UNITED STATES – SECTION 211
OMNIBUS APPROPRIATIONS ACT
(PUB. LAW 105-277 (1998))

(WT/DS176)

First Written Submission of the European Communities and their Member States

Geneva, 30 November 2000

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1. INTRODUCTION

1. The European Communities and their Member States (hereinafter the EC) bring this complaint against the United States of America (hereinafter the US) because they consider that certain aspects of the US legislation relating to the protection of trademarks and trade/commercial names are incompatible with the US' obligations stemming from the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs).

2. Section 211 of the US Omnibus Appropriations Act (Pub. Law 105-277 (1998)) (in the following referred to as OAA) was signed into law by the President of the US on 21 October 1998. Put in simple terms, the objective of this provision consists in curtailing the enjoyment and existence of certain trademarks and tradenames in the hands of certain categories of rightholders.

3. US trademarks (including tradenames and commercial names) can be owned and enjoyed by Cuban legal or natural persons[1]. Until the enactment of Section 211 OAA, this included the possibility to pay registration and prolongation fees to the US Patent and Trademark Office (USPTO)[2]. This also meant that such trademarks could be licensed or assigned[3] and the rightholder could request the US judicial system to take the measures available under US law to enforce his trademarks rights vis-à-vis infringers.

4. Until the enactment of Section 211 OAA it was perfectly irrelevant if such a US trademark had any relation to or resemblance with a trademark used or held by a Cuban entity which was confiscated during the Cuban revolution. Through the introduction of Section 211 OAA the enjoyment of such rights in which the Government of Cuba, a Cuban national or any foreign successor-in-title to the latter have an interest, have been fundamentally curtailed.

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1 See 31 C.F.R. 515.527 (Exhibit EC-1).

2 See 31 C.F.R. 515.527. This section in particular authorizes transactions related to the registration and renewal of patents, trademarks, and copyrights by Cuban nationals in the United States Patent and Trademark Office and the United States Copyright Office.

3 The U.S. District Court for the Southern District of New York agreed with the Office of Foreign Assets Control (OFAC), a part of the U.S. Department of Treasury, that such actions require issuance of a specific license by the OFAC. See Havana Club Holdings, S.A. v. Galleon, S.A., 974 F Suppl. 302, 307 (S.D.N.Y. 1997) (Exhibit EC-2).

5. Section 211 (a)(1) OAA disallows any transaction related to the registration and renewal in the USPTO of trademarks in which Cuba or a Cuban national has an interest. Such transactions are only permissible if the historic owner of a confiscated Cuban entity, which held the same or a similar mark, expressly consents to them. The practical result of this provision is to take away – over time – existing US trademarks from their lawful owners, because they will no longer be able to renew the trademark registration[4]. Furthermore this provision prevents somebody from registering such a trademark if it has previously not yet been registered in the USPTO.

6. Section 211(a)(2) OAA prohibits US courts from enforcing any such US trademark in the US on the request of a Cuban national or any foreign successor-in-interest. In other words, it devoids the trademark of any practical value because the exclusive rights flowing from a trademark cannot be enforced by the owner in any other meaningful way than by having recourse to the Courts.

7. Finally, Section 211(b) OAA prohibits US courts from enforcing any treaty rights concerning a trademark under the same conditions as pointed out in Section 211(a)(2) OAA, except that the prohibition applies here to all successors-in-interest.

8. All three operative elements contained in Section 211 OAA, while not immediately doing away with the US trademark or trade/commercial name concerned, make it devoid of any practical effect and terminate its existence over time, where renewal is necessary.

9. It is important to mention that a US trademark or trade name that is subject to Section 211 OAA is legally distinct from the property affected by the actions of the Cuban Authorities in 1960. US assets, which include US trademarks or trade names, were completely unaffected by the Cuban confiscation measures, because the US did not recognize – and subsequently has never recognised – any effects on the ownership of assets located in the US as a consequence of the Cuban actions. In other words, tangible (e.g. real property, vehicles, machines) or intangible (e.g. receivables, bank deposits and intellectual property rights) assets located in the US continue to belong to their original owners, despite the confiscation operated by the Cuban authorities in Cuba. The curtailment intended by Section 211 OAA is targeted at situations where the original US trademark or trade name had ceased to exist, e.g. for lack of renewal by its owner, or where such a right has never existed in the US.

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4 Section 9 of the Lanham Act 15 U.S.C. § 1059, requires trademark owners to renew the registration periodically, which is linked to payment of a renewal fee. In the absence of such a renewal the trademark registration is cancelled. The provisions of the Lanham Act to which reference is made in this submission are reproduced in exhibit EC-3.

