened the involvement of the Government in the production and marketing of coffee and enhanced the participation of private farmers and exporters (for more information see IFIPRI, *supra* note 21).

1. Ministry of Trade and Industry
2. Ministry of Agriculture and Rural Development
3. Ethiopia Commodity Exchange
4. Ethiopia Commodity Exchange Authority.

The Ministry of Trade and Industry is entrusted with the function of issuing licenses to coffee exporters. The Ministry of Agriculture and Rural Development is involved in the improvement of coffee production and processing and quality control as well as establishing and overseeing the Ethiopia Commodity Exchange and the coffee auction market.

The Ethiopia Commodity Exchange was established by law (Ethiopia Commodity Exchange Proclamation No. 550/2007), on September 4, 2007 in order to:

- (a) create an efficient, transparent, and orderly marketing system that serves the needs of buyers, sellers and intermediaries, and that promotes increased market participation by Ethiopian small-scale producers;
- (b) provide a centralized trading mechanism in which offers to sell and bids to buy are coordinated on a physical trading floor with open outcry bidding or an electronic order-matching system, or both;
- (c) provide automated back office operations to record, monitor, and publicly disseminate information on exchange transactions;
- (d) provide standardized grade-specific contracts as the basis of exchange trading;
- (e) conduct trading on the basis of product grade certificates and guaranteed warehouse receipts;
- (f) clear and settle all transactions conducted on the Exchange to minimize risk of default;
- (g) provide a mechanism for dispute resolution through arbitration;
- (h) provide timely market information to the public;
- (i) carry out market surveillance to ensure the integrity of the members and of the market, and
- (j) avoid contingent risk to the market through implementing risk management by employing proper management mechanisms.⁵⁷

The Exchange started operating as a coffee transaction center in November 2008 and since then it has served as a market place for coffee where transactions are conducted in a transparent manner.

The Government established the Ethiopia Commodity Exchange Authority by law on September 4, 2007⁵⁸ as a government organ responsible for regulating the proper functioning of the Commodity Exchange with general and specific objectives. The general objective is to "ensure the development of an efficient modern trading system, and to regulate and control the secure, transparent and stable functioning of a commodity exchange and to protect the rights and benefits of sellers, buyers, intermediaries and the general public".⁵⁹ Its specific objectives are to:

- (a) promote responsible innovation,⁶⁰ access to market information by all market participants and fair competition among markets and market participants;
- (b) deter and prevent price manipulation or any other disruption of market integrity;

⁵⁷ Article 6, Ethiopia Commodity Exchange Proclamation, No. 550/2007.

⁵⁸ Ethiopia Commodity Exchange Authority Proclamation No. 551/2007.

⁵⁹ Article 5, *supra* note 58.

⁶⁰ What "responsible innovation" means is not clear. It is hard to conceive of "irresponsible innovation" considering the investment, time and labor innovation required as well as the purpose of innovation. Assuming that there may be "irresponsible innovation", making a distinction between "responsible" and "irresponsible" innovation will be very difficult.



- (c) ensure the financial integrity of all transactions subject to the Proclamation and the avoidance of systemic risk, and
- (d) protect all participants from fraud or other abusive trading practices and misuse of consumer assets.⁶¹

The authority is vested with a wide range of regulatory powers to realize its objectives.⁶²

3.2. The Ethiopian Intellectual Property System

3.2.1. Intellectual Property Policy

The various policies issued by the Government clearly recognize the importance and need for IP protection, the promotion of local creative, inventive and innovative activities as well as facilitating the acquisition and exploitation of foreign technology. These include the 1993 National Science and Technology Policy,⁶³ the 1992 Seed Policy⁶⁴ and the 1997 Cultural Policy.⁶⁵ In addition to policies that recognize conventional intellectual property, there are policies that envisage the development of a scheme of protection for community achievements and intellectual property, an example of which is the 1997 Environment Policy. In line with this policy, a law providing for the protection of community rights over their knowledge was promulgated in 2006.⁶⁶

There are also policies that do not specifically deal with intellectual property but have an impact on the development and commercialization of IP assets. These include the Government's monetary, fiscal and land policies.

The credit policy, for instance, does not recognize intellectual property as property that can be pledged as collateral. Individuals and small business owners of intellectual property have difficulty in obtaining funding to support their operations and pay for the cost of development and commercialization of their IP assets.

The Ethiopian Intellectual Property Office, in its five-year plan, has identified the need for a comprehensive IP policy that would help to deal with a number of policy issues and create an enabling environment for encouraging local inventive and innovative activities, stimulating transfer of foreign technology and facilitating the identification, protection and exploitation of IP assets. The Office has embarked on drafting a national IP policy that will not only address policy gaps and issues but also help to integrate intellectual property into the national socio-economic development plan and policies. It is believed that the ongoing efforts to use intellectual property as a tool for development will further be enhanced when the national IP policy is adopted by the Government and starts implementation.

⁶¹ *ibid*

⁶² Article 6 *supra* note 58.

⁶³ It identifies the establishment of an effective national patent system as a strategy to promote and support local technological innovations and creative achievements.

⁶⁴ The policy envisages the protection of breeders' rights in Ethiopia and served as a basis for the enactment of the Plant Breeders' Right Law in 2006.

⁶⁵ It clearly states the need for protection of copyright to promote the creation of literary and artistic works.

⁶⁶ Article 10 of the Access to Genetic Resources and Community Knowledge and Community Rights Proclamation provides that:

- (a) The rights of local communities over their genetic resources and community knowledge shall be protected as they are enshrined in the customary practices and norms of the concerned communities.
- (b) An item of community knowledge shall be identified, interpreted and ascertained in accordance with the customary practices and norms of the concerned local community.
- (c) The non-registration of any item of community knowledge shall not render it unprotected by community rights.
- (d) The publication or oral description of a given genetic resource or item of community knowledge, or the presence of the genetic resources in gene banks or any other conservation center or that which is in use shall not affect its protection as a community right.

3.2.2. Intellectual Property Law

A. General

The protection of intellectual property was recognized by the 1994 Constitution of the Federal Democratic Republic of Ethiopia (FDRE). Articles 51 (19) and 77 (6) expressly require the federal Government to protect patents and copyrights. Since then, IP laws have been enacted and institutions that administer the law have been put in place. However, there is no comprehensive legal framework yet: there are no laws that accord protection to some elements of intellectual property.⁶⁷

The existing IP legal framework includes general and specific laws. The general laws are the civil, commercial and penal codes that deal with civil and criminal remedies. The specific laws, which govern specific elements of intellectual property, include the patent, copyright, trademark, plant variety protection and unfair competition laws.

In the following sections an attempt is made to briefly explain the specific laws governing the different elements of intellectual property.

B. Patents, Utility Models and Industrial Designs Law

Patents, utility models and industrial designs are protected under the Proclamation Concerning Inventions, Minor Inventions and Industrial Designs enacted on May 10, 1995 and the implementing Regulations issued in March 1997. This is the first piece of legislation that filled the legislative gap in Ethiopia; there was no law to protect inventions and industrial designs prior to 1995.

The main objectives of the Proclamation are to:

- (a) create favorable conditions in order to encourage local inventions and related activities, thereby building up the national technological capability, and
- (b) encourage the transfer and adaptation of foreign technology by creating an environment conducive to assisting the country's national development efforts.⁶⁸

A number of provisions have been incorporated to meet these objectives. Examples of such provisions are those that provide various titles of protection for inventions and industrial designs. Three modes of protection, namely, patents, patents of introduction and utility models, are available to protect inventions in Ethiopia. The requirements for each of the titles as well as the duration of protection vary.

A patent is granted to a product or process invention which is new, involves an inventive step and is industrially applicable within the meaning of Article 3 of the Proclamation.⁶⁹ The invention also must not fall into the category of excluded subject matters.⁷⁰ When an invention is found to meet the requirements

⁶⁷ There are no laws, for example, dealing with the protection of geographical indications, trade secrets, topography and lay-out designs as required by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement).

⁶⁸ See Preamble of the Proclamation Concerning Inventions, Minor Inventions and Industrial Designs.

⁶⁹ These requirements, which are also known as criteria of patentability, are similar to those required in most of patent legislations worldwide.

⁷⁰ Article 4 of the Patent Proclamation, *supra note 68*, excluded from patentability the following:

- (a) inventions contrary to public order or morality;
- (b) plant or animal varieties or essentially biological processes for the production of plants or animals;
- (c) schemes, rules or methods for playing games or performing commercial and industrial activities and computer programs;
- (d) discoveries, scientific theories and mathematical methods, and
- (e) methods for treatment of the human or animal body by surgery or therapy, as well as diagnostic methods practiced on the human or animal body. The latter exclusion shall not apply to products for use in any of the methods for treatment of the human or animal body by surgery or therapy, as well as diagnostic methods practiced on the human or animal body.



of the Law, a patent will be granted for an initial period of 15 years. The duration of the patent may be extended for an additional five years if it is proved that the invention has been utilized in Ethiopia.⁷¹

A patent of introduction is a title given to protect an invention, which has been patented abroad but for which a patent was not sought in Ethiopia during the prescribed period of filing of the application.⁷² A patent of introduction may be sought by a foreign patent holder or by any interested third party. The main reason for such a form of protection lies in the need to promote the introduction and domestic exploitation of foreign inventions; a patent of introduction will be valid for a period of not more than 10 years.⁷³

A utility model is a scheme developed to give protection to minor inventions, which do not strictly qualify as patentable. Unlike a patentable invention, the requirements for utility model protection are less stringent. A lower degree of novelty, namely local novelty, is required and the inventive step requirement is not considered in the case of utility models.⁷⁴ Furthermore, utility model certificates will be issued upon fulfillment of formal requirements and without substantive examination, unlike patents.

Most inventions in Ethiopia involve small adaptations to existing technologies that can have a positive impact on the socio-economic development effort of the country. A utility model protection scheme is thus incorporated in the Proclamation to encourage such works and the existence of such a title has stimulated local inventive activities. As a result the number of applications filed for utility model certificates and the titles granted are constantly growing.⁷⁵ The period of protection for utility model certificates lasts for an initial period of five years and may be renewed for a further five-year period upon fulfillment of the working requirement.⁷⁶

In addition to inventions, industrial designs, which are the ornamental aspect of a useful article and which appeal to a sense of esthetics, are protected under the Proclamation. In order to be protected, an industrial design must be new and practically applicable.⁷⁷ The availability of such protection has a positive impact on small and medium-sized enterprises (SMEs) by generating competition and forcing them to improve the design of their products. This has in turn resulted in better quality goods that are in demand locally and abroad. The period of protection for industrial designs is five years and this may be extended for two consecutive periods of five years where proof is furnished regarding use of the design in Ethiopia.

C. *Copyright and Related Rights Law*

In Ethiopia, copyright used to be protected based on the provisions of the 1960 Civil Code⁷⁸ and the 1957 Penal Code.⁷⁹ However, these laws were inadequate and incomplete to effectively protect rights in creative works as well as accommodate new developments and needs. Furthermore, the laws were inadequate to fight the problem of piracy that had an adverse impact on local creative activities and the emerging creative industry.

⁷¹ Article 16, *supra* note 68.

⁷² Article 18, *supra* note 68.

⁷³ Article 21, *supra* note 68.

⁷⁴ Article 38, *supra* note 68.

⁷⁵ The number of applications for utility models, (five in 1996), grew to 98 in 2008. (Industrial Property Database, EIPO, 2008).

⁷⁶ Article 14, *supra* note 68.

⁷⁷ Article 46, *supra* note 68.

⁷⁸ The Civil Code had a title on Literary and Artistic Ownership consisting of 28 provisions as well as a section on publishing contracts dealing with the transfer or assignment of copyright.

⁷⁹ The Code, which was amended in 2004, had a provision on penal remedies in case of infringement of copyright.

As a result the Copyright and Related Rights Protection Proclamation No. 410/2004, (hereinafter referred to as the Copyright Law) was enacted on July 19, 2004.

The Proclamation has *inter alia*:

- (a) introduced new concepts and rights;⁸⁰
- (b) broadened the scope of copyright;⁸¹
- (c) widened the mode of transfer of right;⁸²
- (d) incorporated a number of mechanisms to effectively enforce copyright and related rights and deter acts of infringement.⁸³

The new Law is comprehensive and consistent with the requirements of international treaties in the field of copyright and related rights. It provides for automatic protection of a number of copyrightable works such as literary works, musical compositions, artistic works, maps and technical drawings, photographic works, audio-visual works, computer programs.⁸⁴

The duration of protection varies depending on the type of work and the right. Literary works, for example, are protected during the life of the author and 50 years after his death.⁸⁵ On the contrary, photographic works are protected for a period of 25 years,⁸⁶ copyright conferring a longer period of protection than related rights. For example, performers who enjoy related rights on their performances own a right that is valid for 50 years, following the year in which the performance was fixed or in the absence of such fixation, from the end of the year in which the performance took place.⁸⁷

The new Copyright Law has had a positive impact on the creative industry. It has helped to fight piracy and counterfeiting thereby contributing to the emergence and strengthening of creative industries such as films and music.⁸⁸ The development of such industries will make a meaningful contribution to Ethiopia's social, cultural and economic development.

⁸⁰ Examples of new concepts and rights include the recognition of related rights as well as resale rights.

⁸¹ For example, it lifted restrictions imposed by the previous law and recognized the right of translation as one of the economic rights of the copyright owner and included rental right as another.

⁸² Under the previous law, transfer of rights was through publishing contracts and available to the publisher only.

⁸³ The Proclamation consists of detailed provisions dealing with provisional measures, civil, criminal and administrative remedies. Furthermore the penalties are stringent: for example Article 36, which deals with criminal sanctions, provides that a person who intentionally violates a copyright or related right will be punished with imprisonment for a term of not less than five years and not more than 10 years unless a heavier penalty is provided under criminal law. This sanction is more stringent than those provided in similar laws in other countries.

