litigation, establish clear legal standards, and reduce burden.

*Executive Order 13563*

The Department of State has considered this rule in light of Executive Order 13563, dated January 18, 2011, and affirms that this regulation is consistent with the guidance therein.

*Executive Order 13175*

The Department has determined that this rulemaking will not have tribal implications, will not impose substantial direct compliance costs on Indian tribal governments, and will not preempt tribal law. Accordingly, Executive Order 13175 does not apply to this rulemaking.

*Paperwork Reduction Act*

This rule does not impose any new reporting or recordkeeping requirements subject to the Paperwork Reduction Act, 44 U.S.C. Chapter 35.

**List of Subjects in 22 CFR Part 126**

Arms and munitions, Exports.

Accordingly, for the reasons set forth above, Title 22, Chapter I, Subchapter M, part 126 is amended as follows:

## PART 126—GENERAL POLICIES AND PROVISIONS

■ 1. The authority citation for part 126 is revised to read as follows:

**Authority:** Secs. 2, 38, 40, 42, and 71, Pub. L. 90–629, 90 Stat. 744 (22 U.S.C. 2752, 2778, 2780, 2791, and 2797); E.O. 11958, 42 FR 4311; 3 CFR, 1977 Comp., p. 79; 22 U.S.C. 2651a; 22 U.S.C. 287c; E.O. 12918, 59 FR 28205; 3 CFR, 1994 Comp., p. 899; Sec. 1225, Pub. L. 108–375; Sec. 7089, Pub. L. 111–117; Sections 7045 and 7046, Pub. L. 112–74.

■ 2. Section 126.1 is amended by revising paragraph (n) to read as follows:

**§ 126.1 Prohibited exports, imports, and sales to or from certain countries.**

* * * * *

(n) *Sri Lanka.* It is the policy of the United States to deny licenses or other approvals for exports or imports of defense articles and defense services destined for or originating in Sri Lanka, except that a license or other approval may be issued, on a case-by-case basis, for humanitarian demining and aerial or maritime surveillance.

* * * * *

Dated: March 13, 2012.

**Rose E. Gottemoeller,**

*Acting Under Secretary, Arms Control and International Security, Department of State.*

[FR Doc. 2012–6822 Filed 3–21–12; 8:45 am]

**BILLING CODE 4710–25–P**

## DEPARTMENT OF THE TREASURY

## Alcohol and Tobacco Tax and Trade Bureau

## 27 CFR Part 4

**[Docket No. TTB–2010–0007; T.D. TTB–101; Re: Notice No. 110]**

**RIN 1513–AB58**

## Labeling Imported Wines With Multistate Appellations

**AGENCY:** Alcohol and Tobacco Tax and Trade Bureau, Treasury.

**ACTION:** Final rule; Treasury decision.

**SUMMARY:** The Alcohol and Tobacco Tax and Trade Bureau is amending the wine labeling regulations to allow the labeling of imported wines with multistate appellations of origin. This amendment provides treatment for imported wines similar to that currently available to domestic wines bearing multistate appellations. It also provides consumers with additional information regarding the origin of these wines.

**DATES:** *Effective Date:* This final rule is effective April 23, 2012.

**FOR FURTHER INFORMATION CONTACT:** Jennifer Berry, Alcohol and Tobacco Tax and Trade Bureau, Regulations and Rulings Division; telephone (202) 453–1039 ext. 275, or email *WineRegs@ttb.gov.*

**SUPPLEMENTARY INFORMATION:**

### Background on Wine Labeling

*TTB Authority*

Section 105(e) of the Federal Alcohol Administration Act (FAA Act), 27 U.S.C. 205(e), authorizes the Secretary of the Treasury to prescribe regulations for the labeling of wine, distilled spirits, and malt beverages. The FAA Act requires that these regulations, among other things, prohibit consumer deception and the use of misleading statements on labels, and ensure that labels provide the consumer with adequate information as to the identity and quality of the product. The Alcohol and Tobacco Tax and Trade Bureau (TTB) administers the regulations promulgated under the FAA Act.