10. In view of the EC, these measures are in violation of the US' obligations under the WTO-TRIPs Agreement.

    – In particular Section 211(a)(1) OAA violates Article 2(1) TRIPs together with Article 6 quinquis A(1) Paris Convention and Article 15(1) TRIPs.

    – Section 211(a)(2) OAA violates Article 2(1) TRIPs together with Articles 6 bis (1) and 8 Paris Convention, Articles 16(1), 42, 3(1), 4 TRIPs and Article 2(1) TRIPs together with Article 2(1) Paris Convention.

    – Finally, Section 211(b) OAA is at variance with Article 2(1) TRIPs together with Articles 2(1), 6bis(1) and 8 Paris Convention as well as Articles 3(1), 4, 16(1) and 42 TRIPs.

    These measures cause prejudice to the legitimate rights of trademark owners and owners of trade/commercial names, thus nullifying and impairing the rights of the EC.

11. The EC would also like to bring to the attention of the Panel statements made by senior US government officials concluding that Section 211 OAA violates US TRIPs obligations[5].

12. The EC's economic interests in this matter are significant. Section 211 has already directly affected at least one well-known, commercially valuable trademark (Havana Club for spirit drinks). The rights to this mark and trade name are owned by a Cuban entity and have been licensed to a joint venture between that entity and an EC company[6]. Given the great number of trademarks and trade/commercial names used in connection with Cuban enterprises before 1960, however, the effects of Section 211 OAA are likely to prejudice a great number of commercial relationships by EC enterprises not only with Cuban entities but other partners that fall within the scope of Section 211 OAA.

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5 In a memorandum to USTR Barshefsky, several USTR officials write in relation to an earlier draft of Section 211 OAA:

> "Trademarks/TRIPS – Senator Mack inserted language into the omnibus appropriations bill that prohibits U.S. courts from enforcing trademarks held by a designated national or successor-in-interest that was used with a business that was confiscated. This provision addresses a longstanding dispute between the Cuban government and Bacardi rum. The language is problematic because it violates our obligations under the TRIPs agreement."
>
> (Inside U.S. Trade – November 27, 1998, at p. 18) (Exhibit EC-4)

6 See a short chronology of the "Havana Club" trademark and trade name (Exhibit EC-5).

2. PROCEDURAL HISTORY

13. While Article 63(2) TRIPs stipulates the requirement that WTO Members notify their laws and regulations "pertaining to the subject matter" covered by TRIPs to the TRIPs Council[7], the US notified Section 211 OAA[8] only on an express written request by another WTO Member[9]. At the meeting of the TRIPs Council on 21 April 1999, a WTO Member had vigorously criticized Section 211 OAA as being incompatible with TRIPs[10]. The EC intervened at this occasion supporting the assertion that Section 211 OAA is at variance with a number of TRIPs provisions[11]. Shortly after the enactment of Section 211 OAA, the EC raised their concerns as to the incompatibility of Section 211 OAA with TRIPs vis-à-vis the US authorities. The contacts, at various levels, have continued ever since but have not lead to any tangible result.

14. On 7 July 2000 the EC have requested formal consultations under Article 4 of the Dispute Settlement Understanding (DSU) with the US in this matter[12].

15. A first round of consultations was held on 13 September 1999 in Geneva and a second round of consultations was held on 13 December 1999 by video conference. While these consultations were conducted in a constructive manner and allowed a better understanding of the situation, as well as of the arguments put forward by the parties, no progress at all was achieved in order to settle the dispute in an amicable way.

16. On 30 June 2000, the EC requested the establishment of a panel pursuant to Article 6 DSU. The panel was established at the DSB meeting held on 26 September 2000[13].

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7 The TRIPs Council has adopted recommendations for a format and procedure for these notifications in 1996, see IP/C/M/7.

8 IP/C/W/139 of 20 April 1999.

9 See written request by Cuba IP/C/W120 Rev. 1 of 7 January 1999 and written reminder by Cuba IP/C/W/129 of 23 March 1999.

10 See written version of statement by Cuba in IP/C/W/142 of 27 May 1999.

11 Minutes of TRIPs Council of 21 and 22 April 1999. (IP/C/M/23, 2 June 1999, p. 4).

12 See WT/DS 176/1 of 15 July 2000.

17. At this meeting, the parties to the dispute agreed that the Panel should have standard terms of reference. The terms of reference are the following:

> "To examine, in the light of the relevant provisions of the covered agreements cited by the European Communities and their member States in document WT/DS176/2, the matter referred to the DSB by the European Communities and their member States in that document and to make such findings as will assist the DSB in making the recommendations or in giving the rulings provided for in those agreements."