⁸⁴ See Article 2 (30) of the Copyright Law, which lists the works that are eligible for copyright protection. The Article aims to give examples and is not an exhaustive list of copyrightable works. It will allow for protection of new works in the future.

⁸⁵ The Copyright Law makes a distinction between authors' economic and moral rights. The duration of the right mentioned in this study is limited to the economic rights of authors or copyright owners. A published literary work shall be protected during the life of the author plus 50 years after his death (Article 20 (10)). In case of a posthumous literary work, the right will be valid for 50 years from the date of publication.

⁸⁶ Article 20(7), *supra* note 84.

⁸⁷ Article 25(5), *supra* note 84. Unlike copyright, performers' rights may not survive the performer and when they do the period will be shorter than 50 years.

⁸⁸ The number of music publishing and producing companies increased from 50 to 217 in 2007 as a result of re-entry of those who were forced to leave the sector due to rampant piracy, and new entrants to the business as a result of the enabling environment created. The number of works published in the different languages of the nations and nationalities of Ethiopia as well as the payments made for right holders and performers has significantly increased. Works in languages of different nations and nationalities that were hitherto unheard of are now available. There has also been a significant increase in works in languages of nations and nationalities that were used in making available literary and artistic works to the public. For example, on average 300 musical works were made available to the public in 2007/2008. A film industry, non-existent prior to the Law and the measures taken to crack down on pirates has emerged and is producing on average 100 films a year which are in demand at home and by the Ethiopian diaspora abroad. The social and economic contribution of the emerging creative industry is quite significant when seen in light of the employment opportunities offered to citizens, the tax paid to the Government and the development and dissemination of local culture. The enabling environment has also stimulated local creators and performers in that it ensures a reward from creative works. The maximum payment for a singer prior to 2003 was Birr 400,000, which is equivalent to 40,000 US dollars and now artists are being paid up to Birr 1.5 million, which is equivalent to 150,000 US dollars (source: Audio Visual Producers Association, 2008).



D. Trademark Law

The Trademark Registration and Protection Proclamation No. 501/2006 (hereinafter referred to as the Trademark Law) was issued by the Government in July 2006.⁸⁹ The Proclamation aims to protect the reputation and goodwill of business persons engaged in the manufacture and distribution of goods or the rendering of services and caters to the interests of consumers by helping to avoid confusion between similar goods and services. Under this Law, a trademark that is capable of distinguishing the goods or services of one person from those of other persons is eligible for registration and protection.⁹⁰

A trademark eligible for registration may include elements which are not subject to protection unless they decrease the distinctive character of the trademark or infringe the rights of other persons.⁹¹ The registration of a trademark will confer exclusive rights to the holder, including the right to:

- (a) use or authorize the use of the trademark by other persons, and
- (b) prevent the use of a trademark or a sign that is likely to create confusion and mislead the public or likely to be prejudicial to their interests.⁹²

Registration of the mark does not give the owner the right to prevent third parties from using it in relation to goods lawfully sold in any country under that trademark, provided that these goods have not undergone any change.

The right of a trademark owner does not extend to preventing third parties from *bona fide* use of their names, addresses, pseudonyms, geographical names or exact indications concerning the kind, quality, quantity, destination, value, place of origin, time of production or supply of their goods or services, insofar as such use is confined to the purposes of mere identification or information and cannot mislead the public as to the source of the goods or services.⁹³

The protection accorded to a trademark is valid for a period of seven years from the date of submission of the application for registration.⁹⁴ The registration may be renewed for consecutive periods of seven years upon request by the owner.⁹⁵

E. Plant Variety Protection Law

Plant variety protection is a recent phenomenon in Ethiopia. The Plant Breeders' Right Proclamation No. 418/2006 (hereinafter referred to as the Plant Breeders' Proclamation) was enacted on February 27, 2006. Breeders of new plant varieties, which are distinct, uniform and stable, are entitled to a plant breeder's right. A plant breeder's right confers on the holder of the right, subject to the exemptions and restrictions provided under the Law, the exclusive right to:

- (a) sell or license to other persons plants or propagating material of the protected variety, and
- (b) produce or license other persons to produce propagating material of the protected variety for sale.⁹⁶

⁸⁹ This legislation is the first in Ethiopia that will help to deal with the problems associated with the practice of depositing trademarks and issuance of certificates of deposit. Such a practice merely has evidentiary value and in the absence of the law those who held a certificate of deposit were trying to deal with unfair trade practices such as counterfeiting invoking the unfair competition provisions under the 1960 Commercial Code.

⁹⁰ Article 5, Trademark Law.

⁹¹ Article 5(5), supra note 90.

⁹² Article 26, supra note 90.

⁹³ Article 27(2), supra note 90.

⁹⁴ Article 24, supra note 90.

⁹⁵ Article 25, supra note 90.

⁹⁶ Article 5, Plant Breeders' Proclamation.

Third parties may not perform any of these acts without the authorization of the right holder. Unauthorized use will constitute infringement of a right that will result in civil and criminal liability. However, there are certain exemptions, which may not be considered as acts of infringement of right. These exemptions include the:

- (a) propagation, growing and use of a protected variety for non-commercial purposes;
- (b) sale of plants or propagating material of a protected variety as they are within a farm or any other place where plants of the variety are grown;
- (c) use of the protected variety for further breeding, research or teaching, and
- (d) the sprouting of a protected variety for use as food for home consumption or for market.⁹⁷

Furthermore, the law empowers the Ministry of Agriculture and Rural Development to impose restrictions, when public interest so requires, on the exercise of a plant breeders' right where:

- (a) problems arise due to competitive practices of holders;
- (b) food security, nutritional or health needs or biological diversity are adversely affected;
- (c) a high proportion of a protected variety offered for sale is being imported;
- (d) the requirements of the farming community for propagating material of a particular protected variety are not met, and
- (e) it is considered important to promote the public interest for socio-economic reasons and for developing indigenous and other technologies.⁹⁸

A plant breeders' right is valid for a period of 20 years in the case of annual crops, and 25 years in the case of trees, vines and other perennials starting from the date of acceptance of the application for a plant breeders' right.⁹⁹

F. Law on Unfair Competition

The 1960 Commercial Code, 1957 Penal Code, amended in 2004, and the 1960 Civil Code have provisions dealing with unfair competition; however, these provisions were inadequate. To deal with this problem, the Trade Practice Proclamation was enacted in April 2003.¹⁰⁰ This Proclamation is intended, *inter alia*, to establish a system that is conducive to the promotion of a competitive environment by regulating anti-competitive practices in order to maximize economic efficiency and social welfare.

The objectives of the Proclamation are to:

1. secure fair competitive process through the prevention and elimination of anti-competitive and unfair trade practices, and
2. safeguard the interests of consumers through the prevention and elimination of any restraints on the efficient supply and distribution of goods and services.¹⁰¹

To meet these objectives, the Law prohibits agreements that affect free competition,¹⁰² presumes anti-competitive practices and acts of unfair competition under certain circumstances¹⁰³ and establishes

⁹⁷ Article 6, *supra* note 96.

⁹⁸ Article 7 (1), *supra* note 96.

⁹⁹ Article 9, *supra* note 96.

¹⁰⁰ Trade Practice Proclamation No. 329/2003.

¹⁰¹ Article 3, *supra* note 100.

¹⁰² Article 6 sets down that no person may directly or indirectly enter into any written or oral agreement that restricts, limits, impedes or in any other way harms free competition, in the process of production, supply, distribution or marketing of goods and services. The only exception to this rule is the power vested to the MTI (Ministry of Trade and Industry), under Article 7, to authorize certain agreements of an anti-competitive nature where they are found advantageous to the country.

¹⁰³ Article 6(2) presumes price-fixing, collusive tendering, market and consumer segmentation, allocation of quota of production and sales and refusal to deal or sell as anti-competitive practices. Article 10(2) also sets down those acts that are considered as acts of unfair competition for the purposes of the Law.



a commission to deal with cases of anti-competitive practices as well as unfair competition. The commission has dealt with a number of unfair trade practice cases since its establishment.

The current Law is more comprehensive than that previously in force in that it defines the conditions that constitute anti-competitive practices and acts of competition and sets up an institutional framework for dealing with cases as well as outlining the administrative and penal remedies available.

3.2.3. Intellectual Property Administration

There are public and private institutions that are involved in the administration and promotion of intellectual property in Ethiopia. These include:

- (a) The Ethiopian Intellectual Property Office
- (b) The National Intellectual Property Council
- (c) Regional IP councils and focal institutions
- (d) The Ethiopian Collective Copyright Management Society
- (e) Professional associations
- (f) IP attorneys.

An attempt is made to explain each of the above institutions.

A. The Ethiopian Intellectual Property Office

The Ethiopian Intellectual Property Office (EIPO) was established as an autonomous government body by law in 2003.¹⁰⁴ Prior to the establishment of the Office, IP administration was fragmented. Different government bodies dealt with the different elements of intellectual property. The former Ethiopian Science and Technology Commission was responsible for the administration and management of matters related to patents, utility models and industrial designs.¹⁰⁵ It was also designated as a WIPO focal point.¹⁰⁶ The former Ministry of Youth, Sport and Culture also handled copyright-related matters. The management and handling of trademarks was done by the Ministry of Trade and Industry. Such fragmentation had a number of adverse effects: it was, for example, impossible to provide an effective administrative service, build core capacity in the field, develop a harmonized position and advise the Government and users on IP issues.

Realizing the need for, and advantages of, bringing the administration of the different components of intellectual property under one umbrella, the Government established the EIPO to:

- i. facilitate the provision of adequate legal protection for and exploitation of intellectual property in the country;
- ii. collect, organize and disseminate technological information contained in patent documents and encourage its utilization;
- iii. study, analyze and recommend policies and legislation on intellectual property to the Government, and
- iv. promote knowledge and understanding of intellectual property among the general public.¹⁰⁷

¹⁰⁴ Ethiopian Intellectual Property Office Establishment Proclamation No.320/2003 (hereinafter referred to as the EIPO Establishment Proclamation).

¹⁰⁵ See Inventions, Minor Inventions and Industrial Designs Proclamation No.123/1995 and Inventions, Minor Inventions and Industrial Designs Council of Ministers Regulations Proclamation No.12/1997.

¹⁰⁶ Article 3, the Convention Establishing WIPO, Accession Proclamation No.90/97.

¹⁰⁷ Article 5, the EIPO Establishment Proclamation.

The Office is vested with multiple powers and duties including:

- (a) administration and protection of IPRs based on IP laws and policies;
- (b) provision of an IP information and advisory service to researchers, individual users, academic and research institutions, public and private enterprises;
- (c) increasing understanding of intellectual property among the general public and potential users through print and electronic media, seminars and workshops as well as IP days;
- (d) promotion of the commercialization of IP assets protected by IP titles;
- (e) supporting and facilitating the establishment and strengthening of associations of inventors, authors, musicians and others engaged in IP-related fields, and
- (f) establishment of relations and cooperation with foreign national, regional and international IP offices as well as other relevant organizations to facilitate Ethiopia's integration in the global IP system.¹⁰⁸

EIPO aims to be a development- and service-oriented agency that will have a catalytic role in development thereby making a meaningful contribution to the development efforts of the country. This is clearly reflected in its vision and mission.

EIPO aims to be a leading development-oriented national IP office that promotes the creation, protection and exploitation of local IP assets, facilitates the acquisition and exploitation of foreign technology and creative works and makes a meaningful contribution to the advancement of cultural values and the development of industry and commerce and the improvement of living conditions of Ethiopians.

The Office's mission is to provide efficient and effective IP services that enhance the value and use of the IP assets of individuals, business establishments, research and development organizations, institutions of higher education and technical and vocational centers.

To realize its vision and mission, the Office has successfully implemented its three-year Strategic Plan (2004-2006) and is presently engaged in implementing a five-year strategic plan which will end in 2010. The Office has thus far succeeded in using intellectual property as a tool for development and registered a number of positive results or achievements, some of which can be expressed in tangible economic terms.

These include:

- (a) collection of more than 30 million patent documents consisting of technological information related to inventions that have been made available since 1790 and rendering a technological information service, which has resulted in dozens of success stories that have contributed to socio-economic development;¹⁰⁹
- (b) establishment of a national IP information and advisory center;¹¹⁰
- (c) developed policy guidelines for the protection of traditional medicinal knowledge and for the development of institutional IP policy and the establishment of IP management units in higher

¹⁰⁸ Article 6, *supra* note 107.

¹⁰⁹ Some of the users reported that they had developed products that are as good as imports while others, claimed that they have improved local products or are in the process of developing new ones. These success stories have resulted in economic benefits including saving of foreign exchange and providing employment opportunities to fellow Ethiopians.

¹¹⁰ The Center, established through the support of the World Bank and WIPO, was inaugurated in April 2008 as part of events organized to commemorate World IP Day and is visited on average by 15 users a day. In addition to these users of information, a number of owners of IPRs have benefited from the advisory service offered by the Center (source: National Intellectual Property Information and Advisory Center, EIPO).



- education and research and development institutions as well as a model traditional knowledge transfer agreement;
- (d) initiated the incorporation of IP courses in higher education institutions; at present intellectual property is offered as a course in 10 public and private universities and university colleges;
 - (e) initiated the incorporation of intellectual property to the curriculum of primary and secondary schools. The proposal has been accepted and work for preparing the curriculum has been done;
 - (f) launched an IP awareness campaign that resulted in a growing number of applications for patents, patents of introduction, industrial designs and utility models as well as increasing recognition of the value of copyright and related rights protection;
 - (g) embarked on the Ethiopian Fine Coffee Brands Trade Marking & Licensing Initiative that has helped to consolidate Ethiopia's ownership over its IP assets and created a mechanism to improve the income of poor farmers and small traders.¹¹¹

The Office is presently implementing a five-year strategic management plan. It is believed that the plan will enable it to focus on identified areas that will have meaningful impact and make a tangible contribution to the socio-economic development effort of the country through intellectual property.

