UNITED STATES"SECTION 211 OMNIBUS APPROPRIATIONS ACT OF 1998 ("HAVANA CLUB")
Report of the Appellate Body, WT/DS176/AB/R (WTO 2002)

[The European Communities and the United States appealed from certain issues of law and legal interpretations in the Panel Report, United States"Section 211 Omnibus Appropriations Act of 1998 (the "Panel Report"). The text and explanation of the challenged measure, Section 211 of the United States Omnibus Appropriations Act of 1998 ("Section 211"), and the relevant Cuban Assets Control Regulations (the "CACR"), which are administered by the Office of Foreign Assets Control ("OFAC"), are set out in the excerpt supra "3.06.]

IV. Preliminary Matters

A. The Scope of Appellate Review

We begin by addressing a preliminary question that is central to our disposition of the specific issues raised in this appeal. This question is the scope of appellate review in this appeal.

With respect to the scope of appellate review, the United States argues that we are bound on appeal by the Panel"s conclusions about the meaning of the measure at issue. The United States submits that a panel"s review of a Member"s domestic law is, in any dispute, a question of fact, and that, therefore, the European Communities" allegations, in this dispute, about the Panel"s appreciation of the meaning of the terms of Section211 are questions of fact. The United States points to our mandate under Article 17.6 of the [Dispute Settlement Understanding (DSU)], which limits appeals to "issues of law covered in the panel report and legal interpretations developed by the panel." . . . . The United States reminds us as well of Article 11 of the DSU, which obliges a panel to "make an objective assessment of the matter before it, including an objective assessment of the facts of the case". Although the United States acknowledges that the question whether a panel has made such an objective assessment of the facts is indeed a legal question, the United States insists that, for such a question to fall within the scope of appellate review, it must be properly raised on appeal. The United States emphasizes that the European Communities has not made a claim under Article 11 of the DSU in this appeal. From this, the United States concludes that the findings of the Panel on the meaning of Section 211 are not within the scope of this appeal.

The European Communities argues that we are in no way bound on appeal by the Panel's characterization of the meaning of Section211. The European Communities sees this as a "question of law" that is fully within the scope of appellate review under the DSU. The European Communities contends that the findings of the Panel in relation to Section 211 are based, inter alia, on an erroneous reading of Section211 itself. The European Communities argues further that these erroneous findings are based on erroneous interpretations of the relevant provisions of the TRIPSAgreementand of the relevant provisions of the Paris Convention (1967) that have been incorporated by reference into theTRIPS Agreement. The European Communities insists that the Appellate Body is

empowered to review the result of a panel"s examination of a WTO Member's domestic law for the purpose of ascertaining its consistency with the [WTO Agreement]. At the oral hearing, the European Communities explained that understanding what is the measure that is the subject of the dispute is a question of law and, if the subject of a dispute is simply a provision of a domestic law which is being attacked as such, then understanding that measure correctly is a question of law.

In addressing the scope of appellate review in this case, we begin by recalling our ruling in [EC Measures Concerning Meat and Meat products (Hormones) (Appellate Body 1998)] (EC"Hormones) that:

The consistency or inconsistency of a given fact or set of facts with the requirements of a given treaty provision is . . . a legal characterization issue. It is a legal question.

We believe that our ruling in India"Patent Protection for Pharmaceutical and Agricultural Chemical Products ("India"Patents (US)") is of even greater relevance. We stated there, in relevant part, that:

In public international law, an international tribunal may treat municipal law in several ways. Municipal law may serve as evidence of facts and may provide evidence of state practice. However, municipal law may also constitute evidence of compliance or non-compliance with international obligations. . . . (footnote omitted)

It is clear that an examination of the relevant aspects of Indian municipal law and, in particular, the relevant provisions of the Patents Act as they relate to the "administrative instructions", is essential to determining whether India has complied with its obligations under Article 70.8(a). There was simply no way for the Panel to make this determination without engaging in an examination of Indian law. But, as in the case cited above before the Permanent Court of International Justice, in this case, the Panel was not interpreting Indian law "as such"; rather, the Panel was examining Indian law solely for the purpose of determining whether India had met its obligations under the TRIPS Agreement. "

And, just as it was necessary for the Panel in this case to seek a detailed understanding of the operation of the Patents Act as it relates to the "administrative instructions" in order to assess whether India had complied with Article 70.8(a), so, too, it is necessary for us in this appeal to review the Panel's examination of the same Indian domestic law. (emphasis added)

Our rulings in these previous appeals are clear: the municipal law of WTO Members may serve not only as evidence of facts, but also as evidence of compliance or non-compliance with international obligations. Under the DSU, a panel may examine the municipal law of a WTO Member for the purpose of determining whether that Member has complied with its obligations under the WTO Agreement. Such an assessment is a legal characterization by a panel. And, therefore, a panel"s assessment of municipal law as to its consistency with WTO obligations is subject to appellate review under Article17.6 of the DSU.