18. Pursuant to a request of the EC of 17 October 2000, the Director General of the WTO decided on the composition of the panel under Article 8(7) DSU. Canada, Japan and Nicaragua reserved their rights as third parties to the dispute.[14]

3. PROTECTION OF TRADEMARKS, TRADE NAMES AND COMMERCIAL NAMES UNDER US LAW AND LEGISLATIVE HISTORY OF SECTION 211 OAA

19. The Lanham Act, 15 U.S.C. § 1051 et seq., is the federal law governing trademark protection and unfair competition in the United States, and it coexists with various statutes and common law of individual states.

20. According to the USPTO, "a trademark is a brand name".[15] Trademarks serve both to protect the public from mistake, deception and confusion with regard to product source, and to protect producers of goods and services from infringement or unfair competition that has the effect of appropriating or damaging their good will.

21. Trademark owners can seek remedies from courts against infringement – the use in commerce of another mark that is likely to confuse consumers about the source of the goods or services through the judicial system. Under § 34 of the Lanham Act, 15 U.S.C. § 1116, courts have the power to grant injunctions. Further, a registrant that establishes infringement is entitled to recover the defendant's profits, damages suffered by the registrant, and court costs. Lanham Act § 35, 15 U.S.C. § 1117.

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13 WT/DSB/M/89, 23 October 2000, at p. 11.

14 WT/DS176/3, 27 October 2000.

15 "Frequently Asked Questions About Trademarks," <www.uspto.gov/web/offices/tac/tmfaq.htm>. (Exhibit EC-6).

Depending on the circumstances of the case, the court may enter judgment for up to three times actual damages. In exceptional cases, the court may also award reasonable attorney fees.

22. A trade name is a term or symbol used to distinguish a business, as opposed to a mark that is used to identify and distinguish goods. However, trade names are afforded legal protection against infringement on the same principles as trademarks. Ownership and the acquisition of exclusive rights turn on priority use of a name in the market. Courts have broad powers to protect trade name rights against fraud and confusion through injunctions and damage awards.

23. To register a trademark, an application must be filed with the USPTO. The application comprises several elements, including a filing fee[16].

24. The Lanham Act permits registration of marks on the basis of actual use of the mark in interstate commerce within the United States or in commerce between the United States and other countries.[17] The Lanham Act also enables a party to apply for a registration upon a "bona fide intention" of the applicant to use the mark in interstate commerce within the United States or in commerce between the United States and other countries.[18] In the latter case, however, registration will not be granted unless the applicant demonstrates that the mark has been used in commerce.

25. For trademark applications filed under either of these statutory bases, the essential prerequisite to obtaining registration is to demonstrate that the trademark has actually been used in commerce, either between states of the United States or between the United States and another country.

26. The Lanham Act also provides another statutory basis for registration, which constitutes a significant exception to the rule that trademark registration requires proof of actual use of the mark. Section 44(e) of the Lanham Act permits an applicant that owns a duly registered mark in his country of origin to apply for and obtain registration of the mark in the United States.[19] While the applicant must submit, in addition to a certified copy of the country of origin registration, a statement that he has a bona fide intention to use the mark in US commerce, registrations under Section 44(e) do not require proof that the trademark is actually in use either in the United States or in another country.

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16 The filing fee is currently US$325 for each class of goods and services. 37 C.F.R. 2.6(a)(i).

17 Section 1(b) of the Lanham Act (15 U.S.C. §1051(b)).

18 Section 1(a) of the Lanham Act (15 U.S.C. §1051(a)).

19 15 U.S.C. § 1126(e).

27. All trademark applications, including those seeking registration under Section 44 (e), are examined by the USPTO in the same manner[20], and all are subject to the statutory bases for refusing registration.[21]

28. Once granted, a trademark registration remains valid for a period of ten years, which may be renewed indefinitely for successive ten-year periods provided the mark remains in use in commerce.[22] In addition, the registrant must submit an affidavit stating that the mark is in use in commerce between the fifth and sixth year following registration.[23] A registrant who is not using the mark may, if applicable, submit an affidavit of excusable non-use explaining how "any non-use is due to special circumstances which excuse non-use and is not due to any intention to abandon the mark".[24] Failure to submit such affidavits of use or excusable non-use results in cancellation of the trademark registration.[25]

29. Under § 45 of the Lanham Act,[26]a trademark will be deemed to be abandoned when: (1) its use has been discontinued with intent not to resume such use; or (2) the trademark owner, by any act of commission or omission, causes the mark to lose its significance. An intent to not resume use of a mark may be inferred from circumstances, and non-use for three consecutive years is treated as prima facie evidence of abandonment. Once a trademark is abandoned, it may be adopted by another person, who may immediately proceed to obtain exclusive rights in the mark.

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20 Section 44(b), 15 U.S.C. 1126(b), provides that applications filed pursuant to Section 44 shall be entitled to the benefits thereof as well as the right to which any owner of a mark is otherwise entitled by this chapter.