B. The National Intellectual Property Council

The Council was set up by the Proclamation which established EIPO: its powers and duties include:

- (a) advising EIPO on policy proposals to be submitted to the Government,
- (b) offering advice on guidelines, programs and activity reports prepared by EIPO, and
- (c) advising on other matters related to managerial and administrative issues of the Office submitted by the Director General.

The Council of Ministers decided on the membership of the Council in May 2004¹¹² and entrusted it with an additional task of coordinating with the relevant government bodies responsible for enforcement and administrative measures to enhance the enforcement of IPRs in the country.¹¹³

The Council has played a useful role in strengthening the national IP system and its contributions include:

- (a) approving instruments such as the strategic plans of EIPO, the Institutional Intellectual Property Policy Guideline, the Model Traditional Medicinal Knowledge Transfer Agreement, the National Intellectual Property Enforcement Strategy and Action Plan;
- (b) overseeing and supporting programs that aim at using intellectual property as a tool for development such as the Ethiopian Fine Coffee Trade Marking & Licensing Initiative;
- (c) supporting programs designed to build EIPO's capacity;
- (d) overseeing and supporting the establishment of regional IP councils and focal points.

C. Regional Intellectual Property Councils and Focal Institutions

The Council of Ministers' directive, issued on May 25, 2004, called for the establishment of regional IP

¹¹¹ This will be further elaborated in the next chapter.

¹¹² The decision was issued as a Council of Ministers Directive on May 25, 2004. The National Intellectual Council consists of officials of relevant government bodies and leaders of stakeholders' associations. It is chaired by the Minister of Capacity Building and its members are the State Ministers of Trade and Industry and Revenue, Deputy Mayor of the Addis Ababa Administration, Federal Police Commissioner, presidents of the Ethiopian Inventor and Innovators Association and the Audiovisual Producers Association as well as the Director General of EIPO.

¹¹³ The Council of Minister Directive, *supra note* 111.

councils and focal institutions. To date the Amhara and the Southern Peoples' Nations and Nationalities Regional States have issued laws that establish the requisite organs and define their powers and duties as well as their relationship with EIPO.¹¹⁴ This institutional linkage has helped to overcome the problems of accessibility to EIPO's services and remove the necessity for potential right holders to travel to Addis Ababa to file applications for the protection of their IP assets as well as to enjoy the benefits of its technological information service.

The regional bodies have already been:

- (a) involved in IP administration. For example, the Amhara IP Office has already begun receiving applications for protection of inventions, designs and trademarks and forwarding them to EIPO,¹¹⁵ and
- (b) rendering technological information services, in particular bibliographic information contained in patent documents. When the user requests complete technological information, the units will forward the request to EIPO then the national IP information and advisory center will undertake the search for relevant information and send it to the regional IP offices.

D. Ethiopian Copyright and Related Rights Collective Management Society

The Ethiopian Copyright and Related Rights Collective Management Society has been established and registered by the Ministry of Justice.

The Society aims to:

- (a) manage the copyright and related rights of its members;
- (b) enhance the benefits of its members;
- (c) represent members before any dispute settlement body in case of infringement of their rights, and
- (d) promote the use of the works of its members within and outside Ethiopia.

The Society administers the economic rights of its members; authorizes the exploitation of protected works; collects fees and distributes them to members of the Society in accordance with the terms and conditions of the Memorandum and Articles of Association.

The Society is expected to play a meaningful role in:

- (a) stimulating local creativity and strengthening the emerging creative industry;
- (b) creating awareness of the importance of protecting copyright;
- (c) fighting piracy, and
- (d) strengthening the enforcement of copyright and related rights in Ethiopia.

The establishment of the Society and its involvement in administering and enforcing the rights of its members will contribute to strengthening the existing IP administrative and enforcement institutional framework as

¹¹⁴ See Southern Nations, Nationalities and Peoples Regional State Intellectual Property Center Establishment Proclamation No. 95/2006, which was enacted on 22 March, 2006 and The Regional Intellectual Property Council Establishment, Council of Regional Government Regulation No. 42/2006 that was enacted by the Amhara National Regional State on August 18, 2006. The latter provides that the President of the Regional State shall head the IP Council. This is a clear example of the importance attached to intellectual property by the Regional State.

¹¹⁵ Information obtained from the Patent Directorate of EIPO.



well as the ongoing endeavor to use intellectual property as a policy instrument in supporting the socio-economic development efforts of the country.

E. Professional Societies

There are associations engaged in the promotion of intellectual property, in particular the creation of awareness. These include the:

- (a) Ethiopian Inventors Association
- (b) Ethiopian Audiovisual Producers Association
- (c) Ethiopian Authors Society
- (d) Ethiopian Film Producers Association
- (e) Ethiopian Musicians Association

Although these societies may have a useful role, their contribution is limited due to weak capacity. They do not have the necessary facilities or the resources to meaningfully contribute to the administration, protection and promotion of intellectual property in the country.

F. IP Attorneys

Intellectual property attorneys play a useful role in the administration and protection of intellectual property. However, in Ethiopia, due to the fact that the field is new, as is the system itself, there are no adequately qualified IP attorneys who handle the drafting and filing of applications, advise clients on IP matters and render related advisory and technical services.

There is also no requirement for registration or meeting specified criteria to serve as an IP attorney. Lawyers, non-legal professionals, as well as non-professionals who do not have training in IP, handle IP matters. As a result, individuals and firms mainly depend on the Office for any legal and technical assistance as well as advisory support services. This may lead to inefficiency as well as a conflict in exercising power. The officer who assists in drafting the application is the one who will examine it and decide whether or not to grant title.

Cognizant of the problems, EIPO has organized training programs for patent lawyers with the support of WIPO and promoted distance learning by practitioners. Moreover, the Trademark Law requires that lawyers are eligible to practice it and handle the registration of trademark agents. However, registration of trademark agents has not yet started.

Although some of the steps taken are positive and in the right direction, a lot remains to be done to build the capacity of those involved in intellectual property and in developing IP attorneys in the country.

3.2.4. Intellectual Property Enforcement

Ethiopia's laws provide a wide range of civil and criminal remedies as well as border measures against the infringement of IPRs.¹¹⁶ At present, there are two court systems: federal and regional courts. The Federal High Court adjudicates disputes involving intellectual property. Its decisions can be appealed to the Federal Supreme Court whose decision is final.

Beside the courts, there are other dispute resolution systems. The 1960 Civil Code, for instance, consists of three forms of alternative dispute resolution mechanisms: namely compromise (Articles 3307-3317),

¹¹⁶ See for example, Articles 33-36 of the Copyright and Articles 39-42 of the Trade Mark Proclamations.

conciliation (Article 3318-3324), and arbitration (Article 3325-3346). Moreover, institutions such as the Chamber of Commerce and the Arbitration and Conciliation Center are involved in providing fora for dispute settlement as well as building awareness of the importance of alternative dispute resolution mechanisms.

The National Intellectual Property Council approved the draft IP Enforcement Strategy and Action Plan that was prepared and submitted by EIPO in December 2007. One of the strategies identified was related to expediting the disposition of cases of infringement of IPRs. Implementation has begun and encouraging results are being seen: one example is the decision made by the Ministry of Justice that flagrant IP offences be considered under the real time dispatch service of the Federal High Court. This has resulted in a number of convictions and coverage in the mass media. It is believed that this will deter potential infringers or at least make them think twice before engaging in infringing activities.

3.2.5. Membership of International Treaties

Ethiopia is not a party to multilateral conventions or treaties on intellectual property except the 1981 Nairobi Treaty on the Protection of the Olympic Symbol, which it joined in 1982, and the Convention Establishing the World Intellectual Property Organization that the country acceded to in 1998. The main reason for this lies in the absence of a comprehensive national IP system and the resulting serious lack of awareness of intellectual property.

With the establishment of the national IP framework and the increasing recognition of the benefits of linking the national IP system to the international IP system, the need to join international conventions is strongly felt. It is believed that the country's effort to attract foreign investment, encourage the inflow of foreign technology as well as to stimulate local creative, inventive and innovative activities will not be adequately met in the absence of enabling environments such as IP protection. The effective protection and administration of the latter in turn requires close collaboration with foreign countries and international organizations that would be available through joining international treaties.

The EIPO five-year plan identifies the IP conventions to which the country should accede and sets a timeline for accession. Furthermore, the decision made by the country to join the World Trade Organization (WTO)¹¹⁷ and the ongoing endeavor made to expedite the accession process are positive steps in the essential process of integration of the national IP system into the global system.

¹¹⁷ Ethiopia applied to join WTO and this request was accepted in February 2003. A Memorandum on the Ethiopian trade regime was prepared and submitted to WTO, clarification on questions raised by member States was given and the first working party was held in May 2008. There is commitment on the Ethiopian side to expedite the accession process.



IV. The Ethiopian Fine Coffee Designations Trade Marking & Licensing Initiative

4.1. Background

Ethiopia produces some of the finest coffees in the world,¹¹⁸ having unique flavors and aromas.¹¹⁹ These features distinguish not only Ethiopian fine coffees from coffees produced in other countries but also differentiate the various coffees within Ethiopia itself. *Harar/Harrar*,¹²⁰ *Yirgacheffe*¹²¹ and *Sidamo*¹²² each represent a distinct aroma and flavor.¹²³ These qualities, which constitute the intangible value incorporated in each of the coffees, are the result of the hard work of generations of Ethiopian coffee farmers. The designations or brands of these fine coffees have been used in marketing single origin coffees by foreign coffee distributors together with their brands.¹²⁴ Professor Doug Holt described such use as “ingredient brands”.¹²⁵ Since consumers attach greater value to these brands, Ethiopia’s fine coffees command good and sometimes very high retail prices in world markets. In the US for example, *Harar* retailed at up to 24 US dollars per pound in 2004 and *Sidamo* retailed at up to 26 US dollars per pound in 2005.¹²⁶

The demand for gourmet coffee has risen with the rapid growth of the specialty coffee market¹²⁷ and the increasing consumption of espresso blends. Ethiopian fine coffees are sold as a single-origin coffee on the specialty coffee market and included in almost all espresso blends to improve their taste. Despite the increasing preference and demand for Ethiopian specialty coffees, the export price of most of Ethiopia’s renowned coffees falls in the range of 1.10-1.30 US dollars per pound, with a premium of only 10-30 cents over the New York-based price for lower quality coffees.¹²⁸ A study made by Light Years IP (LYIP) revealed that only five to 10 per cent of these high coffee retail prices come to Ethiopia, while the rest

¹¹⁸ This fact is well recognized by international coffee experts and reflected in studies. Ernesto Illy of Illy Coffee, for example, acknowledged that the Ethiopian fine coffees are the best in the world (see *Black Gold* film). Moreover, the International Trade Center in its *Exporter’s Guide* published in 2002 stated that “Ethiopia produces some of the world’s finest “original” coffees such as e, *Limu* and *Harar*” (quoted by Petit, N., (2006), *Ethiopia’s Coffee Sector-A Bitter or Better Future*, MSc dissertation, School of Oriental and African Studies, University of London, September, 2006).

¹¹⁹ Coffee distributors and roasters in major import destinations recognize the distinctive features of the fine coffees and market them using their designations (brands). Coffee consumers also recognize the distinct flavors and aromas represented by each of the brands and are ready to pay for them. A random survey of coffee customers and drinkers in a Starbucks outlet in New Haven, Connecticut, US in November 2006 showed that consumers recognize fine coffees and their designations and have developed preferences for specific types such as *Harar*, *Sidamo* and e.

¹²⁰ *Harar* is characterized by winery and blueberry undertones, with good body, medium and pointed acidity and pleasant mouth feel. (Dessie Nuru, former head, Coffee Quality Inspection and Auction Center), The coffee is sold with either a single “r” or a double “rr” in the name.

¹²¹ This type of coffee has a fruity aroma, a light and elegant body and an almost menthol taste (see *Coffee, op cit*, p.6). It is characterized by its fine acidity, full body and floral flavor and pleasant aroma.

¹²² *Sidamo* coffee is characterized by its medium acidity, pleasant after-taste and sweet flavor. (Nuru, *supra note* 120) . Starbucks website, quoted by Douglas B. Holt in *Brand Hypocrisy at Starbucks*, (from <http://www.sbs.ox.ac.uk/starbucks> on January 22, 2008) states that “*Sidamo* is highly prized by coffee buyers from around the world. It features a fleeting, floral aroma with a bright yet soft finish and, like the best *Sidamo* coffees, a wonderful hint of lemon”.

¹²³ Foreign coffee drinkers and foreign coffee blenders recognize and appreciate the distinctive values of Ethiopian coffees sold under the designations *Harar*, e and *Sidamo* (the Ethiopian Specialty and Gourmet Coffee Brands).

¹²⁴ Starbucks, for instance, was selling *Sidamo* coffee using the brand name “*Sidamo*” together with its other brands.

¹²⁵ Ingredient brands are defined by Professor Holt as “brands that are used as one component or ingredient of another brand product or service”. See Douglas B. Holt, *Brand Hypocrisy at Starbucks*, available at <http://www.sbs.ox.ac.uk/starbucks>, accessed on January 22, 2008.

¹²⁶ See Savor *Shirkinia Sun-Dried Sidamo* Exclusively at Starbucks: Taking a Risk, Starbucks Helps Create New Coffee, Potential New revenue Stream for Farmers, available at <http://www.finanzen.net/news/newsdetail/drucken.asp?NewsNp-339209>, accessed on April 10, 2005. The retail price at Starbucks reflects the brand value of the coffee designations. Foreign coffee companies and consumers recognize and value Ethiopian fine coffees sold under brand names such as *Sidamo*, e and *Harar*, which differentiate fine coffees from commodity coffees.