To address the legal issues raised in this appeal, we must, therefore, necessarily examine the Panel's interpretation of the meaning of Section211 under United States law. An

assessment of the consistency of Section211 with the Articles of the TRIPS Agreement and of the Paris Convention(1967) that have been invoked by the European Communities necessarily requires a review of the Panel"s examination of the meaning of Section 211. Likewise, that assessment necessarily requires a review also of the Panel's examination of the meaning of both the CACR and the Lanham Act, to the extent that they are relevant for assessing the meaning of Section 211. This is an interpretation of the meaning of Section211 solely for the purpose of determining whether the United States has fulfilled its obligations under the TRIPS Agreement. The meaning given by the Panel to Section 211 is, thus, clearly within the scope of our review as set out in Article17.6 of the DSU.
. . . .

XI. Article 8 of the Paris Convention (1967)"Trade Names

[The Appellate Body reversed the Panel's finding that trade names are not covered under the TRIPS Agreement and found that WTO Members do have an obligation under the TRIPS Agreement to provide protection to trade names.]
Having reversed the Panel's finding, we consider next whether we should complete the legal analysis with respect to the application of Section 211 to trade names and to the consistency of Section 211 with Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention (1967), with Article 2.1 of the TRIPS Agreement in conjunction with Article 2(1) of the Paris Convention (1967) and Article 3.1 of the TRIPS Agreement, with Article 4 of the TRIPS Agreement, and with Article 42 of the TRIPS Agreement.
In the past, we have completed the analysis where there were sufficient factual findings in the panel report or undisputed facts in the panel record to enable us to do so and we have not completed the analysis where there were not. In one instance, we declined to complete the analysis with respect to a "novel" issue that had not been argued in sufficient detail before the panel.
In this appeal, the European Communities argues that we should complete the analysis, while the United States contends that we should not do so because, in its view, there are insufficient factual findings by the Panel about trade name protection under United States law for us to do so. . . .
We believe that there are sufficient undisputed facts in the Panel record regarding trade name protection to enable us to complete the analysis . . .
. . . .
On the basis of:
* the fact that Sections 211(a)(2) and (b) do not distinguish on their face between trade marks and trade names;
* the participants' approach in submitting the same arguments and using the same analyses regarding trade name and trademark protection, suggesting that the obligations regarding protection of one are no different from those regarding protection of the other;
* the information in the Panel record about the participants' interpretation of Article 8 of the Paris Convention (1967); and
* the information in the Panel record about trade name protection under United States law;
we conclude that the Panel record contains sufficient factual findings and facts

undisputed between the participants to permit us to complete the analysis....
. . . .

Notes and Questions

(1) Composition of Panels and the Appellate Body. The creation of the Appellate Body was intended not only as a check on panel decisions but also, by virtue of its standing nature, to bring some consistency and uniformity to the development of WTO law. At present, the three members of the Appellate Body who hear a case have been chosen without regard for whether a member is from a country appearing before the body. Thus, American nationals on the Appellate Body have sat on cases involving the United States. This contrasts with the panel stage of the proceedings, where nationals of participating countries generally do not sit. See DSU art. 8(3) (nationals of parties should not be appointed to a panel unless the parties agree); cf. id. art. 8(10) (allowing developing countries litigating against a developed country to request that at least one of the panelists before whom they appear will be from a developing country). What effect might the recusal of nationals on panels have on the development of WTO law? The EU has proposed that the panel composition be determined like the Appellate Body. Would you support such a change? See The WTO Appellate Body: The First Four Years, 1 J. World Intell. Prop. 425, 428 (1998) (comments of Edwin Vermulst). Or should the practices of the Appellate Body composition be conformed to those used in composing the members of the panel? See id. at 431 (comments of Guiguo Wang). One commentator has suggested that the question of balance transcends nationality, and that the panels evince a distinctly Western cultural approach to law. See id. (comments of Jacques Bourgeois). How might that be avoided? Can it be avoided?
The EU has also proposed that the ad hoc panels be replaced by a standing body, not unlike the Appellate Body, comprised of between 15"24 members. On the basis of a rotation mechanism, the Panel Body would itself form a chamber of three to deal with each new case as it arose. See Kim Van der Borght, The Review of the WTO Understanding on Dispute Settlement: Some Reflections on the Current Debate, 14 Am. U. Int"l L. Rev. 1223, 1240 (1999) (quoting EU proposal). What are the advantages of each approach? See The Review of the WTO"s Dispute Settlement Understanding: Which Way?, 1 J. World Intell. Prop. 447, 449 (1998) (comments of Prof. Brigitte Stern); id. at 460 (comments of John Kingery) (describing such a change as a "major step" that would "change the nature of dispute settlement quite a bit"); id. at 468-69 (comments of Geoffrey Hartwell). Jayashree Watal has commented that "the WTO is so political that it is not possible for the Appellate Body...to be really too activist...without facing criticism from the members. In this sense, the WTO is very different from any other international organization in the field of public international law." The WTO Appellate Body: The First Four Years, supra, at 436. In what way is the WTO "so political"? Would a change to a standing body of panelists reduce or increase the political nature of the process?
(2) Remand Authority. Dreyfuss and Lowenfeld suggested above that in order to decide Case III, the panel might have to supplement Patria"s fact-finding with information about the effect of the decree on different economies. If the panel failed to engage in that fact-finding, and the Appellate Body finds those facts necessary as a