21 Registration may be refused under Section 2 of the Lanham Act, 15 U.S.C. § 1052, (1) comprises immoral, deceptive or scandalous matter; (2) disparages or falsely suggests a connection with persons (living or dead), institutions, beliefs or national symbols, or brings them into contempt or disrepute; (3) comprises the flag, coat of arms or other insignia of the United States, any U.S. state or municipality, or any foreign nation; (4) comprises a living person's name, portrait or signature without that person's consent; or the name, signature or portrait of a deceased U.S. president during the life of his widow and without her consent; (5) so resembles a mark already registered in PTO that its use is likely to cause confusion, mistake or deception; (6) is merely descriptive or deceptively misdescriptive of the applicant's goods; (7) is primarily geographically descriptive or deceptively geographically misdescriptive of the applicant's goods; (8) is primarily merely a surname; and (9) consists of matter that, as a whole, is functional.

22 The renewal fee is currently US$400 for each class of goods and services. 37 C.F.R. 2.6(a)(5).

23 The fee for filing such Section 8 affidavits is currently US$100 for each class of goods and services. 37 C.F.R. 2.6(a)(12).

24 See, Section 8 of the Lanham Act (15 U.S.C. § 1058)

25 Sections 8 and 9 of the Lanham Act, 15 U.S.C. §§ 1058, 1059.

26 15 U.S.C. § 1127.

30. On 21 October 1998, the US Congress passed Section 211 OAA. It was reported that Section 211 was proposed by Senators Connie Mack and Bob Graham of Florida for inclusion, without introduction or hearing, in the OAA in the waning hours of the 1998 Congressional session.[27] No hearings concerning the subject matter of Section 211 were conducted in any Congressional committees of jurisdiction of title 15, United States Code (i.e., the Senate Judiciary Committee, and the Subcommittee on Courts and Intellectual Property of the House Judiciary Committee). There are no references to Section 211 in the House and Senate reports that accompanied passage of the OAA. Consequently, there is no legislative history of Section 211, as recognized by the U.S. District Court for the Southern District of New York which, as discussed below, was called open to interpret and apply Section 211 OAA.[28]

4. INCOMPATIBILITY OF SECTION 211 OAA WITH US OBLIGATIONS UNDER THE WTO AGREEMENT ON TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS (TRIPS)

4.1. Short Negotiating History of the TRIPs Agreement[29]

31. At the Ministerial Conference which launched the Uruguay Round of Multilateral Trade Negotiations at Punta del Este, Uruguay, in September 1986, TRIPs was included into the negotiation agenda as one of the so-called new topics. Multilateral rulemaking in the IPR area has so far been dominated by the World Intellectual Property Organisation (WIPO), which administers or co-administers practically all important conventions in this area.

32. The resulting TRIPs Agreement covered practically all existing intellectual property rights (IPRs). To start with the principles of national treatment and most favoured nation treatment (the latter being a novelty in the area of IPRs) were stipulated. The most important WIPO conventions (the Paris Convention concerning industrial

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27 H.R. 4328, 105th Cong., 2d Sess., 112 Stat. 2681 (1998) (Exhibit EC-7).

28 See *Havana Club Holding, S.A. v. Galleon, S.A.*, 62 F. Supp. 2d 1085, 1091 n.5 (S.D.N.Y. 1999) (stating "[t]here is no official legislative history surrounding the enactment of § 211"). (Exhibit EC-8).

29 For a detailed report of the negotiating history of TRIPs see Gervais, The TRIPs Agreement : Drafting History and Analysis, London 1998, (in the following referred to as Gervais, at p....) at pp. 3-28.

property rights and the Berne Convention concerning copyright as well as the Washington Treaty for the protection of semiconductor topographies) were included by reference, also to make these conventions subject to an efficient dispute settlement system. Furthermore, extensive rules for the enforcement of the substantive IPR standards were provided, which constituted also a novelty for international IPR rulemaking.

33. Following the adoption of the Final Act at the Marrakech Ministerial Conference in April 1994, the provisions of TRIPs became fully applicable to developed Members of the WTO from 1 January 1996 (Article 65(1) TRIPs).

4.2. Protection of trademarks and trade / commercial names and their enforcement under TRIPs

34. The "General Provisions and Basic Principles", as contained in Part I of TRIPs, apply to all categories of IPRs, thus including trademarks as well as trade or commercial names. Here Article 2(1) TRIPs requires WTO Members to comply with Articles 1 through 12 and 19 of the Paris Convention[30], Article 3 TRIPs sets out the principle of national treatment and Article 4 stipulates the obligation of most-favoured-nation treatment (MFN).