¹²⁷ The specialty coffee market, for example, enjoyed 12 per cent annual growth in the US prior to 2007.

¹²⁸ The New York market price has been unstable. This may be due to a number of factors including over- supply of coffee and competition among coffee producers. It may also relate to the lack of a means to differentiate fine coffees from commodity coffees.

goes to distributors and middlemen.¹²⁹ Out of the income received by Ethiopia, 56.9 per cent, (about 0.62-0.74 US cents a pound) goes to the coffee producers.¹³⁰ This percentage does not enable the majority of farmers to meet their basic needs such as food and clothing. Farmers are often forced to sell what they bought during the peak season and just survive for the rest of the year.

The low income from fine coffees and lack of incentives has forced farmers to cut down coffee trees and substitute them with a narcotic plant called *Chat/Quat*. A pound of *Chat* fetches a higher price than coffee and it can be harvested three times a year as against once a year for coffee.¹³¹ Chat production and marketing will provide short-term benefits but have an adverse effect on the environment, genetic resources and health. Most of the fine coffees grow under shade trees.¹³² Cutting down the coffee trees will result in cutting down the shade trees, thus adversely affecting the environment. Moreover, if the trend continues it may result in erosion and the ultimate loss of valuable coffee genetic resources not only in Ethiopia but for the rest of the world. The widespread plantation of Chat and the inevitable rise in its consumption will also have undesirable social consequences such as addiction, decreased productivity and health problems.

The inability to capture the intangible values of Ethiopian fine coffee has not only resulted in not improving or securing a viable income for poor farmers but has also resulted in misappropriation of valuable coffee brands. A search made in the trademark database showed that some of the coffee designations or brands were registered or sought to be protected as trademarks by foreign companies.¹³³

The aforementioned problems may be addressed by capturing and exploiting the intangible values of Ethiopia's fine coffees, namely, the goodwill and reputation of its coffee resulting from its distinctive qualities and represented by the coffee designations that are valued by coffee importers, roasters, distributors and customers, through an appropriate form of IP protection and by using the relevant business tools.

The need for capturing intangible value using intellectual property and business tools resulted in the setting up of the Ethiopian Fine Coffee Designations Trade Marking & Licensing Initiative. The objectives of the Initiative, the selection of coffees, trade marking brands, choice of intellectual property and business tools and what has been achieved, the problems encountered and the lessons learned are discussed in the following sections.

4.2. Objectives of the Initiative

The Ethiopian Fine Coffee Designations Trade Marking & Licensing Initiative project proposal, which was launched in 2005, aimed to:

- (a) ensure Ethiopia's ownership over the valuable coffee designations that represent the commercial reputation and goodwill of its fine coffees;

¹²⁹ LYIP, (2004) Project background document, see also LYIP (2008), *supra note* 1. The huge gap in the profit margin lies in the fact that Ethiopia has failed to capture the intangible values represented by the brands using appropriate IP tools. See. Douglas B. Holt, *Brand Hypocrisy at Starbucks*, (<http://www.sbs.ox.ac.uk/starbucks>) accessed on January 22, 2008.

¹³⁰ IFIPRI, (2003), *supra note* 21.

¹³¹ Personal communication with Tadesse Meskela, Head of the Oromya Cooperative Producers Union.

¹³² At present 40 per cent of coffee is harvested in forest and semi-forest areas, Ministry of Agriculture and Rural Development, *supra note* 10. See also Gole, T.W *et al* (2002), "Human Impact on the Coffee Arabica Gene Pool in Ethiopia and the Need for *in situ* Conservation" in *Managing Plant Genetic Diversity* J.M.M. Engels, V. Ramanatha Rao. A.H.D. Brown & M.J. Jackson (eds.) quoted by Maria Julia Oliva, *Safeguarding Biodiversity in Ethiopia's Coffee Forests: Opportunities and Challenges related to Intellectual Property Rights*, International Center for Trade and Sustainable Development (ICTSD) BIORES, Issue May 4, 2008.

¹³³ A Japanese company had registered and owned *Harar* as a coffee trademark up to 2007. Moreover, there was an attempt by Starbucks to register an expression consisting of the brand *Sidamo* as a trademark in 2005.



- (b) increase and secure a viable income for poor farmers, and
- (c) build IP asset protection and management capacity.

The Initiative focuses in particular on improving the income of poor farmers thereby reducing poverty and creating price stability by “effectively de-linking” export prices from the commodity-pricing mechanism and linking them to the price of fine coffees in retail markets. This can be achieved by capturing the intangible values incorporated in fine coffees using appropriate IP tools and exploiting them with a relevant business strategy and marketing tools.

The Initiative aims at protecting the fine coffee brands through trademarks and increasing brand value in cooperation and partnership with coffee companies. Such an arrangement will help to further promote the fine coffees and enhance consumer recognition as well as relate their price to brand value. The value of a branded product in retail markets is connected to the price paid by the retail consumer. A study made by LYIP highlights the impact of such a move as follows:

“In May 2004, for example, whole bean *Yirgacheffe* is sold in independent coffee shops at retail prices in the range of \$9-12 per pound. These shops buy the coffee at around \$6 per pound. Allowing reasonable margins for roasting and distributing should lead to an Ethiopian export price related to this retailer-buy price, perhaps in the range of \$3.00-4.00 per pound. This would mean that the export price would reflect some of the intangible brand value of the Ethiopian Specialty and Gourmet Coffees. A move to 15% of retail price means hundreds of millions of dollars of export income and greater security of income.”¹³⁴

Linking the export price to the retail market would have a major impact on poverty alleviation and stimulating farmers to improve production and enhance the quality of coffee, thus ensuring a sustainable supply of better quality and increased volume of fine coffees in the ever-growing specialty market. This in turn would meet the needs of coffee importing and distributing companies as well as consumers.

There is a strong belief that “with a concerted brand strategy the retail brand value of the three coffees *Harar*, *Yirgacheffe* and *Sidamo* within a strongly growing world market for fine coffees, the Initiative could easily deliver additional revenue to the chain as a whole, providing the framework for gradual increases in export price as a share of retail price, without harm to distributors”.¹³⁵

4.3. Selection of Brands and Choice of Appropriate IP and Business Tools

A comprehensive study was made to identify the intangible values of Ethiopian fine coffees, analyze the market situation and identify the best IP and business strategies. Extensive consultations were carried out inside and outside Ethiopia with the stakeholders, key partners and experts in the field. The study revealed that there were a number of coffee designations that represent the goodwill and reputation of Ethiopia's fine coffees. There was thus a need to give priority to certain brands due to resource constraints.

The stakeholders' committee, which consists of leaders of coffee-producing cooperative unions and private coffee exporters' associations as well as representatives of relevant government bodies, decided

¹³⁴ LYIP (2005), Background Project Document.

¹³⁵ *Ibid.*

that three coffee brands; namely, *Sidamo*,¹³⁶ *Yirgacheffe*¹³⁷ and *Harar*¹³⁸ be protected as IP assets in major coffee import destinations and countries that are deemed to be of strategic importance or in future markets through the use of trademarks. The selection of the designations was based on criteria that included export potential, numbers of stakeholders whose lives will be impacted by the program, greater consumer recognition and demand from foreign markets.

Geographical indications, certification marks and trademarks were identified as possible IP tools to protect the selected brands and the merits and demerits of each were studied. Extensive consultations were held in Ethiopia and abroad. Based on the findings of the study and the consultations, a proposal was prepared and submitted to the Stakeholder Committee, which decided that the brands should be protected using trademarks and it determined the list of countries¹³⁹ where trademark applications should be made.

The coffee brands designated fine coffee growing in different localities in different regions of Ethiopia, mainly Oromia and the Southern Peoples and Nationalities Regional States. *Sidamo* designates coffee that is produced in different localities in Southern Ethiopia, such as Sidama, Gedeo, Borena, Kercha/Guji, Kambata, Walayta, Wenago, Gelana and Abya. *Yirgacheffe* grows in Gelana, Abaya and Wenago districts while *Harar* is produced in the Arsi, Western and Eastern Hararge regions of Oromia State.

Geographical indications,¹⁴⁰ which mainly indicate the places of origin of a product, were found inappropriate for a number of reasons; namely:

- (a) the products are not confined to one locality but grow in different localities that are known by their own names as shown above;
- (b) The designation *Yirgacheffe* is a name of a village in the Southern Peoples and Nationalities Regional States. However, the coffee that is produced in this area is not all *Yirgacheffe*; it is possible to grow coffee on one side of a mountain that meets the cup profile of *Yirgacheffe*, which is rightly referred to as *Yirgacheffe* and other coffees grown on the other side of the mountain;¹⁴¹
- (c) the designations *Sidamo* and *Harar* do not represent the geographical locations where the coffee grows;¹⁴²
- (d) the designations are well-known as designations of fine coffees and not places;
- (e) the designations are not generic, unlike geographical indications which consist of a geographic name denoting the geographical origin of a product, not usually protected as a trademark;¹⁴³

¹³⁶ *Sidamo* grows in Sidama, Gedeo, Borena, Kerca/Guji, Kembata and Welayta districts of the Southern Ethiopia Peoples and Nationalities Regional State and the Oromia Regional State (Desse Nure, Former Head, coffee Quality Inspection and Auction Center, presentation made as "Four Decades of Coffee Research and Development in Ethiopia-1967-2007", organized by the Ethiopian Institute of Agricultural Research-Jimma Agricultural Research Center, in Addis Ababa, July 2007).

¹³⁷ *e* grows in Gedeo, some parts of Galena, Abeya and Wenago districts of the Southern Ethiopia Peoples and Nationalities Regional State (Nure, *supra note*136).

¹³⁸ *Harar/Harrar* coffee grows in Arsi, East and West Hararge of the Ormomia Regional State (see Nure, *supra note* 136).

¹³⁹ These were Australia, Canada, the US, Europe, Japan and Saudi Arabia. Later the list included Brazil, China, India and South Africa.

¹⁴⁰ Geographical indication is an expression that denotes the geographical origin of a certain product where a given quality or reputation or other characteristic of the good is essentially attributable to its geographical origin (Article 22(1) of the TRIPS Agreement).

¹⁴¹ Information obtained from Hailu G/Hiwot, who discovered *e* coffee and who has been in the coffee sector for around 40 years. G/Hiwot is one of the leading coffee exporters in Ethiopia.

¹⁴² There is no geographical location known as *Sidamo*, and *Harar* is the name of a city where no coffee grows.

¹⁴³ This is commonly provided for in trademark laws. See, for example, The European Law on Community Trademarks, Article 7, which excludes geographical indications from being registered as a trademark. The US Lanham Act also excludes geographical names from being protected as a trademark unless they have acquired distinctiveness or secondary meaning. Geographic names that merely describe the geographical origin of a good or service are not protectable or registerable unless they impart a message to the consumer that the names are not related to the names of the geographical locations, that means consumers would not recognize the name as a geographical area associated with the product or service which bears it.



- (f) the designations are not protected as geographical indications in Ethiopia¹⁴⁴ as required under relevant international treaties and national laws, and
- (g) there is no uniformity in the form, requirement and scope of protection for geographical indications.

Certification marks,¹⁴⁵ which mainly denote that a certain product meets specified requirements and standards, will not serve the intended objectives of the Initiative. A certification mark provides less control over the use of brands than does a trademark. Moreover, a certification system would entail an administrative and financial burden, which may be difficult for the producers or the Government of Ethiopia. The producers, receiving a meager income and who are unable to meet their basic needs cannot bear an additional burden. Limited government resources, which may be used for other priority areas such as health and education, may not be appropriated to cover such costs. There is also a practical problem in implementing certification systems in Ethiopia. The majority of the producers of fine coffees own, on average, half a hectare of land or less.¹⁴⁶ These small farms are so fragmented that implementing a certification system would be more costly.

Unlike geographical indications and certification marks, trademarks, which serve to designate distinctive features and products, were deemed appropriate¹⁴⁷ to effectively realize the objectives of the Initiative. Trademarking the coffee designations will, *inter alia*, help to:

- (a) ascertain ownership and prevent misappropriation of the coffee brands with their accompanying undesirable consequences. Failure to register these brands may not only result in misappropriation of valuable IP assets but also prevent use of such brands by the rightful owner. Reclaiming ownership rights would require resources that are not within the reach of countries like Ethiopia.¹⁴⁸ No one can register and own the three designations registered in the name of Ethiopia. Countries have lost their brands and suffered financial losses through failing to protect them;¹⁴⁹
- (b) control the use of brands and ensure long-term benefits through licensing arrangements.¹⁵⁰ Trademarks will give control over the use of the brand and help to ensure uniform use via a licensing arrangement. Such a power will enable Ethiopia to determine the terms and conditions of use and partnership with licensed coffee importers, roasters and retailers in managing and promoting the brands as well as enhancing the quality of its fine coffees;
- (c) distinguish the Ethiopian fine coffees from commodity coffees and other specialty coffees, capture and build the goodwill and reputation of the specialty coffees around brand names;¹⁵¹
- (d) maximize benefits by improving the marketing position. Trademarking helps to ensure the identification and marketing of the fine branded coffees thereby facilitating consumer

¹⁴⁴ There is no law yet governing geographical indications. EIPO with the assistance of the USAID-Doha Accession project has managed to draft a law. The Office is planning to strengthen the draft law and submit it for approval in 2009.

¹⁴⁵ Certification marks indicate and assure the coffee buyer of the origin of a specific sack of coffee beans. Yet this legal tool, while valuable, would not confer on Ethiopia the power which trademarks give over the companies that trade and retail its coffees (see www.ethiopiancoffeenetwork.com).

¹⁴⁶ For example, 40 per cent of the total coffee production is planted on small areas of land near to the homesteads (see Petit, *supra note* 118).

¹⁴⁷ The coffee designations, which represent the distinctive qualities of Ethiopian fine coffees, are as good as symbols eligible for trademark protection.