*Use of Appellations of Origin on Wine Labels*

Part 4 of the TTB regulations (27 CFR part 4) sets forth standards promulgated under the FAA Act for the labeling and advertising of wine. Section 4.25 of the TTB regulations (27 CFR 4.25) sets forth rules regarding the use of appellations of origin. An appellation of origin for an American wine is defined in § 4.25(a)(1) as:

- The United States;
- A State;
- Two or no more than three States which are all contiguous;
- A county;
- Two or no more than three counties in the same State; or
- A viticultural area as defined in § 4.25(e).

Section 4.25(b)(1) states that an American wine is entitled to an appellation of origin other than a multicounty or multistate appellation, or a viticultural area, if, among other requirements, at least 75 percent of the wine is derived from fruit or agricultural products grown in the appellation area indicated. Use of an appellation of origin comprising two or no more than three States which are all contiguous is allowed under § 4.25(d) if:

- All of the fruit or other agricultural products were grown in the States indicated, and the percentage of the wine derived from fruit or other agricultural products grown in each State is shown on the label with a tolerance of plus or minus 2 percent;
- The wine has been fully finished (except for cellar treatment pursuant to 27 CFR 4.22(c) and blending that does not result in an alteration of class or type under 27 CFR 4.22(b)) in one of the labeled appellation States; and
- The wine conforms to the laws and regulations governing the composition, method of manufacture, and designation of wines in all the States listed in the appellation.

An appellation of origin for imported wine is defined in § 4.25(a)(2) as:

- A country;
- A state, province, territory, or similar political subdivision of a country equivalent to a state or county; or
- A viticultural area (which is defined in § 4.25(e)(1)(ii) in the case of imported wine).

Section 4.25(b)(2) states that an imported wine is entitled to an appellation of origin other than a viticultural area if: ''(1) At least 75 percent of the wine is derived from fruit or agricultural products grown in the area indicated by the appellation of origin; and (2) the wine conforms to the requirements of the foreign laws and regulations governing the composition, method of production, and designation of wines available for consumption within the country of origin.'' There is no provision in the current TTB regulations for the use of multistate appellations on imported wines.

The existing regulations regarding appellations of origin, including the provisions permitting multistate appellations for American wines, were

promulgated by TTB's predecessor agency, the Bureau of Alcohol, Tobacco and Firearms (ATF), in T.D. ATF–53 (43 FR 37672), published August 23, 1978. The preamble of T.D. ATF–53 stated that the regulations provided ''a comprehensive scheme for appellation of origin labeling'' resulting in ''more accurate information being provided to consumers about wine origin.'' According to T.D. ATF–53, multistate appellations were suggested by domestic wine industry members. ATF decided to allow multistate appellations ''in order to permit greater flexibility in appellation of origin labeling,'' provided that all the grapes come from the named States, that the percentage of grapes from each State be shown on the label, and that the wine conform to the laws and regulations governing the composition, method of manufacture, and designation of wines in all of the States listed in the appellation. There was no discussion in T.D. ATF–53 regarding multistate appellations for foreign wines, including why multistate appellations were limited to American wines.

**Australian Petition**

The Australian Wine and Brandy Corporation (AWBC), a quasi-governmental authority responsible for, among other activities, regulating the exportation of Australian wine, submitted a petition to TTB to amend § 4.25(a)(2) to permit the labeling of Australian wines with multistate appellations. This proposal would allow an Australian wine imported into the United States to bear an appellation comprised of two or three Australian States, such as ''Victoria-New South Wales-South Australia.'' According to the AWBC petition, Australian regulations allow wines to be labeled with up to three Geographical Indications (officially defined wine regions) provided that 95 percent of the product is from the listed regions, the regions are listed in descending order of their proportions in the blend, and a minimum of 5 percent of the wine is from each listed region. Australian Geographical Indications include Australian States, which are roughly equivalent to American States.