35. In Part II, the specific obligations in relation to trademarks are spelled out in Section 2 (Articles 15-21). Article 15 addresses the issue of protectable subject matter of trademarks, Article 16 stipulates the rights conferred, Article 17 sets out some exceptions to these conferred rights, Article 18 confirms the indefinite character of the trademark and sets a minimum term for renewal, Articles 19 and 20 address use and other requirements and Article 21 deals with the assignment and licensing of trademarks.

36. Part III of TRIPs on enforcement of intellectual property rights is of particular importance for trademarks and trade names. Article 42 TRIPs sets out the basic principle that WTO members have to make available to rightholders civil judicial procedures concerning the enforcement of intellectual property rights. Articles 43-49 TRIPs concretise the principle set out in Article 42 by addressing such issues as injunctions, damages or other remedies. Article 50 TRIPs addresses provisional

[30] This reference is to the Paris Convention for the Protection of Industrial Property, Stockholm Act of 14 July 1967.

measures and Articles 51-60 TRIPs deal with special border enforcement measures. Finally, Article 61 TRIPs refers to criminal procedures which are of relevance for some sorts of trademark infringements.

4.3. Section 211 OAA in the light of the US' obligations under TRIPs together with the Paris Convention

37. For a better understanding, the different paragraphs and subparagraphs of Section 211 OAA will be dealt with separately for the purpose of legal analysis.

4.3.1. Section 211(a)(1) OAA

38. Section 211 (a) (1) OAA stipulates that:

> "Notwithstanding any other provision of law, no transaction or payment shall be authorized or approved pursuant to section 515.527 of title 31, Code of Federal Regulations, as in effect on September 9, 1998, with respect to a mark, trade name or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of the mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented."

39. Section 515.527 of title 31, Code of Federal Regulation, has been amended by the Secretary of the Treasury, following what was mandated by Section 211 (c) OAA, by adding one paragraph to it. Thus, Section 515.527, which took effect on 10 May 1999, now provides:

> "(a)(1) Transactions related to the registration and renewal in the United States Patent and Trademark Office … of trademarks in which the Government of Cuba or a Cuban national has an interest are authorized.
>
> (a)(2) No transaction or payment is authorized or approved pursuant to paragraph (a)(1) of this section with respect to a mark, trade name or commercial name that was used in connection with a business or assets that were confiscated, as that term is defined in § 515.336, unless the original owner of the mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented."

40. In practical terms, these provisions prevent the registration or renewal of already registered trademarks as targeted by Section 211 (a)(1) OAA. Specifically, Section

211 (a)(1) OAA operates to prevent an act (i.e., payment of the required fees) that must be performed by the rightholder in order to register a mark or to ensure the renewal of trademarks that were duly registered in the US.

4.3.1.1. Violation of Article 15(1) TRIPs

41. Article 15(1) TRIPs reads in pertinent part:

> "Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks. …".

Article 15(1) TRIPs constitutes one of the fundamental trademark provisions of TRIPs by creating an obligation on WTO Members to make "any sign, or any combination of signs" which meet the criteria defined in the final sentence of this provision "eligible for registration as trademarks"[31].

42. There can be no doubt that the trademarks targeted by Section 211 (a) (1) OAA, i.e. those which are:

> "... the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated ...".

fully meet the criteria set out in Article 15(1) TRIPs to make a "sign, or combination of signs" eligible for trademark protection. This is further evidenced by the fact that Section 211 (a)(1) OAA also disallows the renewal of trademarks which have been duly registered by the USPTO, thus necessarily meeting all requirements which make of a sign or a combination of signs a trademark.

43. The EC cannot see any provision under TRIPs or the Paris Convention which would allow a WTO Member to make the registration or renewal of a trademark dependent on the express consent of the former owner of such a mark or similar marks anywhere in the world.

44. As an intermediate result it can therefore be said that Section 211(a) (1) OAA is at variance with the US's obligations under Article 15(1) TRIPs.

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[31] Article 18, 2nd sentence, TRIPs confirms that: "The registration of a trademark shall be renewable indefinitely".

4.3.1.2. Violation of Article 2(1) TRIPs together with Article 6 quinquis A(1) Paris Convention

45. Article 2(1) TRIPs reads:

> "In respect of Parts II, III and IV of this Agreement Members shall comply with Articles 1 through 12, and 19, of the Paris Convention (1967)"

Article 6 quinquis A(1) Paris Convention in turn reads:

> "A.-(1) Every trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union, subject to the reservations indicated in this Article. Such countries may, before proceeding to final registration, require the production of a certificate of registration in the country of origin, issued by the competent authority. No authentication shall be required for this certificate."

This means, in practical terms, that "whenever a trademark is duly registered in the country of origin, the other countries of the Union are obliged to accept and protect it"[32].