¹⁴⁸ Invalidation of IPRs owned by a foreigner requires huge resources and involves complicated legal procedures.

¹⁴⁹ For example, Jamaica failed to trademark "Blue Mountain" and to control the use of the name. As a result, when Kenya began selling coffee as "Blue Mountain", Jamaica's coffee export income fell substantially and the country was forced to re-brand its coffee as "Jamaica Blue Mountain" at considerable cost, see LYIP (2005), *supra note* 129.

¹⁵⁰ Trademarked brands can only be lawfully used by other parties through licensing arrangements. Such an arrangement provides an opportunity for establishing a long-term relationship and enhances brand value.

¹⁵¹ In spite of the fact that the coffee designations and the fine coffees are well recognized by consumers who are willing to pay premium prices for them, Ethiopia did not have the legal standing to differentiate fine coffees from other coffee and effectively

- recognition and providing the opportunity for joint promotions. Such a move will help to increase demand for gourmet coffees that will be accompanied by a rise in price. Importers, distributors and retailers will be willing to pay higher prices to the producers. Moreover, the brands will help to distinguish the fine coffees from the commodity coffees and facilitate linkage with the final retail market where prices are stable and determined through negotiation,¹⁵²
- (e) prevent registration of similar marks but also marks that may lead to confusion with what is already registered, thereby protecting the reputation and goodwill of the fine coffees.¹⁵³ In the absence of a right over designations through trademarks, someone may own similar or confusingly similar designations or use them in a way that may damage the reputation of the fine coffees;
 - (f) prevent loss of goodwill and reputation by preventing the marketing of similar products using the same mark or a confusingly similar mark; goodwill and reputation may be affected by counterfeit products. Counterfeiting will increase as the price of Ethiopian fine coffees increases and if the Ethiopian fine coffee designations are not protected as trademarks, inferior coffee may be sold using these names in order to benefit from their reputation and goodwill. Such counterfeit activities will damage the reputation and goodwill of Ethiopia's fine coffees, resulting in loss of export income.

In addition to the above, securing protection for trademarks is faster and administering the rights is easier and less costly compared with other possible forms of protection. The time required to set up a geographical indication or a certification system is untenable in view of the fact that some of the brands have been registered or are in the process of being registered as the property of foreign companies.¹⁵⁴ Furthermore, the cost of developing and implementing such systems is high.

The choice made by Ethiopia, based on study and careful examination of the concrete needs of the country as well as the possible forms of intellectual property, was found to be correct through the number of achievements made in a short period of time. This will be discussed in section 4.8.

4.4. Development of Project Proposal and Resource Mobilization

Protecting the Ethiopian fine coffee designations through trademarks and ensuring a reasonable share of the benefit for poor farmers and small traders requires technical expertise and financial resources. LYIP in consultation with EIPO, coffee producers' unions, coffee exporters and relevant government bodies, developed a project proposal in 2004. Extensive consultations were held inside and outside Ethiopia on the project proposal and its strategies and these were well received by the different players and partners.¹⁵⁵ The project was endorsed by the relevant government authorities.¹⁵⁶

¹⁵² This will effectively change the present position of coffee exporters and producers thereby enabling them to take part in setting prices instead of accepting prices already set, which is common in commodity product markets.

¹⁵³ For example, it is not possible to register similar marks to those already registered by making slight modifications or adding suffixes.

¹⁵⁴ The project team discovered that a number of companies around the world already "owned" or were trying to own some of the Ethiopian coffee brands. These include UCC, a Japanese company, which owned "Harar" as a trademark in Japan and Starbucks Corporation, a US coffee company, which was in the process of registering a trademark for a phrase including the word "Sidamo" in more than 30 countries.

¹⁵⁵ In Ethiopia, consultations were carried out with officials and experts of appropriate government bodies including the Ministry of Agriculture and Rural Development, the Federal Cooperative Commission as well as private organizations such as the Ethiopian Coffee Exporters Association and the coffee producers' cooperative unions. Outside of Ethiopia, consultations were carried out with the LDCs division of WIPO, the Specialty Coffee Association of America and other similar organizations.

¹⁵⁶ These include the Ministries of Agriculture and Rural Development, Capacity Building and the Ministry of Finance and Economic Development.



The project was funded by the Department for International Development (DFID) in the UK, which supported the activities in the first phase of the project. The requisite legal expertise was made available by Arnold & Porter, one of the top US law firms, which has been providing *pro bono* counseling on this program since 2005.

The *pro bono* service which has helped to save millions of dollars was needed to resolve the various challenges faced during the process of trademarking and licensing, beyond the reach and capacity of countries like Ethiopia.

4.5. Status of Trademark Applications and Titles Granted

EIPO has filed applications for trademark registration of the three coffee designations *Harar/Harrar*, *Sidamo* and *Yirgacheffe* in 36 countries- Australia, Brazil, Canada, China, India, Japan, the European Union,¹⁵⁷ Saudi Arabia, South Africa and the US since 2005. These countries are either major export destinations for the fine coffees or are deemed to be markets of the future. Title has been obtained in the majority of countries while the applications are pending and at different stages in the trademarking process in a few countries. The current status of the applications is summarized below:

- (a) in Canada, the European Union and the US, *Harar/Harrar*, *Sidamo* and *Yirgacheffe* have been registered.¹⁵⁸ Registration certificates have been secured for two of the designations - *Yirgacheffe* and *Sidamo* in Japan;¹⁵⁹
- (b) in Brazil, Saudi Arabia and South Africa applications have been processed and invitation of opposition has been published;
- (c) in Australia, China and India applications are pending.

In the course of the trademarking process a number of challenges were encountered and measures were taken to address the problems. These include the following:

- i. in the US, the application for *Sidamo* could not initially be processed as a result of an earlier application by Starbucks Corporation.¹⁶⁰ After the latter decided to withdraw its application through public pressure, the Ethiopian application faced opposition by the National Coffee Association of America (NCA), which filed a Letter of Protest. Based on the Letter of Protest, the examiner at the USPTO rejected the application on the ground that the designation is generic. Ethiopia submitted a rebuttal against the decision supported by relevant laws and precedents and accompanied by evidence of acquired distinctiveness. This position was accepted by the Office and a Certificate of Registration for *Sidamo* was obtained in April 2008;

¹⁵⁷ The Union includes 27 countries-namely: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Luxemburg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK.

¹⁵⁸ Details of the registered brands and the time of registration in these countries is given below:

(a) *Harar*, *Sidamo* and e were registered in Canada on June 10, 2005,

(b) In the US, e was registered on June 8, 2006, *Sidamo* on February 12, 2008 and *Harar* on June 3, 2008.

(c) In the European Union *Harar* and e were registered on February 14, 2006 and *Sidamo* on February 27, 2008.

¹⁵⁹ In Japan *Sidamo* and e were registered on May 26, 2006.

¹⁶⁰ Starbucks filed application for trademark registration of *Shirkina Sun-Dried Sidamo*, serial no.78-431419 in 2004. Ethiopia filed an application for trademark registration of *Sidamo* in March 2005, after the Starbucks application. Under existing trademark law and practice, later application is unacceptable where there is an earlier application for the same or a confusingly similar mark

- ii. with regard to Harar, the USPTO required further evidence and clarification. The project team furnished the required evidence and the Office registered Harar and granted the certificate of registration in June 2008;
- iii. in Europe, Neuform, a German company, opposed the application for *Sidamo*, claiming that its registration would cause confusion with “Sesamo”, which it had registered earlier. It is noted that the name “Sesamo” is different from Sidamo and used for different classes of goods.¹⁶¹ In view of this fact, contact was established and the company was persuaded to withdraw its opposition. The company required the name to be used in relation only to coffee and agreement was reached between the parties. The company withdrew its opposition and a Certificate of Registration was granted to Ethiopia in February 2008;
- iv. *Harar/Harrar* was rejected in Japan on the grounds that it was already registered and owned by a Japanese company, the UCC Ueshima Coffee Company. Contact was made with the company in order to deal with the problem amicably. Ethiopia offered a royalty-free license agreement and in return asked the company to assign the right over the trademark. The company offered to waive its right against Ethiopia, thereby letting it export and sell *Harar* coffee using the mark *Harar*. This was unacceptable to the Stakeholder Committee, which insisted on assignment of the right, explaining that Ethiopia was the rightful owner of the mark. The Japanese company then decided to cancel its right. While preparations were made for reapplication, Ethiopia learned that the All Japan Coffee Association had filed a petition for the invalidation of the titles granted for *Sidamo* and *Yirgacheffe*. As a result, a decision was made to defer the reapplication and deal with the petition. Ethiopia approached the Association and endeavored to persuade it to withdraw its petition but without success. Ethiopia has submitted arguments against the petition based on legal grounds and furnished supportive evidence. The matter is now awaiting a decision by the tribunal of the Japanese Patent Office;
- v. in Australia, all the applications were rejected on the grounds that the names lack distinctiveness.¹⁶² The project team submitted a rebuttal against the decision of the trademark examiner. It is expected that the decision will be overturned and certificates will be acquired in the same way as similar challenges were overcome in the US.

4.6. Licensing of the Trademarked Designations

Acquisition of trademark protection over the coffee marks will only meet one of the objectives of the Initiative, namely securing the right of Ethiopia over its IP assets¹⁶³ but not its other objectives such as improving and sustaining the income of coffee growers and small traders in Ethiopia. There has therefore been a need to design an appropriate business strategy to exploit the acquired IPRs. To this end, Ethiopia

¹⁶¹ Please note the difference in spelling between the two words-“Sesamo” and “Sidamo”. Furthermore, Ethiopia sought to register “Sidamo” for coffee while “Sesamo” is registered for grocery products.

¹⁶² The Australian Trademark Office (ATO) refused registration of the coffee designations on the basis that the marks are not capable of distinguishing the applicant’s goods from those of other traders as they are geographical names (S.4 of the Australian Trademark Act). The examiner contended that the names are Ethiopian place names associated with the production of coffee, and that as a result other traders should be able to use the trademark in conjunction with goods similar to those which Ethiopia is seeking to trademark. The Office stated that Ethiopia would need to bring substantial evidence to overcome the refusal. The examiner’s opinion is inconsistent with Ethiopia’s position, which is that the coffee names are distinctive both in the sense that each is associated with the particular qualities of certain varieties of Arabica coffee produced in the unique growing conditions of Ethiopia, and that the names are recognized as coffee brands and not as denoting geographical places on the world coffee market.

¹⁶³ No one can hereafter register and own the coffee brands registered as a trademark in Canada, Europe and the US and in those countries where applications have been duly filed.



has developed a licensing program and has offered a royalty-free license agreement since 2006.¹⁶⁴ Ethiopia believes that the objectives of the Initiative can be effectively met through establishing and strengthening partnerships with coffee importing, roasting and distributing companies and ensuring that the interests and needs of all the key players in the coffee trading chain are met.

The program represents a model that allows for all those in the distribution chain from producer to retail distributor to benefit. The added value of the brands will create a sustainable and valuable relationship between the Ethiopian coffee sector and the licensed distributors.

The license agreement has deliberately been made very simple.¹⁶⁵ It is not as sophisticated and lengthy as one may commonly see in IPRs license agreements. Moreover the terms and conditions of the agreement are clearer and less stringent. The agreement is eight pages long, consisting of 14 articles. The clauses have been drawn up to be simple and clear for coffee companies to understand their rights and obligations without seeking the assistance of lawyers. The licensing strategy aims for a win-win situation where everybody will benefit. As a result the license agreement has been drafted in such a way that it meets and caters for the interests of licensees and Ethiopia.

The main purpose of licensing is to facilitate capturing and building the reputation and goodwill of the specialty coffees around the brands. Licensees are required to sell the specialty coffees using the brands, and promote them by educating their customers. The licensing strategy will:

- (a) boost consumer recognition of the registered trademarks;
- (b) help to increase the demand for Ethiopian specialty coffees, and
- (c) in the long run ensure reasonable returns from the sale of the coffee for Ethiopian farmers and small traders as well as foreign companies involved in the coffee trading chain. Improved income for the coffee growers will result in a sustainable supply of enhanced quality fine coffees to meet the needs of the coffee companies and consumers.

The program aims at concluding license agreements with 150-200 coffee importing, roasting and distribution companies. To date, 91 license agreements¹⁶⁶ have been concluded with coffee importing, roasting and distribution companies in Europe, Japan, North America and South Africa. Forty-seven private coffee exporters and three coffee-producers' cooperative unions in Ethiopia have also signed an agreement. This has been done to ensure that the fine coffees identified by their brands are sold to licensed distributors and facilitate compliance with the terms and conditions of the license agreement.

The coffee companies that signed the agreement have created a network of licensed distributors. The establishment of the network will, *inter alia*:

- (a) help the licensed coffee distributors to work closely with the Ethiopian fine coffee sector and to facilitate the realization of common objectives such as enhancing the quality and quantity of fine coffees and increasing income of all those involved in their production, processing and marketing, and

¹⁶⁴ The focus of the initiative is not on generating revenue for the Government through royalty payments but strengthening bargaining power and raising incomes for exporters and producers.

¹⁶⁵ See the standard license agreement, available at www.Ethiopiancoffeenetwork.com.

¹⁶⁶ The license is granted for five years and is automatically extended unless one side decides not to extend. It is also important to note that the law that will govern the agreements is that of the country in which the company operates. This has been done deliberately in order to ease the burden on the licensee and build confidence that disputes will be resolved using each using his own law and jurisdiction,

- (b) facilitate action against trademark infringement and illicit use of the brands to market inferior coffee by counterfeiters.¹⁶⁷

The establishment of the network of licensed distributors has been complemented by the setting up of an institutional framework - a joint forum, which will bring the licensed companies and the Ethiopian stakeholders together and discuss issues of concern and promote common cause.