**Notice of Proposed Rulemaking and Comments Received**

On November 3, 2010, TTB published Notice No. 110 in the **Federal Register** at 75 FR 67663 proposing to amend § 4.25 to permit the use of multistate appellations for imported wines. The notice proposed, among other requirements, that the regions named in multistate appellations be contiguous and that 100 percent of the wine be derived from fruit or other agricultural products grown in those regions. These requirements mirror the current requirements, discussed above, for multistate appellations on American wines.

TTB received four comments in response to Notice No. 110. The commenters were: (1) An Australian winery; (2) the Australian Department of Foreign Affairs and Trade; (3) New Zealand Winegrowers, a trade organization; and (4) the Government of New Zealand. All four commenters generally support the proposal to allow multistate appellation labeling on imported wines. However, three of the commenters express concerns about certain aspects of the proposal.

The Australian Department of Foreign Affairs and Trade expresses concern about the requirement that all the named areas be contiguous, a requirement that duplicates that for American wine contained in 27 CFR 4.25(d). The commenter states that this requirement would preclude Tasmania, an island, from being included in a multistate appellation. Further, in contrast to the 100 percent rule proposed by TTB, the commenter notes that Australian regulations allow up to three Australian States and Territories to be included on a label so long as 95 percent of the product is from the listed regions and at least 5 percent of the wine is from each listed region. This commenter suggests that the United States engage in further discussion on this issue.

The New Zealander Winegrowers states that contiguity would be a difficult requirement for them due to their geography because large islands constitute most of the country.

Finally, the Government of New Zealand notes the absence of a ''contiguous'' requirement in New Zealand law and also points out that its rules for appellations of more than one region require that only 85 percent of the wine be from the named regions rather than 100 percent as proposed by TTB. The commenter states that their preferred approach is that foreign wines with multistate appellations be labeled according to the rules of the country of origin.

**TTB Analysis**

In Notice 110, TTB stated its intention to provide treatment for imported wines bearing multistate appellations similar to that which is currently available for domestic wines bearing multistate appellations. The Bureau believes that the proposed regulatory amendments would achieve that goal and provide for fair and equitable treatment of imported and domestic wines, including the requirement questioned by some commenters that multistate appellations be contiguous for foreign wines. Contiguity is already required for domestic wines; therefore TTB is requiring it for foreign wines in this rule as well.

The Bureau and its predecessor have long interpreted the term ''contiguous,'' as it appears in 27 CFR 4.25(a)(1)(iii), to include two States which actually touch at a point along a common boundary, or three States which are connected throughout in an unbroken sequence. See ATF Ruling 91–1 (1991), *http://www.ttb.gov/rulings/2001-2.htm.* For example, North Dakota and South Dakota are contiguous, as are South Dakota and Nebraska. North Dakota, South Dakota and Nebraska are also contiguous for the purpose of using three States in a multistate appellation on a wine label, even though North Dakota and Nebraska, without South Dakota, are not contiguous with one another and could not be used together on a wine label. A similar interpretation of the term contiguous will be applied to foreign appellations, where two states, territories or other applicable political subdivisions should actually touch at a point along a common boundary and where three such subdivisions are connected throughout in an unbroken sequence.

For land boundaries, TTB expects the contiguous requirement to operate equally for foreign and domestic wines. However, as some commenters point out, island geography and maritime borders present additional considerations for determining whether or not two states, territories or other applicable political subdivisions are contiguous.

In the domestic context under existing regulations, TTB still looks for the two States separated by water to actually touch at a point along their common maritime border. For example, the States of Rhode Island and New York are considered contiguous (although separated by water and sharing no common land boundary), because they actually touch at a point along a common maritime border in Block Island Sound; whereas the States of Indiana and Wisconsin are not considered contiguous, even though also separated by a body of water common to both (Lake Michigan). In the latter example, Indiana and Wisconsin are not contiguous because they do not actually touch at a point along a common maritime border within Lake Michigan, as the maritime borders of the

States of Illinois and Michigan intervene instead.