46. Section 211(a)(1) prevents the owner of a mark registered in another WTO Member or a party to the Paris Union from obtaining and maintaining in force a trademark registration within the United States. Section 211(a)(1) forecloses the possibility of performing an act (i.e., payment of required fees) that is a prerequisite to obtaining a registration or a requirement for maintaining the registration in force. There exists no possibility for the holder of a mark "duly registered" in another country that is party to the Paris Convention or is a WTO Member and which is included in the scope of Section 211 to register the mark in the United States.

47. An illustrative example is the "Havana Club" trademark which played an important role in the legislative history of Section 211 OAA[33], which was and is duly registered in Cuba[34] and more than 150 other countries and territories. By the operation of Section 211(a)(1) OAA this trademark which is also registered in the US cannot be renewed once its present term of registration expires and thus will be taken away over time from his lawful owner.

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32 Bodenhausen, Guide to the Paris Convention for the Protection of Industrial Property, 1968 (in the following referred to as Bodenhausen, at p. .....) at p. 110. (Exhibit EC-10).

33 See paragraph 12 and footnote 6 above.

34 Cuba is a Member of the WTO as well as a contracting party to the Paris Convention (Stockholm Act) as of 8 April 1975.

48. To sum up, the EC is of the view that Section 211(a)(1) OAA is at variance with the US obligations under Article 15(1) TRIPs and Article 2(1) TRIPs together with Article 6 quinquis A(1) Paris Convention.

4.3.2. Section 211 (a) (2) OAA

49. This provision reads:

> "No U.S. court shall recognize, enforce or otherwise validate any assertion of rights by a designated national based on common law rights or registration obtained under such section 515.527 of such a confiscated mark, trade name, or commercial name."

Section 211(a)(2) OAA thus prevents the owner of a registered US trademark or the owner of a trade name from using a US court to enforce its rights. As such, the measure denies standing to certain owners of US rights to initiate or maintain proceedings in a US court to enforce the rights conferred on these parties through the Lanham Act. Since such rights, whether in the form of Federal trademark registrations or rights in trade names, may only be enforced through actions in a Federal court, this measure operates to foreclose any judicial recourse for actions that would infringe such rights.[35]

4.3.2.1. Violation of Article 16(1) TRIPs

50. Article 16(1) TRIPs reads:

> "The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use."

Given that trademarks as all other intellectual property rights, are primarily enforced in the US, like in most WTO members, in the civil judicial system, the denial of access to the US Court system for certain trademark owners is tantamount to depriving the rightholders of their exclusive rights altogether. There exists no other legal or practical way to prevent third parties not having the owner's consent from

[35] 15 U.S.C. 1121(a) confers exclusive jurisdiction in Federal courts (i.e., the "district and territorial courts of the United States shall have original jurisdiction, the circuit courts of appeal of the United States (other than the United States Court of Appeals for the Federal Circuit) and the United States Court of Appeals for the District of Columbia shall have appellate jurisdiction, of all actions arising under this Act, without regard to the amount in controversy or to diversity or lack of diversity of the citizenship of the parties.").

using in the course of trade identical or similar signs in the US than the possibility to have recourse to the US judicial system.

4.3.2.2. Violation of Article 42 TRIPs

51. Section 211(a)(2) OAA also is at variance with Article 42 TRIPs. Article 42 TRIPs stipulates in particular that:

> "Members shall make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement".

By expressly denying the availability of US courts to enforce the rights targeted by Section 211(a)(2) OAA, this provision constitutes a blatant violation of the US' obligations under Article 42, 1st sentence, TRIPs.

4.3.2.3. Violation of Article 2(1) TRIPs together with Articles 6 bis (1) and 8 Paris Convention

52. Section 211 (a) (2) OAA is also at variance with Article 2(1) TRIPs together with Articles 6 bis (1) and 8 Paris Convention. Articles 6 bis (1) and 8 Paris Convention are part of those provisions with which WTO Members have to comply as a consequence of Article 2(1) TRIPs. Article 6 bis (1) Paris Convention reads as follows:

> "The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith."

This provision mandates the enhanced protection to be granted for so-called well-known trademarks[36]. Given that Section 211(a) (2) OAA denies protection to certain trademarks indiscriminately whether or not they are well-known, this provision is also at variance with Article 6 bis (1) Paris Convention.

53. Article 8 Paris Convention in turn reads:

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36 Compare Bodenhausen at pp. 90-91 (Exhibit EC-11).

> "A trade name shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of a trademark." (emphasis added)

This provision requires that WTO Members extend protection to trade names independently from whether they form part of a trademark[37].