matter of law to decide whether the Patrian court"s order complies with TRIPS, what should the Appellate Body do? The DSU failed to provide the Appellate Body with the right to remand the case to the panel. See David Palmeter, National Sovereignty and the World Trade Organization, 2 J. World Intell. Prop. 77, 85 (1999). Absent such a right, what options does the Appellate Body have? See United States"Import Prohibition of Certain Shrimp and Shrimp Products, AB-1998-4, WT/DS58/AB/R (98-3899) " 123 (Appellate Body, Oct. 12, 1998). Can the Appellate Body simply declare that it is remanding a case even absent express authority in the DSU? If you were a member of the Appellate Body would you vote to create a remand power judicially? What other procedural or institutional changes would be required for a remand procedure to work? See The Review of the WTO"s Dispute Settlement Understanding: Which Way?, supra, at 454 (comments of Thomas Cottier).

(3) The Fact/Law Distinction. Does the Dreyfuss-Lowenfeld suggestion on how to interpret the law/fact distinction"with an eye to the proper role of the Appellate Body"contain a substantive bias? Is it one that is appropriate? In what way (if any) are the circumstances in which, or reasons for which, Dreyfuss and Lowenfeld might encourage the Appellate Body to defer to the panel the same as those that they invoked in support of panel deference to member countries?

In India"Patent Protection for Pharmaceutical and Agricultural Chemical Products, Panel Report, WT/DS50/R (WTO Panel, Sept. 5, 1997), aff"d, WT/DS50/AB/R (WTO App. Body, Dec. 19, 1997) [hereinafter United States-India], India sought to make use of the fact/law distinction before the panel (and the Appellate Body) but in a much more traditional manner, quite different from the use of that distinction envisaged by Dreyfuss and Lowenfeld. India sought to classify Indian law as a question of fact in order to oblige the United States to prove Indian law as part of its case. Cf. Walton v. Arabian Am. Oil Co., 233 F.2d 541 (2d Cir. 1956) (traditional approach to proving foreign law in private litigation in U.S. courts). Are India"s arguments persuasive? In what ways could the panel have "sought guidance from India on matters relating to the interpretation of Indian law" as India alternatively suggested? See United States-India, Appellate Body Report, " 64.

(4) Deciding Case IV. If the Appellate Body were to decide Case IV, how would it determine the meaning of "well-known mark" in Article 16 of TRIPS? To what extent should a panel determining Patria"s compliance with Article 16 look to the resolution on the protection of well known marks adopted by the joint meeting of the General Assembly of WIPO and the Assembly of the Paris Union in September 1999? (At the September 1999 Assembly, Asian and African nations insisted on the removal of references in the preamble to TRIPS, arguing that such a reference may cause WTO dispute panels to interpret the recommendation as binding.)

(5) Trademark Complaints before the WTO. Only three trademark cases have thus far been pursued through the WTO dispute settlement system. The United States"Section 211 Omnibus Appropriations Act 1998 Appellate Body report is excerpted at "" 3.06, 4.03 and " 5.03. In a second case, the complaint by the United States against Indonesia was largely obscured by other non-TRIPS claims under other GATT agreements. See United States v. Indonesia, WT/DS59, IP/D/6 (98-2505) (Panel Report, July 2, 1998). The United States claimed that the Indonesian National Car Programme (the "INCP") violated Articles 3, 65(5), and 20 of TRIPS because it allegedly discriminated against

nationals of other WTO countries with regard to the acquisition and maintenance of trademarks. The INCP grants various tax and other benefits to cars that are part of the program. To qualify for the program, however, the trademark used with the car must be owned by an Indonesian company (or an Indonesian joint venture including foreign companies as partners). What would be the strongest arguments in support of the United States" claims? See Matthijs Geuze & Hannu Wager, WTO Dispute Settlement Practice Relating to the TRIPS Agreement, J. Int"l Econ. L. 347, 370-74 (1999) (summarizing the extremely lengthy arguments and panel report). Why did the United States include a claim based upon Article 3 of TRIPS?

The other trademark case remains pending. Consultations continue regarding the complaint filed by the United States against the EU challenging the EU system of geographical designations of origin. See supra " 4.02[B].