In the international context, after consultation with the U.S. Department of State, TTB recognizes that maritime borders within the territorial seas of a nation are determined by the domestic laws of that nation and that subnational (e.g., state) borders are delineated by other nations in myriad ways or for a variety of purposes that may differ from how maritime borders are delineated in the United States. (The United States grants to its coastal States a right to the territorial seas of the United States to a certain limit, thereby establishing common maritime borders between States similar to those on land). TTB believes it would be inappropriate to strictly apply its interpretation of the term contiguous for domestic wines, particularly as to the issue as to what constitutes a common maritime border, to foreign wines without considering the position of the foreign nation concerning its own subnational maritime borders. Therefore, foreign states, territories, or other applicable political subdivisions may be considered contiguous, for purposes of this rule, so long as the label applicant, in conjunction with the government of the country of origin, can demonstrate to TTB that the political subdivisions sharing a common maritime border actually touch at a point along such border for a nationally- and/or internationally-recognized purpose (e.g., a common maritime border for fishing or mineral rights jurisdiction).

TTB will consider the facts and evidence submitted by the label applicant and government of the country of origin on a case-by-case basis to establish whether the multiple appellations are contiguous. Foreign governments are also encouraged to provide TTB with information demonstrating the contiguity of their various states, territories, or other applicable political subdivisions, in order to assist TTB with its label review in advance of TTB's receipt of label applications that would be subject to this requirement. Lack of information supporting the contiguity of a multistate appellation could result in TTB having to reject a label application.

**TTB Finding**

For the reasons set forth above, TTB believes it would be appropriate to adopt the proposed regulatory changes contained in Notice 110. In addition, TTB has noted a technical error in § 4.25(a)(1)(v): The word ''States'' should be singular, not plural. Accordingly, this document removes the second ''s'' from ''States'' to correct the error.

**Regulatory Flexibility Act**

TTB certifies under the provisions of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) that this final rule will not have a significant economic impact on a substantial number of small entities. The amendments merely provide optional, additional flexibility in wine labeling decisions. Accordingly, a regulatory flexibility analysis is not required.

**Executive Order 12866**

This final rule is not a significant regulatory action as defined by Executive Order 12866. Therefore, it requires no regulatory assessment.

**Drafting Information**

Jennifer Berry of the Regulations and Rulings Division, Alcohol and Tobacco Tax and Trade Bureau, drafted this document.

**List of Subjects in 27 CFR Part 4**

Administrative practice and procedure, Advertising, Customs duties and inspection, Imports, Labeling, Packaging and containers, Reporting and recordkeeping requirements, Trade practices, Wine.

**Amendments to the Regulations**

For the reasons discussed in the preamble, TTB amends 27 CFR part 4, Labeling and Advertising of Wine, as set forth below:

## PART 4—LABELING AND ADVERTISING OF WINE

■ 1. The authority citation for 27 CFR part 4 continues to read as follows:

**Authority:** 27 U.S.C. 205, unless otherwise noted.

■ 2. Section 4.25 is amended:

■ a. In paragraph (a)(1)(v), by removing the word ''States'' and adding in its place the word ''State'';

■ b. By revising paragraph (a)(2), the introductory text of paragraph (b)(2), and paragraph (d); and

■ c. In paragraph (e)(1)(ii), by removing the words ''(other than an appellation defined in paragraph (a)(2)(i) or (a)(2)(ii))'' and adding, in their place, the words ''(other than an appellation defined in paragraph (a)(2)(i), (a)(2)(ii), or (a)(2)(iii))''.