54. While Article 8 Paris Convention does not precisely stipulate the way in which this protection for trade/commercial names has to be granted, one of the leading commentators writes [38]:

> "The protection will generally be given against unlawful acts of third parties consisting, for example, of use of the same or a confusingly similar trade name ..., if such use is liable to cause confusion among the public."

Indeed, under US law, trade names are protected through a right of action under, among other things, Section 43(a) of the Lanham Act, which permits parties to prevent the use of a trade name in a manner likely to cause confusion or to deceive.

55. In any event, the language of Section 211 (a) (2) OAA is of such a sweeping nature that there can be no doubt that the US do not grant any protection to the trade/commercial names covered by this provision. Thus the US do not meet their obligations under Article 2(1) TRIPs together with Article 8 Paris Convention.

4.3.2.4. Violation of Article 3(1) TRIPs and Article 2 (1) TRIPs together with Article 2 (1) Paris Convention

56. Section 211(a)(2) OAA furthermore violates the national treatment obligation of the US flowing from Article 3(1) TRIPs and Article 2(1) TRIPs together with Article 2(1) Paris Convention. The principle of national treatment has historically been a cornerstone of international IPR rule making[39] and has also been enshrined by Article 3(1) in TRIPs, which reads:

> "Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection[3] of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits …".

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37 See Bodenhausen at p. 134 (Exhibit EC-12).

38 See Bodenhausen at p. 133 (Exhibit EC-13).

39 See Gervais at p. 48 (Exhibit EC-14).

Footnote 3 of this Article reads as follows:

> "For the purposes of Articles 3 and 4, "protection" shall include matters affecting the availability, acquisition, scope, maintenance, and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement".

The language in Article 3(1) TRIPs is based on Article III (4) GATT. However while national treatment in GATT attaches to goods – not to the respective owners of the goods – it attaches under TRIPs to the person of the right holder. This modified "attachment" is systematically linked to the territorial character of intellectual property rights. While Article 3(1) TRIPs has so far not been interpreted by a WTO panel or the Appellate Body, the vast jurisprudence on Article III (4) GATT, under the GATT dispute settlement system as well as under the WTO dispute settlement system, may give valuable insight for the interpretation of Article 3(1) TRIPs[40].

57. In any event the basic feature contained in Article 3 (1) TRIPs would appear to be straight forward. A WTO member cannot treat a national of another WTO member in relation to an intellectual property right which its IPR system offers, less favourably than it treats its own nationals, in relation to such an intellectual property right.

58. Section 211(a)(1) OAA denies the protection of US intellectual property rights to owners who are "designated nationals". A reference in Section 211(d)(1) OAA is made to Section 515.305 of title 31, Code of Federal Regulation which reads:

> "For the purposes of this part, the term 'designated national' shall mean Cuba and any national thereof including any person who is a specially designated national."

Furthermore Section 211 (d) (1) OAA extends the definition of designated nationals beyond Section 515.305 of title 31 Code of Federal Regulations to : "... a national of any foreign (emphasis added) country who is a successor-in-interest to a designated national".

The language of these provisions makes it utterly clear that Cuba, Cuban nationals and specially designated nationals are denied protection of their US intellectual property rights, while US nationals are enjoying such protection. Furthermore protection is also denied to foreign nationals which are a successor-in-interest to a designated national, while such a successor-in-interest of US nationality benefits from protection. This constitutes a blatant *de jure* violation of Article 3 (1) TRIPs.

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[40] See, e.g., Report of the panel on *United States – Section 337 of the Tariff Act of 1930*, adopted on 7 November 1989, BISD 36S/345, 385-87, paras. 5.10-5.11; Report of the panel on *Canada – Certain Measures Concerning Periodicals*, 14 March 1997, WT/DS31/R, paras. 5.32-5.39; Report of the panel on *Japan – Measures Affecting Consumer Photographic Film and Paper*, 31 March 1998, WT/DS44/R, paras. 10.368-10.382.

59. The principle of national treatment is also considered to be one of the basic rules of the Paris Convention.[41] Article 2(1) Paris Convention reads as follows:

> "Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals ; all without prejudice to the rights specially provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with."

60. The texts of Article 3(1) TRIPs and Article 2 (1) Paris Convention are not identical. While TRIPs stipulates negatively what a Member may not do, Article 2(1) Paris Convention stipulates positively what a country of the Union has to do; namely, confer on non-nationals of the country the same advantages conferred by the industrial property laws of that country on its own citizens. The Paris Convention thus imposes a specific obligation for identical treatment for foreign and domestic rightholders. The underlying objective of both provisions remains however the same, i.e. to prohibit treatment that differs as a consequence of the nationality of the right holders.

61. The *de jure* discrimination created by Section 211(a)(2) OAA between Cuban rightholders on the one hand and US rightholders on the other constitutes as much a violation of Article 2(1) Paris Convention as it does in relation to Article 3(1) TRIPs.