The network's members have concerns related to the quality and quantity of the fine coffees, sustainability of supply and traceability. The Ethiopian stakeholders' concern includes selling the coffee using the brands, promotion and marketing as well as price. These concerns are shared by both sides and can be promoted as a common cause and a shared goal through an appropriate institutional framework. Cognizant of this fact, a joint forum consisting of licensed distributors from Canada and the US as well as the Ethiopian coffee exporters, growers and representatives of relevant government bodies was established. The forum held its first meeting on February 14, 2007 in Addis Ababa, Ethiopia. This was an historic event which brought coffee producers and distributors together for the first time and provided them with a framework to promote mutual interests and shared causes. Before this, coffee growers did not know where the coffee ends up once it has left the farm gate and the exporters did not know where it ends up once it has left the port of Djibouti. The same holds true for the licensed distributors, who do not know its provenance. Moreover, there was no forum where both sides could express and address concerns and promote a common cause.

The forum had its second and third meetings in Long Beach, California in May 2007¹⁶⁸ and Minnesota, Minneapolis in 2008¹⁶⁹ respectively. At each of these meetings, both sides discussed issues of mutual interest¹⁷⁰ and committed themselves to working together on a future strategy aimed at developing markets and raising awareness of Ethiopian specialty or gourmet coffees.

The forum will ensure that the brand is uniformly presented on the market thereby facilitating better recognition of fine coffees by consumers. The value of the brand will grow as recognition of the mark increases. This in turn increases the income of those involved in coffee production, processing and marketing.

Licensing of the trademarked coffee brands is managed by EIPO, LYIP and embassies overseas. Licensing activity in North America is managed by the Ethiopian embassy in Washington D.C while Europe and Japan are covered by the Ethiopian embassies in London and Tokyo respectively. To coordinate activities with the embassies and manage licensing activities in other countries,¹⁷¹ EIPO has established a Licensing

¹⁶⁷ Infringement of IPRs is a serious concern in today's knowledge economy. Selfish individuals and companies that aim to illegally benefit from reputation and goodwill may produce and sell counterfeit products. This often happens when there is an increase in the demand and the price paid for Ethiopia's fine coffees. The network of licensed distributors will help to trace acts of infringement and take appropriate action.

¹⁶⁸ The meeting was attended by representatives from 14 coffee companies in North and Latin America. During the meeting issues of labeling, packaging, sub-licensing as well as issues related to infringement and enforcement of right, quality assurance, promotion and expansion of networks, ways and timing of communication were discussed and agreement was reached to develop guidelines jointly.

¹⁶⁹ During this meeting the umbrella brand and the brands for each of the three fine coffee designations were unveiled and the way forward was discussed. Agreement was reached that the Ethiopian side would prepare the brand guidelines and circulate them for comment by the licensed distributors.

¹⁷⁰ These include enhancing the quality and test profile of coffee, marketing promotion of the fine coffees and their brands.

¹⁷¹ These include countries in Africa and Asia. Inquiries have been received from Australia, Russia and South Africa. A member of the licensing team has been appointed to handle these queries and initiate license agreements in countries not covered by the designated embassies. These arrangements may however be changed as Ethiopia's trademark ownership of the coffee brands expands in the jurisdictions where trademark applications are pending. There may be a need to designate embassies to deal with licensing management in their own and neighboring territories. Using local Ethiopian embassies as the focal point for a regional licensing team brings benefits of local coffee sector knowledge, as well as addressing the practicalities of meeting primary target licensees. As well as geographical considerations, regions may encounter differing issues with regard to trademark status or licensing requirements (LYIP-EIPO (2007) Licensing Training Material).



Management Unit (LMU). The LMU facilitates coordination with licensed distributors, follows up decisions made in the forum and manages and promotes the use of the Ethiopian fine brands via licensing arrangements. LYIP and the project team have given extensive training to members and stakeholder institutions such as the Ethiopian coffee producing unions and exporters' associations. The LMU, supported by the Ethiopian embassies abroad and the staff of LYIP, carry out the following activities:

- (a) contact companies in the coffee supply chain that deal in the Ethiopian fine coffees;
- (b) negotiate and conclude license agreements for the use of the trademarked brands;
- (c) promote the registered brands of Ethiopian fine coffees and assist licensees in the promotion of the brands and fine coffees;
- (d) provide information regarding the Ethiopian Fine Coffee Designations Trade Marking & Licensing Initiative;
- (e) document license agreements and update the list of licensees;¹⁷²
- (f) undertake studies and prepare guidelines in line with the decision of the Stakeholder Committee and the joint forum;
- (g) monitor the activities of the licensed distributors and follow up compliance with the terms and conditions of the license agreement with the licensees;
- (h) train the staff of the unit and others seconded by the key stakeholders such as exporters and coffee producers, and
- (i) attempt to resolve infringement cases.¹⁷³

As a result of the concerted efforts made by the LMU, LYIP and the project team, a number of companies signed the license agreement and joined the network of licensed distributors within a short period of time. Moreover, various coffee companies have begun expressing serious interest in signing the agreement and joining the network. This has been made possible using promotional materials, the Ethiopian coffee network website and participation by members of the LMU and the project team at the Specialty Coffee Associations exhibitions and conferences held in Ethiopia,¹⁷⁴ Belgium¹⁷⁵ and the US.¹⁷⁶ These events provided an opportunity to meet with coffee distributors from the US, Japan, Canada and Europe and explain the objectives of the Initiative.

The institutional framework created and the capacity built as well as the expertise and skill that may be acquired could further be used in managing IP assets of the country with export potential.

4.7. Branding of Trademarks

Registration of the coffee designations and licensing of coffee trademarks should be complemented by a marketing strategy that will enhance the value of the registered trademarks and effectively meet the objective of ensuring increased and secure income for coffee producers and small traders. Ethiopia has opted for branding of the trademarks as a marketing strategy.

¹⁷² The LMU keeps signed agreements and manages a database of licensees.

¹⁷³ The LMU will approach the infringing company and inform it that a license is required to lawfully use the brands and to explain the benefits of becoming a licensee. If the company continues to infringe and fails to enter into an agreement then it will request that appropriate action be taken by the EIPO.

¹⁷⁴ The East African Fine Coffee Association (EAFCA)'s exhibition and conference was held from February 15-17, 2007 in Addis Ababa, Ethiopia.

¹⁷⁵ The Specialty Coffee Association of Europe (SCAE)'s conference and exhibition was organized in Antwerp, Belgium in June 2007

¹⁷⁶ The Specialty Coffee Association of America (SCAA)'s exhibitions and conferences were organized in Long Beach, California, US in May 2007 and Minneapolis, Minnesota, US in May 2008.

The Government hired a UK-based branding company, Brand House, to create simple, memorable and recognizable brand identities for each of the registered marks as well as an umbrella brand for Ethiopian fine coffees.¹⁷⁷ The company developed an umbrella brand that may be used with each of the registered trademarks as well as other designations that may be registered in the future and specific brands for each of the registered trademarks¹⁷⁸ under the guidance of the Stakeholder Committee and the project team.

The umbrella brand and the three brands, approved by the Stakeholder Committee in February 2008, were unveiled at the joint forum that took place in Minneapolis, Minnesota, US.

Brand House, under the leadership and guidance of the Stakeholder Committee, developed a guideline to define the terms and conditions of the use of the brands. The guideline, which was approved by the Committee in June 2008 will ensure uniform use of the brands by licensed distributors, facilitate brand promotion and increase the brand value of the fine coffees.¹⁷⁹

The branding exercise will also help in nation branding. It will ensure that the country is known for its finest coffees and enhance its image. In the course of trying to promote the Initiative, one of the problems the project team encountered was that not many people knew Ethiopia as a coffee-producing country, contrary to the expectations of the project team. The country proudly claims itself as the birthplace of coffee: however, this fact is largely unknown. During the dispute with Starbucks it was common to see people asking the question: does Ethiopia produce coffee? The branding initiative will thus help to address this problem as well as to promote the country and make itself known not only as the birthplace of coffee but also the supplier of the most renowned coffees in the world. This may in turn contribute to changing the image of the country and serving as an attraction to tourists.

4.8. Dispute with Starbucks

4.8.1. Origin of the Dispute

The dispute with Starbucks started when Ethiopia learned that the company had applied for trademark protection of the name *Shirkina Sun-Dried Sidamo* for "whole coffee beans" in the US¹⁸⁰ as well as in several other markets.¹⁸¹ *Shirkina* in Amharic, the official language of Ethiopia, means partnership, "sun-dried" denotes the method of processing the coffee that enhances its quality. According to the coffee education director Scott McMartin of the Starbucks Corporation: "the coffee bean absorbs flavor characteristics from the fruit as it dries around them... the application of the natural process... has given this coffee a distinctive black cherry flavor, with hints of chocolate and dark rum finish."¹⁸²

Ethiopia's application for registration of *Sidamo*, which was made on March 2005 in the US, was suspended due to the prior application by Starbucks. Ethiopia approached the company in order to resolve the

¹⁷⁷ The brands are attached as an annex to this study.

¹⁷⁸ The umbrella brand was developed to be used with the designations of some of the coffees that could not be registered due to resource constraints as well as other fine coffees that may be identified in the future from the country's huge genetic pool.

¹⁷⁹ The guideline helps to ensure consistency in presentation, spelling, and format that will considerably enhance the value of the brands in their own right.

¹⁸⁰ Starbucks filed a trademark *Shirkina Sun-Dried Sidamo*, serial number-78431410, on June 8, 2004.

¹⁸¹ Research showed that the countries in which the company had filed trademark applications included Australia, Canada, the EU, Hong Kong, New Zealand, the Philippines and the US.

¹⁸² *Savor Shirkina Sun-Dried Sidamo Exclusively at Starbucks: Taking a Risk, Starbucks Helps Create New Coffee, Potential New Revenue Stream for Farmers*, available at <http://finanzen.net/news/newsdetail/drucken.asp?NewsNp-339209>, accessed on April 10, 2005.



problem,¹⁸³ asking it to withdraw its application so as to facilitate the processing of Ethiopia's application and in return offered a royalty-free license for worldwide use of the brand. Starbucks, however, ignored repeated requests to cooperate in resolving the matter and¹⁸⁴ it was only after Ethiopia filed its opposition against the company's application, and through international pressure by different groups including non-governmental organizations (NGOs) such as Oxfam and other partners that the company was forced to withdraw its applications for *Sidamo* in all the countries in which it had applied.¹⁸⁵ However, the Corporation continued to create obstacles and engage in a public relations campaign aimed at discrediting Ethiopia's Initiative.

4.8.2. Resolution of the Dispute

Ethiopia's strategy and position had been to persuade Starbucks to hand over its registrations or pending applications and to sign them up as a licensee to use the coffee trademarks of Ethiopia. From the very beginning it clearly stated that it regarded Starbucks as a valuable partner and that the Initiative was not only in the interests of Ethiopia's poor farmers and small traders but also in the interests of the company¹⁸⁶ and its customers.¹⁸⁷ When Ethiopia offered a royalty-free license agreement, the company first responded that Ethiopia did not have any legal basis for its claim and rejected the offer. Later the company raised 11 points of concern on the draft license agreement. Some of the concerns such as the fact that the Initiative was contrary to the interests of farmers had no relevance to the issue at stake. However, Ethiopia made it clear that the concerns that the company had on the draft licensing agreement and any other concerns could be resolved in a positive and constructive manner.¹⁸⁸ Ethiopia further made its position clear in subsequent communications with company officials. There was therefore optimism on the Ethiopian side that the dispute with Starbucks would be resolved once the company learned about the intention of the Ethiopian Fine Coffee Designations Trade Marking & Licensing Initiative.

Starbucks' position and response, however, were not encouraging. It rejected the offer and launched a public relations offensive aimed at discrediting Ethiopia's efforts. The company continued opposing Ethiopia's Initiative, contending that Ethiopia's approach was wrong and that it should have opted for a certification mark instead of trademarks.¹⁸⁹ Such a paternalistic position, presuming that Ethiopia was ignorant and should take the advice of the company, was untenable to an independent sovereign state. However, Ethiopia continued to pursue its strategy to settle the dispute through dialogue.

¹⁸³ Ambassador Kassahun Ayele, the then Ethiopian ambassador to the US, wrote in March 2005 to the company requesting it to withdraw its application in return for a royalty-free license agreement.

¹⁸⁴ The reason behind this was the company's belief that Ethiopia's claim did not have any legal basis. Such a belief was communicated to Ethiopia as well as made public in the media.

¹⁸⁵ The company withdrew its application in June 2006.

¹⁸⁶ The Corporation is the largest fine coffee distributing and roasting company in the world having a presence in 38 countries and a potential to expand. It will be in the interest of Starbucks to ensure sustainability of its supply of fine coffees to retain its current position as well as realize its expansion plans. The initiative which aims to increase and secure the income of the poor coffee growers using market mechanisms will meet the needs of companies like Starbucks by giving incentives to the coffee producers to grow more fine coffees and maintain and enhance their quality.

¹⁸⁷ The company claims that more than 40 million consumers visit its outlets in the US in any one week. It is able to retain these customers and attract more only when it is in a position to meet their needs. This will be facilitated by selling the fine coffees using their brands. The recognition of Ethiopia's ownership of its brands is in line with the interest of the consumers. It will help them to buy the coffee of their choice. It will also be in the interests of the company in that it helps to ensure customer loyalty.

¹⁸⁸ The Director General of EIPO made this clear in a letter written to Jim Donald, CEO, Starbucks Corporation on November 3, 2006.

¹⁸⁹ In a letter dated November 8, 2006, Jim Donald suggested that "a certification program is the best form of intellectual protection. It is the internationally recognized, long established way to create and enforce intellectual property in geographic origins of products. Use of a certification program can avoid the commercial and legal uncertainty that discourage robust trade and development". The response was based on wrong assumptions. It assumed that the names were names of geographical locations instead of coffee brands which the Director General of EIPO had tried to spell out in a letter written to the CEO on November 3, 2006 (see *supra* note 189). Furthermore, it assumed that certification marks were the best and effective form of protection of the coffee brands contrary to the position the company took when it sought trademark protection of an expression that included the term *Sidamo*.