The revisions read as follows:

**§ 4.25 Appellations of origin.**

(a) * * *

(2) *Imported wine.* An appellation of origin for imported wine is:

(i) A country;

(ii) A state, province, territory, or similar political subdivision of a country equivalent to a state or county;

(iii) Two or no more than three states, provinces, territories, or similar political subdivisions of a country equivalent to a state which are all contiguous; or

(iv) A viticultural area (as defined in paragraph (e) of this section).

(b) * * *

(2) *Imported wine.* An imported wine is entitled to an appellation of origin other than a multistate appellation, or a viticultural area, if:

* * * * *

(d) *Multistate appellations.* (1) *American wine.* An appellation of origin comprising two or no more than three States which are all contiguous may be used, if:

(i) All of the fruit or other agricultural products were grown in the States indicated, and the percentage of the wine derived from fruit or other agricultural products grown in each State is shown on the label with a tolerance of plus or minus 2 percent;

(ii) The wine has been fully finished (except for cellar treatment pursuant to § 4.22(c), and blending that does not result in an alteration of class or type under § 4.22(b)) in one of the labeled appellation States; and

(iii) The wine conforms to the laws and regulations governing the composition, method of manufacture, and designation of wines in all of the States listed in the appellation.

(2) *Imported wine.* An appellation of origin comprising two or no more than three states, provinces, territories, or similar political subdivisions of a country equivalent to a state which are all contiguous may be used if:

(i) All of the fruit or other agricultural products were grown in the states, provinces, territories, or similar political subdivisions of a country equivalent to a state indicated, and the percentage of the wine derived from fruit or other agricultural products grown in each state, province, territory, or political subdivision equivalent to a state is shown on the label with a tolerance of plus or minus 2 percent; and

(ii) The wine conforms to the requirements of the foreign laws and regulations governing the composition, method of production, and designation of wines available for consumption within the country of origin.

* * * * *

Signed: July 27, 2011.

**John J. Manfreda,**

*Administrator.*

Approved: September 29, 2011.

**Timothy E. Skud,**

*Deputy Assistant Secretary, Tax, Trade, and Tariff Policy.*

[FR Doc. 2012–6930 Filed 3–21–12; 8:45 am]

**BILLING CODE 4810–31–P**

## DEPARTMENT OF THE TREASURY

## Alcohol and Tobacco Tax and Trade Bureau

## 27 CFR Part 9

**[Docket No. TTB–2011–0007; T.D. TTB–102; Re: Notice No. 121]**

**RIN 1513–AB82**

## Establishment of the Wisconsin Ledge Viticultural Area

**AGENCY:** Alcohol and Tobacco Tax and Trade Bureau, Treasury.

**ACTION:** Final rule; Treasury Decision.

**SUMMARY:** The Alcohol and Tobacco Tax and Trade Bureau establishes the approximately 3,800 square-mile ''Wisconsin Ledge'' viticultural area in northeast Wisconsin. TTB designates viticultural areas to allow vintners to better describe the origin of their wines and to allow consumers to better identify wines they may purchase.

**DATES:** *Effective Date:* April 23, 2012.

**FOR FURTHER INFORMATION CONTACT:** Karen A. Thornton, Regulations and Rulings Division, Alcohol and Tobacco Tax and Trade Bureau, 1310 G Street NW., Box 12, Washington, DC 20005; phone 202–453–1039, ext. 175.

**SUPPLEMENTARY INFORMATION:**

### Background on Viticultural Areas

*TTB Authority*

Section 105(e) of the Federal Alcohol Administration Act (FAA Act), 27 U.S.C. 205(e), authorizes the Secretary of the Treasury to prescribe regulations for the labeling of wine, distilled spirits, and malt beverages. The FAA Act provides that these regulations should, among other things, prohibit consumer deception and the use of misleading statements on labels, and ensure that labels provide the consumer with adequate information as to the identity and quality of the product. The Alcohol and Tobacco Tax and Trade Bureau (TTB) administers the FAA Act pursuant to section 1111(d) of the Homeland Security Act of 2002, codified at 6 U.S.C. 531(d). The Secretary has delegated various authorities through Treasury Department Order 120–01 (Revised), dated January 21, 2003, to the TTB Administrator to perform the functions and duties in the administration and enforcement of this law.

