

**Using Quality Standards as an SMEs Competitive Advantage:
the Role of GIs, Certification TMs and Collective TMs**
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by

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I. Introduction

Geographical indications (GIs), trade marks (TMs), certification and collective marks are elements of intellectual property, which serve as useful marketing tools. They help to:

- a) distinguish a certain product from similar products,
- b) capture and further build good will and reputation of products, and
- c) improve competitive position and enhance earnings.

The above mentioned intellectual property elements are commonly used as marketing tools by companies in the developed countries and the newly industrialized countries. Although, low income developing and least developed countries have made little use of the marketing tools, the experience of Ethiopia shows that these countries can make use of them and improve their marketing positions.

The presentation aims at sharing the experience of the Ethiopian Fine Coffee Designations Trade marking and Licensing Initiative. Attempt is made to highlight the:

- a) grounds and objectives of the initiative,
- b) use of trademarks, licensing and branding strategies,
- c) major achievements, and
- d) Lessons learned.

II. Background and Objectives of the Imitative

Ethiopia is the birthplace of coffee. Coffee accounts for the major share of Ethiopia's export earnings and provides the primary source of income of millions of small coffee farmers and traders.

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Ethiopia produces some of the finest coffees in the world, having unique flavors and aromas. These distinctive features distinguish not only Ethiopian coffee from coffee produced in other countries but also differentiate the various coffees within Ethiopia itself. Harar, Yirgacheffee and Sidamo, forexample, represent a distinct aroma and flavor. Ethiopia's fine coffees command good and, sometimes very high retail prices in world markets. In the USA, for instance, Harrar was retailed at up to \$24 /lb in 2004 and a pound of Sidamo was sold for \$26 in 2006. Evidence, however, shows that only 5 to 10 percent of the retail prices went back to Ethiopia, while the rest was shared by distributors and middlemen in the international coffee marketing.

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The fine coffees are known by the consumers with their brand names-as Harar, Yirgacheffee and Sidamo. Foreign companies which recognized the value of these brands had registered and owned the brands as trade marks. Some had also attempted to own the brands.

The Ethiopian Fine Coffee Designations trade marking and licensing program was developed with the main objectives of :

- a) Ensuring Ethiopia's ownership of the coffee designations (brands),
- b) Increasing the income of poor farmers, small traders & exporters,
- c) Creating & strengthening partnership with foreign coffee importing, roasting & distributing companies, and
- d) Building IP assets protection & management capacity.

The program, which was launched in 2004, is led by the stakeholders committee, consisting of leaders of coffee producers unions & the Ethiopian coffee exporters association as well as representatives of relevant government bodies. The Ethiopian

Intellectual property Office (EIPO) serves as the secretariat of the committee and follows up the implementation of the decision of the committee.

The Initiative has secured technical & advisory support from a Washington based for not profit organizations called Light Years IP (LYIP) and pro bono legal service from one of the top US law firms -Arnold & Porter. The initial phase of the project was funded by the British Aid agency (DFID) and latter activities are being financed by the government and the stakeholders.

III. Trade marking and licensing of the coffee designations

Based on a comprehensive study and extensive consultation made in and outside of Ethiopia on the possible intellectual property tools, the stake holders committee decided that three of the coffee designations be protected using trade marks. The committee selected three of the fine coffee designations- “*Sidamo*”, “*Yirgacheffe*”, and “*Harar/Hararr*” to be registered as trademarks and the countries where trade mark applications should be made. The choice of the countries was made on the ground of being major import destinations or potential future markets.

Trade mark applications for *Sidamo*, *Yirgachefe* and *Harar/Harrar* were filed in 36 countries- Australia, Brazil, Canada, China, India, Japan, the European Union,¹. The current status of these applications is summarized as follows.

- a) In Canada, USA and European Union all the three designations are registered.
- b) Registration certificates have been secured for two of the designations - *Yirgachefe* and *Sidamo* in Japan.
- c) In Australia ,Brazil, China, India, Saudi Arabia, and South Africa, the applications are pending.

Acquisition of trade mark protection over the coffee ~~marks will~~ not suffice to meet the objectives of the initiative. ~~Therefore,~~ Ethiopia initiated a royalty-free license agreement.

¹ The Union includes 27 countries: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Luxemburg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

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The purpose of licensing is to secure recognition from the coffee distribution industry that Ethiopia owns and controls the use of trademarks, thereby building the reputation and good will of its specialty coffees around the trademarks. Licensees are required to sell the specialty coffees using the registered trademarks and to promote Ethiopian fine coffee by educating their customers. The licensing strategy will boost consumer recognition of the registered trademarks, help to increase the demand of Ethiopian specialty coffees and in the long run ensure a reasonable return from the sale of the coffee for Ethiopian farmers and small traders.

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As of May 2009, 96 license agreements have been concluded with coffee importing, roasting and distributing companies in North America, Europe, Japan and South Africa. Forty seven private coffee exporters and three coffee producer cooperative unions in Ethiopia have also signed the agreement.

The trademark registration of the coffee designations and licensing of the coffee trademarks should be complemented by a marketing strategy. This will enhance the value of the registered trademarks and effectively meet the objective of ensuring increased income of coffee producers and small traders. Ethiopia opted for branding of the trademarks as a marketing strategy. It developed an umbrella brand and brands to each of the registered trade marks as well as issued brand guideline..

IV. Impact of the Initiative and Lessons Learned

The trade marking and licensing initiative helped to :

- a) differentiate the Ethiopian fine coffees from the coffee of other countries,
- b) build confidence and improve bargaining position of coffee producers and exporters. Coffee producers and exporters have become part of price setters instead of being price takers.
- c) Enhance the demand of the Fine Coffees. New buyers and companies have begun demanding for the Ethiopian fine coffees.
- d) Improve the income of the coffee producers, which resulted in a change in the living standard.

- e) Enhance the foreign exchange earning of the country. In 2007/08 Ethiopia exported less volume of coffee compared to the previous year but earned more income.

There are a number of lessons that may be drawn from the Ethiopian experience, including the following:

- a) Top Leadership Support & Direction is critical for success of the program,
- b) There is a need for initial technical, financial and legal support from international partners while simultaneously building the requisite capacity for IP Asset identification, protection, exploitation & management,
- c) Ensure ownership and involvement of stake holders,
- d) Significance of public & private partnership in promoting shared cause,
- e) Preparatory works, advance planning and regular evaluation, and
- f) Use foreign companies and friends that buy the cause of initiative to promote and support the program.

V. Conclusion

Geographical indications, trade marks, certification and collective marks can play a useful role in enhancing the competitive position of small and medium enterprises.

The impact and role of these valuable intellectual property tools is evidenced by the experience of companies in developed and developing countries as well as the experience of Ethiopia- a least developed country.

Ownership of TMs, GIs, CTMs or CMs is not enough. It should be complemented by appropriate business and marketing strategy. The use of the intellectual property tools and their management and exploitation requires capacity. Companies and countries, in particular least developed countries -need to build IP assets management capacity. Since this may take time they may exploit the assistants that may be offered by potential partners in the developed countries-including not for profit organizations and firms.