The company also made efforts including through lobbies to persuade Ethiopia to change its approach and win the support of *Sidamo* coffee farmers. None of this could result in a change in Ethiopia's position. The preparatory work done before launching the Initiative and the involvement of all the stakeholders from the inception of the project helped to throw light on the issue, promote a common position and speak with one voice.

Ethiopia adopted an engagement strategy and sought to settle the dispute through negotiation taking advantage of every opportunity to persuade the officials of the company and present its case to the public. This strategy was complemented by the work of different pressure groups. The Ethiopian diaspora,¹⁹⁰ the US Congress and members of Parliament in the UK, well-known individuals such as Mary Robinson, the former Irish President, international NGOs,¹⁹¹ academics, students and the media fought the cause of Ethiopia, wrote letters,¹⁹² summoned the officials of Starbucks to explain their company's position¹⁹³ or launched a public relations campaign. The public relations campaign, which had the support of international NGOs, was very effective. Oxfam America, for instance, managed to generate about 90,000 complaints within a few months. The persuasive strategy adopted by Ethiopia coupled with public pressure and extensive press and media coverage forced the company to reconsider its position and enter into constructive dialogue and negotiations with Ethiopia.

The developments that took place in this regard may be summarized as follows:

- (a) Ethiopia and Starbucks put out a joint press release following the meeting in Addis Ababa with Starbucks' executives in February 2007, where, for the first time, Starbucks agreed to respect the choice and right of Ethiopia to protect its coffees through trademarks and to create a network of licensed distributors. It also went on record that it would not oppose Ethiopia's Initiative. Both sides recognized that there was a difference in approach and that this should be dealt with through negotiation. This was important in that it left the door open for continuous dialogue and communication.
- (b) Based on the above understanding, the two sides met on May 1 and 2, 2007 in Seattle, Washington, US. That meeting resulted in a framework agreement where the company, for the first time, agreed in principle to recognize the trademark ownership of Ethiopia and enter into marketing, distribution and licensing agreements acknowledging Ethiopia's ownership of the coffee designations that are registered as trademarks and recognizing their common law right over the unregistered coffee designations.
- (c) Starting on May 3, six weeks of negotiations were entered into involving exchange of drafts between legal counsel and negotiations between the parties. The latter resulted in an agreement signed on June 20, 2007. Negotiations were carried out in a friendly manner as each party tried

¹⁹⁰ This includes the contribution of well-known Ethiopian American coffee blogger Wondwossen Mezeleka whose blog to this day plays a very constructive and supportive role for the Fine Coffee Designations Trade Marking & Licensing Initiative. Others include Ethiopian Americans who worked in the various US Government and non-governmental institutions who shared valuable knowledge about the dispute and coordinated efforts with Oxfam in pressuring Starbucks to accept Ethiopia's demand.

¹⁹¹ These include Catholic World Relief, Coop America, Students for Fair Trade, Lutheran groups, Global Exchange and Food First.

¹⁹² For example, US Congress members Diane E. Watson and Michael M. Honda, wrote a letter to Jim Donald, CEO, Starbucks Corporation, on October 31, 2006 expressing their concern regarding the dispute between Ethiopia and the company as well as urging the company to acknowledge Ethiopia's right over its brands and to accept Ethiopia's offer of a royalty-free license agreement.

¹⁹³ The UK House of Commons International Development Committee summoned the representatives of the Corporation to a hearing on February 27, 2007 (see the House of Commons International Development Committee, Seventh Report of Session 2006-07, vol.1, June 2007).



to understand the concerns of the other and address them in a positive and constructive manner. The agreement reached could thus be characterized as a win-win situation; indeed it has begun to be cited as a model.¹⁹⁴

Under the agreement, the company committed itself to use the trademarked brands, promote them¹⁹⁵ and render technical assistance in building the capacity of farmers to enhance their quality. The agreement established a framework of cooperation and partnership.

The parties agreed to meet once a year and work together for their mutual benefit. When visiting Ethiopia in November 2007, the Starbucks' board announced the decision to establish a farmer support center that would help build the capacity of the coffee producers in Ethiopia to enhance the quality and sustain the supply of fine coffees. A follow-up visit was made to Starbucks by representatives of the Ethiopian Government and coffee exporters in May 2008 and also helped to greatly improve communications and enhance understanding that will benefit both Ethiopia and Starbucks. This partnership is exemplary in that it reflects how multi-national corporations may cooperate with developing countries for their mutual benefit.

The license agreement with Starbucks Corporation has increased the credibility of the Initiative and boosted interest among other coffee companies in signing a license agreement. The conclusion of license agreements with about 70 companies in under a year since the signing of the agreement with Starbucks shows how much Ethiopia's successful negotiation with a company of Starbucks' stature has attracted the attention of companies, producer groups and activists around the world.

4.9. Major Achievements

The Ethiopian Coffee Trade Marking & Licensing Initiative has registered a number of achievements. These include the following:

- (a) Ethiopia holds trademarks for *Harar*, Sidamo and Yirgacheffe in 28 countries and will hold two more for Sidamo and Yirgacheffe in another country in about two years. Securing trademark ownership in 29 countries out of the 36 applications and meeting the various challenges encountered has been very impressive.
- (b) License agreements have been concluded with 91 companies in Canada, Germany, Japan, the Netherlands, South Africa, the UK and the US. In Ethiopia, 47 private coffee exporters and three coffee-producers' cooperative unions have signed the license agreement.
- (c) An effective institutional framework and coordination mechanism has been established. A national Fine Coffee Stakeholder Committee, which consists of leaders of farmers' cooperative unions and exporters as well as relevant government bodies,¹⁹⁶ has been formed and has been making key policy decisions on trademarking and licensing issues. Focal points have been established in Ethiopian embassies overseas¹⁹⁷ to work closely with the Initiative's technical and legal advisors, to initiate and follow-up license agreements and monitor infringement of trademark rights. EIPO leads the Initiative, serves as a secretariat for the Stakeholder Committee

¹⁹⁴ See, for example, The House of Commons reports, cited above (note 188) and also Starbucks Coffee Deal with Ethiopia Hailed As Model, available at <http://www.allafrica.com/stories/printable/200706300046.html> accessed on March 7, 2007.

¹⁹⁵ The Starbucks agreement commits the Corporation to specific promotional activities, which will have a major impact in terms of increasing demand for the three fine coffees.

¹⁹⁶ These include the Ministry of Agriculture and Rural Development, the Ministry of Foreign Affairs, the Cooperative Commission and the EIPO.

¹⁹⁷ These include Ethiopian embassies in Germany, Japan, the UK and the US.

and liaises with LYIP, Arnold & Porter and focal points in the Ethiopian embassies. The role of each of these bodies has been defined and effective working relations have been established in order to facilitate a smooth flow of information, communication and coordination. The institutional arrangement has greatly helped in avoiding duplication, making optimal use of limited resources and increasing efficacy.

- (d) The Initiative has secured support from the House of Peoples' Representatives of the Federal Democratic Republic of Ethiopia, the Prime Minister's office and various ministries,¹⁹⁸ providing a critical leadership role and support. The media has played an important role in sensitizing the general public and the stakeholders. The Initiative has also won the acceptance and support of a wide range of groups abroad including members of parliament,¹⁹⁹ NGOs,²⁰⁰ specialty coffee associations²⁰¹ and coffee importing and distributing companies.²⁰²
- (e) The Initiative has strengthened Ethiopia's negotiating and marketing position in the specialty coffee market. This was made possible by securing trademark ownership of the three coffee brands and determining the conditions of use of the brands under license agreements. Ethiopia now has the power to do the following:
- i. control the use of the coffee trademarks;²⁰³
 - ii. require disclosure of sales information;²⁰⁴
 - iii. require joint promotion and uniform branding,²⁰⁵ and
 - iv. negotiate export prices.²⁰⁶
- (f) There has been an increase in the demand and volume of export of fine coffees; new companies have been coming to Ethiopia seeking coffee. The Initiative and in particular the high-profile case with Starbucks have contributed to an increased awareness of Ethiopian fine coffees, resulting in a better price for some of them. Leaders of coffee producers' cooperative unions and exporters reported in 2007 that they began to sell a pound of Yirgacheffe for 2-2.10 US dollars. This was an increase of 0.70-0.80 cents on the price received during the first and second quarters of the Ethiopian financial year (July to December 2007). The Ministry of Agriculture and Rural Development also reported on February 7, 2002 that the price of the fine coffees rose between 8.9 per cent and 16 per cent and the export volume doubled in 30 days.²⁰⁷ The Ministry of Trade and Industry on July 29, 2008 announced that "Ethiopia exported 170,088

¹⁹⁸ These include the Ministries of Finance, Capacity Building, Trade and Industry, Agriculture and Rural Development.

¹⁹⁹ These include US Congress representatives and members of the UK Parliament.

²⁰⁰ These include Oxfam International, Oxfam UK, Oxfam America and the Lutheran Church.

²⁰¹ These include the specialty coffee associations of Europe, East Africa, Japan and the US.

²⁰² A number of coffee companies that concluded a license agreement with Ethiopia have played a significant role in promoting the cause of the Initiative as well as bringing in new licensees.

²⁰³ Coffee importing, processing and distributing companies that deal with fine coffees cannot sell the Ethiopian gourmet coffees using the brands or sell counterfeit coffees. Such conduct will constitute infringement of Ethiopia's right. The country will have recourse against the infringer in the courts of the countries where there is valid protection.

²⁰⁴ The licensing agreement that Ethiopia concludes with coffee companies requires licensees to disclose sales information such as the volume of fine coffees sold. Such information enables Ethiopia to control counterfeit products and set strategies on a range of issues such as choosing where to hold joint promotions and which consumers to be targeted.

²⁰⁵ License agreements will enable Ethiopia to work with the licensed coffee companies in enhancing the value of the trademarked coffee brands. Licensees are required to use the brands while selling the single origin fine coffees, promote the brands, observe uniform branding guidelines and participate in joint promotional activities during the term of the agreement. The establishment of the network of licensed distributors will also help in brand management and promotion as well as ensuring uniform use of the brands.

²⁰⁶ The Initiative allows for de-linking fine coffee export prices from the New York market price for commodity coffee and connecting export prices to retail prices. It has also helped in building up the confidence of the Ethiopian coffee growers and exporters to directly negotiate the export price of their fine coffees with the coffee importing and distributing companies and secure better prices. See Coffee Potential New Revenue Stream for Farmers, available at <http://finanzen.net/news/newsdetaildruncken.asp?NewsNp-339209>, accessed on 10 April 2005

²⁰⁷ Bloomberg reported that fine coffee prices rose between 8.9 per cent and 16 per cent in 30 days from February 7, 2007 as well as the volume which doubled in 30 months. Ethiopian Premium Coffee Prices Rise on Export Demand, available at <http://www.bloomberg.com/apps/news>.



tons of coffee and earned 525.2 million US dollars during the period June/July 2007-2008 compared with 176,390 tons that fetched 424.2 million US dollars in 2006/07". The official said that prices have shown a marked improvement since the country trademarked three of its fine coffee brands.²⁰⁸ The improved marketing position is expected to sustain the increase or secure an even higher return in the coming years.

- (g) A core group of EIPO staff and stakeholders as well as Ethiopian embassy staff overseas have been trained in the Initiative thereby building core capacity for identification, protection and management of IP assets.
- (h) Challenges have been overcome and disputes resolved through persuasion. For example, the SCAA and Neufarm, a German company, were persuaded to drop their opposition to an application by Ethiopia.²⁰⁹ Moreover, the dispute with Starbucks Corporation was resolved and a successful outcome was reached as a result of open and constructive dialogue.
- (i) The partnership established through the license agreement opened doors for wider cooperation and assistance. Starbucks, for example, decided to establish a farmer support center in Ethiopia, the first in Africa and the second in the world after Costa Rica. This is a very positive step that may strengthen the Ethiopian coffee sector and meet the needs of the company for the supply of better quality coffee in a sustainable manner.
- (j) A website www.ethiopiancoffeenetwork.com was launched in April 2007 as a medium for informing the public and the coffee sector on issues related to the Initiative and facilitating the exchange of information among members and disseminating information on the Initiative.
- (k) An Internet-based sales management system (sales force) has been implemented. This on-line information and sales management system enables continuous "real time" sharing of information on clients across multiple users and locations. Furthermore, the system enables the compilation of information on prospective licensing including:
 - i. full contact and company information;
 - ii. detailed historical records of any interaction with a company;
 - iii. detailed information on all contact with prospective licensees;
 - iv. call-logging facilities;
 - v. a centralized location to retain records of e-mail correspondence;
 - vi. at-a-glance reporting systems to enable any user to see who is responsible for which prospective licensee and its progress, and
 - vii. the ability to maintain information on licensees post signing, thus maintaining an efficient working relationship.²¹⁰
- (l) The level of recognition of the value of and the need for protection of IP assets has increased in Ethiopia and EIPO is working to reorganize itself in such a way that it is in a position to meet this need. Intellectual property asset identification, protection and exploitation have already been seen as a major area. Moreover, the Government has taken measures to strengthen the Stakeholder Committee by elevating its status and widening its responsibilities. The Committee is now called the Agricultural Intellectual Property Assets Management Council, which is headed by the Minister of Agriculture and Rural Development and made up of private exporters, large coffee producers, coffee producers' unions and representatives of relevant government agencies and NGOs.

²⁰⁸ Tsegaye Tadesse, Reuters. The achievement is remarkable when seen in light of the lower volume of coffee exported during the reporting period.

²⁰⁹ The Director General of EIPO wrote a lengthy letter to Mr. Rob Stephen, President of the Board of Directors of SCAA on October 2006 explaining the issues and concerns raised in a statement issued by the Association on August 8, 2006. As a result the Association decided not to oppose Ethiopia's application. Neuman was persuaded to withdraw its opposition against the registration of *Sidmo* in Europe.