Part 4 of the TTB regulations (27 CFR part 4) allows the establishment of definitive viticultural areas and the use of their names as appellations of origin on wine labels and in wine advertisements. Part 9 of the TTB regulations (27 CFR part 9) sets forth standards for the preparation and submission of petitions for the establishment or modification of American viticultural areas and lists the approved American viticultural areas.

*Definition*

Section 4.25(e)(1)(i) of the TTB regulations (27 CFR 4.25(e)(1)(i)) defines a viticultural area for American wine as a delimited grape-growing region having distinguishing features as described in part 9 of the regulations and a name and a delineated boundary as established in part 9 of the regulations. These designations allow vintners and consumers to attribute a given quality, reputation, or other characteristic of a wine made from grapes grown in an area to its geographic origin. The establishment of viticultural areas allows vintners to describe more accurately the origin of their wines to consumers and helps consumers to identify wines they may purchase. Establishment of a viticultural area is neither an approval nor an endorsement by TTB of the wine produced in that area.

*Requirements*

Section 4.25(e)(2) of the TTB regulations outlines the procedure for proposing an American viticultural area and provides that any interested party may petition TTB to establish a grape-growing region as a viticultural area. Section 9.12 of the TTB regulations (27 CFR 9.12) prescribes standards for petitions for the establishment or modification of American viticultural areas. Such petitions must include the following:

- Evidence that the area within the proposed viticultural area boundary is nationally or locally known by the viticultural area name specified in the petition;
- An explanation of the basis for defining the boundary of the proposed viticultural area;
- A narrative description of the features of the proposed viticultural area that affect viticulture, such as climate, geology, soils, physical features, and elevation, that make the proposed viticultural area distinctive and distinguish it from adjacent areas outside the proposed viticultural area boundary;
- A copy of the appropriate United States Geological Survey (USGS) map(s) showing the location of the proposed viticultural area, with the boundary of the proposed viticultural area clearly drawn thereon; and
- A detailed narrative description of the proposed viticultural area boundary based on USGS map markings.

### Wisconsin Ledge Petition

TTB received a petition from Steven J. DeBaker of Trout Springs Winery in Green Leaf, Wisconsin, to establish the ''Wisconsin Ledge'' American viticultural area. The proposed viticultural area contains approximately 3,800 square miles, with approximately 320 acres of vineyards in at least 14 commercially-producing vineyards and wineries, and an additional 70 acres projected to be planted within the next two years. A map that was submitted with the petition shows that the commercial vineyards and wineries are geographically dispersed throughout the proposed viticultural area. The proposed Wisconsin Ledge viticultural area lies in Door, Kewaunee, Manitowoc, Sheboygan, Ozaukee, Washington, Dodge, Fond du Lac, Calumet, Outagamie, and Brown Counties of northeast Wisconsin and does not overlap, or otherwise involve, any existing or proposed viticultural area.

The proposed Wisconsin Ledge viticultural area is largely surrounded by water, including Lake Winnebago, the Fox River, Green Bay, and Lake Michigan. According to the petition, the region is heavily affected by the lasting effects of ancient glacial activity and the moderating marine influence of the surrounding bodies of water.

TTB published Notice No. 121 in the **Federal Register** on October 14, 2011 (76 FR 63852), proposing to establish the Wisconsin Ledge viticultural area. In the notice, TTB summarized the evidence from the petition regarding the name, boundary, and distinguishing features for the proposed viticultural area. The distinguishing features of the proposed area are its geology, geography, climate, hydrology, and soils. The notice also included a comparison of the distinguishing features to the surrounding area. For a description of the evidence relating to the name, boundary, and distinguishing features of the proposed viticultural area, see Notice No. 121.