²¹⁰ There is currently capacity for 10 sales-force users, of which nine are now operational: the London embassy (1), the Washington embassy (1), the EIPO (1), LYIP London (2) and LYIP Washington (4).

- (m) Ethiopia was selected as a portrait country for the 20th Annual Conference and Exhibition of the Specialty Coffee Association of America (SCAA), which took place from May 2 to 5, 2008 in Minneapolis, US.²¹¹ This made Ethiopia the first country in Africa to have such an opportunity, enabling it to not only educate leaders and representatives of the coffee industry about the Fine Coffee Trade Marking & Licensing Initiative but also to promote Ethiopia's culture and history.²¹² The Conference theme - "Roots" - was appropriate to Ethiopia, which is known as the birthplace of coffee.
- (n) The branding of the three coffee trademarks as well as the existence of the brand guidelines that define the conditions and manner of the use of brands is a significant achievement. It will not only facilitate brand recognition but also contribute to national branding by making Ethiopia renowned for its most distinctive coffees.²¹³
- (o) The establishment of the network of licensed distributors and the joint fora has helped to enhance confidence in the Initiative, increase mutual understanding and strengthen partnerships. The increased understanding of the goals and the reasons for the Initiative has created a sense of belonging, which was shown by the excellent contribution made by licensed distributors who brought in new licensees and who educate other companies. The institutional set-up enhanced partnerships and facilitated working together with Ethiopian stakeholders for the common benefit and promoting shared goals and objectives.
- (p) The increased awareness of branding as a result of the Initiative has brought a brand culture to the coffee sector. Exporters and coffee processors have begun to market their product using their own brands. This is a new phenomenon in the country and it should be encouraged and supported.

4.10. Principal Challenges and Limitations

The main challenges of the Fine Coffee Designations Trade Marking & Licensing Initiative include:

- (a) raising awareness
- (b) capacity building
- (c) unifying the diverse stakeholders
- (d) monitoring impact
- (e) funding

Each of the challenges is briefly explained below:

A. Raising Awareness

Using intellectual property as a tool to capture intangible values incorporated in export agricultural products of developing countries such as coffee is new and as a result some of the stakeholders in Ethiopia were hesitant about accepting the Initiative; other key players also regarded the Initiative with doubt and concern. There was a similar problem abroad. The feasibility of the Initiative and the approach adopted by Ethiopia were questioned and many of its supporters initially doubted the ability of Ethiopia as an LDC to master and use intellectual property as a tool for its benefit. This problem was compounded as a result of

²¹¹ Thousands of international coffee professionals from more than 40 countries including Ethiopia, which was represented by a delegation of 60 members consisting of farmers, exporters and government representative, took part.

²¹² Ethiopia featured its culture and history through presentation of traditional costumes, music, food and a coffee ceremony.

²¹³ Such an image and national branding may contribute to attracting tourists that could result in increased income from the sector by Ethiopia.



the negative media campaign during the dispute with Starbucks.²¹⁴ There was thus a need to organize different fora with stakeholders and other players and educate them about the Initiative²¹⁵ as well as responding to the negative media coverage using different outlets and exploiting different opportunities such as the international media.²¹⁶

B. Capacity Building

The Ethiopian IP Office was established in 2003 and the Initiative was conceived in 2004 and launched in 2005. It had very limited capacity to effectively handle technical and legal issues involved in the Initiative. These problems were addressed using the technical support of LYIP and the *pro bono* legal services of Arnold & Porter. Capacity-building activities at different levels including EIPO, the stakeholders and coffee growers were emphasized in the first phase of the project. However, the planned activities were affected during the dispute with Starbucks as the project team was forced to focus on resolving the issue. Moreover, project resources were used to deal with the negative public relations campaign launched by Starbucks and to promote the objectives and goals of the Initiative. In spite of these problems, it was made possible to train members of the Licensing Management Unit created within the EIPO, representatives of the coffee exporters, farmers and relevant government agencies including members of the focal points in embassies abroad although a lot still remains to be done. Core capacity should be built to take over activities such as handling technical and legal issues involved in the protection and management of the trademarks that are currently being handled by foreign partners and support organizations - LYIP and Arnold & Porter.

C. Unifying the Diverse Stakeholders

The stakeholders, which include farmers, exporters and the Government, are diverse and encouraging them to work together for the common good has been a serious challenge, in particular during the development of the project proposal and the early days of the Initiative. There was thus a need to show the stakeholders the benefits of working together for common goals and this required patience, hard work and commitment by the project team in informing and educating stakeholders about the goals of the Initiative.

D. Monitoring Impact

The success of the Initiative will be determined by a change in the well-being of poor farmers. It is only when there is an improvement in the living standards of the coffee growers and small traders that its major objectives will be attained. However, there is no mechanism that will enable the monitoring of changes and evaluating the impact of the Initiative. There is thus a need to establish a database showing the present living conditions of the farmers and gauge changes in the future.

E. Funding

The UK Development Agency - DFID funded the first phase of the project but failed to support the second phase of the Initiative. The major weakness of the program was lack of a contingency plan in case funding was discontinued. The failure by DFID to finance the second phase of the project and lack of a contingency

²¹⁴ See, for examples the articles on Ethiopian coffee trademarks published in *The Economist* on November 7, 2006 and November 30, 2006. The articles were one-sided, biased and unbalanced. The letters sent by the Director General of EIPO requesting that the Ethiopian side of the story be published for the benefit of the readers were not accepted.

²¹⁵ It took much time and effort to persuade coffee exporters in Ethiopia to sign the license agreement.

²¹⁶ The high profile case with Starbucks generated interest in the international media. The project team exploited this opportunity and managed to raise awareness of the issue as well as the objectives and goals of the Initiative.

plan caused serious problems, which were partly addressed by the budget allotted by the Government and contributions made by stakeholders and other partners.

The absence of a secure and sustainable source of funding is still a major problem. There is thus a need to establish a scheme such as a coffee fund. This could be realized by:

- (a) making stakeholders contribute a certain percentage of the proceeds they receive. The amount could be determined based on a study of the income pattern of farmers, suppliers and exporters;
- (b) allocation of seed money by the Government, and
- (c) seeking contributions from the Government and partner organizations including donors which work for the betterment of the poor.

The fund could be used to promote the brands, build marketing and negotiating capacity, educate and train farmers and traders, pay for trademark registration renewal fees and deal with infringement issues.

4.11. Lessons Learned

1. The achievements made under the Initiative could be attributed to the support it has received from stakeholders and key players and partners as well as the leadership of top Government officials. The Initiative has secured support not only from Parliament, the Prime Minister's office and ministers of relevant ministries but has also benefited from the direct leadership of H.E Meles Zenawi, Prime Minister of the Federal Democratic of Ethiopia. Had it not been for support and leadership at the highest level, the Initiative would not have registered such positive results within such a short period of time. Leadership is thus critical for LDCs and low-income developing countries that may embark on a similar program.
2. The technical support from LYIP and the *pro bono* legal services rendered by Arnold & Porter have been crucial at different stages of the Initiative. The technical support and advice that has been made available by LYIP since its inception has been critical to the success registered. Furthermore, the opposition that was encountered during the process of application as well as the various legal challenges faced in the negotiation of license agreements could not have been effectively addressed had it not been for the excellent support and *pro bono* legal services that have been rendered by Arnold & Porter.
3. The preemptive strategy used by Ethiopia and the advocacy work done by its international partners helped to prevent disputes and deal with some of the challenges outside legal proceedings. The preemptive and persuasive strategies also helped to convince groups that opposed the Initiative and to win their support. An example here is the SCAA, which was persuaded to drop its opposition to Ethiopia's application in the USPTO.
4. The engagement strategy adopted by Ethiopia enabled it to resolve disputes faced during the application process thereby helping to avoid a lengthy and costly legal process. In this regard the resolution of the dispute with Starbucks and the opposition in Europe to *Sidamo* by a German company may be cited as examples.
5. Direct communication and open dialogue are effective ways of settling disputes and overcoming challenges. The dispute with Starbucks took time as a result of the reluctance of the company to sit down and talk. Once they decided to negotiate, things changed; the parties developed mutual confidence and shared their concerns and interests. This resulted in a positive and constructive dialogue and a final agreement that met the concerns of both parties.
6. The participatory approach adopted by the Initiative has been critical for its success. Stakeholders were identified and consulted during the process of development of the idea as well as empowered to make key decisions. This helped to ensure ownership, transparency, uniformity and consistency. Attempts



made by Starbucks during the dispute to alienate the coffee producers failed as a result of the participation in and knowledge of the farmers of the Initiative since its inception.

7. Preparatory work, advance planning and regular evaluation of what has been done and the challenges faced have been crucial to the success of any initiative or program. The background study made before launching the Initiative, the extensive consultations conducted with stakeholders and key partners inside and outside Ethiopia, the institutional arrangements for coordination and performance of specified tasks, etc., helped to provide a clear direction, defined goals and strategies that contributed to overcoming a number of hurdles and registering remarkable achievements within a short period of time. The performance of the project team was evaluated on a regular basis and corrective measures were taken. New innovative strategies were identified and implemented.

8. The establishment of the Stakeholder Committee comprising key players from the public and private sectors is an example of what public and private partnership, common in developed but not in developing countries, can do in promoting common and shared causes. Proposals were enriched by the experiences of the different groups and decisions reached were executed uniformly and in a timely manner. Furthermore, each of the parties was doing its best in implementing the strategies of the Initiative. Exporters and leaders of coffee-producing cooperative unions have been active in reaching primary targets and persuading them to join the network of licensed distributors. The Government has been using contacts in dealing with disputes. The partnership has helped to deal with a number of problems encountered during the Initiative. For example, the finance needed for Ethiopia's participation at the 20th SCAA event as well as continuing critical activities of the project such as brand development was made possible mainly as a result of major contributions from the Government, the cooperatives and exporters. Developing countries such as Ethiopia should thus aim to establish and foster public-private partnerships in implementing similar programs.

9. Creating awareness and use of partners to promote a cause are essential in attaining objectives similar to the Ethiopian Fine Coffee Trade Marking & Licensing Initiative. Popularization and outreach programs were developed and carefully implemented. These helped to deal with distortions such as those that were encountered in the media during the dispute with Starbucks as well as to educate the general public and potential licensees about the objectives and goals of the Initiative. The launching of the www.ethiopiancoffeenetwork.com website, for example, helped in sensitizing potential partners and promoting the Initiative. It served as a general information source for prospective licensees and other interested parties as well as answering questions that prospective licensees may have before committing to signing or concluding the license agreement. Use of persons and partners who have understood the goal and causes of a program is an effective tool in creating awareness and popularizing a program. Members of the licensed distributors have, for example, played a meaningful role in educating other companies about the Initiative and persuading them to join it. The coordinated and target-oriented outreach program coupled with the work of licensed distributors and other partners has resulted in a better understanding of the goals of the Initiative and increased the signatories to the license agreement. An example of the result of such an endeavor is the license agreement signed with 14 companies in North America in two days on the occasion of the 20th SCAA exhibition in 2008.

10. The Initiative has worked from producers to retailer and back from retailer to producer. This has helped to identify the needs of all the key players and to devise a strategy to meet these needs as well as to establish a mechanism for working together to their mutual benefit. Ethiopia and other countries at a similar level of development should try to discover the needs of all the key players, address issues in a systematic manner and find a middle ground to bring them in to work for the common benefit and shared causes in launching similar programs. Such an approach would help to avoid isolated efforts and address needs and concerns in an holistic manner as well as to achieve a win-win situation.

V. Conclusion

The value and importance of IP assets is growing in today's knowledge-based economy and globalized trade. Intellectual property makes up a huge proportion of the total value of world trade and if developing countries want to meet their needs and benefit from this growing international trade then they must protect their IP assets through using an appropriate form of intellectual property and exploiting them through relevant business and marketing tools.

The Ethiopian Fine Coffee Designations Trade Marking & Licensing Initiative has demonstrated the benefits of such programs. Ethiopia will continue to identify IP assets in its export products as well as products and services with export potential; to protect and strategically exploit them using the proper legal, business and marketing instruments.²¹⁷

There is a belief that developing countries and LDCs should learn from the experience of Ethiopia and embark on a program to tap into the benefit from their IP assets and become meaningful trading partners in international markets. Ethiopia's strategy has been publicly lauded and put forward as a model for other developing countries to follow.²¹⁸ Some of them have embarked on branding their coffee;²¹⁹ other countries have initiated programs to brand their export products in order to capture the benefits arising from intangible values.²²⁰

This is a positive and encouraging development. However, it should be noted that there is no one-size-fits-all approach. Appropriate tools should be used depending on the type of IP assets. Traditional medicinal knowledge, for example, may be protected using trade secrets and exploited on the basis of a confidential information and know-how agreement.

Since protection and exploitation of IP assets may be beyond the capacity of low-income developing countries and LDCs, a strategy of establishing partnerships with foreign organizations committed to contributing to the development efforts of developing countries including building up local capacity, should be identified and carefully implemented.

²¹⁷ See EIPO's five-year Strategic Management Plan. The ongoing effort to establish a national council consisting of top officials and representatives of the private sector to protect agricultural export products using intellectual property shows the level of recognition and commitment of the Ethiopian Government.

²¹⁸ See, for example, the UK Parliament International Relations Committee Report, *supra note*.

²¹⁹ Nepal has initiated a program on international branding of its coffee *Comunicaffe International* October 16, 2008, The Essential Every Day, *Info@communication.com*, year 5, Number 2006. See similar branding initiatives by Kenya and Rwanda, *Comunicaffe International*, July 17, 2008, Number 141 and August 14, 2008, Number 161.

²²⁰ One example is Uganda, which is in the process of branding vanilla.



VI. Annex

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