4.3.2.5. Violation of Article 4 TRIPs

62. Section 211(a)(2) OAA is also inconsistent with the most-favoured-nation treatment obligation of the US stemming from Article 4 TRIPs. While the notion of most-favoured-nation treatment (MFN) has been a fundamental principle of the GATT (see Article I GATT), in the area of international rulemaking in relation to intellectual property rights Article 4 TRIPs introduces for the first time such an obligation[42].

63. Article 4 TRIPs reads in pertinent part:

> "With regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any

41 See Bodenhausen at p. 27 (Exhibit EC-15).

42 Compare Gervais at p. 54 (Exhibit EC-16).

other country shall be accorded immediately and unconditionally to the nationals of all other Members ...".

64. The dichotomy created by Section 211 (a) (2) OAA distinguishes between Cuba or Cuban nationals and others, the latter being US nationals or nationals of any other country. Therefore this provision does not only discriminate between Cuban nationals and US nationals (violation of national treatment obligation) but also creates a *de jure* discrimination between Cuba/Cuban nationals and other non–US nationals by denying protection of intellectual property rights held by Cuban nationals while granting such protection to nationals of other countries. It would appear obvious that none of the exceptions from MFN listed under a) to d) of Article 4 TRIPs are relevant for the case at hand. Therefore Article 211 (a) (2) OAA is also at variance with the US' obligations under Article 4 TRIPs.

4.3.3. Section 211 (b) OAA

65. This provision reads as follows:

> "No U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national or its successor-in-interest under sections 44 (b) or (e) of the Trademark Act of 1946 (15 U.S.C. 1126 (b) of (e)) for a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of such mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented."

66. In turn Section 44 (b) of the Trademark Act reads as follows:

> "Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the Untied States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty, or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this Act."

67. While the coverage of Section 211 (b) OAA appears to "parallel" the coverage of Section 211 (a) (2) OAA, its precise scope is largely obscure. The absence of any legislative history in relation to Section 211 OAA adds to this obscurity. By way of speculation one might think that the drafters intended to cover rights flowing from treaties which are self-executory in the US legal system, i.e. where no act of Congress beyond ratification is needed. However in the only case which has so far been decided by US Courts in relation to Section 211 (b) OAA, the US District

Court, with the subsequent approval of the Court of Appeal, has given Section 211(b) OAA a wide scope[43]. It held that:

> "Section 211 explicitly states that no court shall recognize "treaty" rights of designated nationals. The further reference in that section to § 44 (b) of the Lanham Act should not be read to distinguish certain treaties from others. Both the text of § 44(b) and its legislative history indicate that the purpose of this section was to execute all U.S. treaty obligations respecting trademarks and trade names. See 15 U.S.C. § 1125 ("(t)he intent of this chapter is to ... provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations"); S. Rep. No. 1333, 79th Cong., 2d Sess. 5 (1946) (stating that purpose of Lanham Act was "to carry out by statute our international commitments to the end that American traders in foreign countries may receive the protection of their marks to which they are entitled")".

68. From the foregoing it must be concluded that the obligations flowing from the TRIPs Agreement[44] - or put in the language of Section 211(b) OAA the assertion of rights flowing from TRIPs – fall under Section 211(b) OAA.

69. Given that Section 211 (b)OAA denies to "a designated national or its successor-in-interest" access to US courts for the recognition, enforcement or other validation for a trademark, trade name or commercial name, the same arguments as used under Section 211(a)(2) OAA apply – *mutatis mutandis* – here as well.

70. By denying any judicial enforceability of the targeted rights this provision is at variance with Article 16(1) TRIPs for the reasons pointed out under paragraph 50 above. Section 211 (b) OAA is also at variance with the US obligations flowing from Article 42, 1st sentence TRIPs as explained under paragraph 51 above.

71. Furthermore, Section 211 (b) OAA violates the US obligations under Article 2(1) TRIPs together with Articles. 6 bis (1) and 8 Paris Convention as set out under paragraphs 52-55 above. Section 211 (b) OAA also violates the national treatment obligations of the US as contained in Article 3 (1) TRIPs and Article 2(1) TRIPs together with Article 2(1) Paris Convention for the reasons pointed out in paragraphs 56-61 above. Finally, Section 211 (b) OAA is incompatible with the US'obligations under Article 4 TRIPs as explained under paragraphs 62-64 above.

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43 See *Havana Club Holding, S.A. v. Galleon, S.A.*, 62 F. Supp. 2d 1085, 1092-1093, (S.D.N.Y. 1999) (Exhibit EC-8), confirmed 203 F. 3d 116 (2d Cir.2000) (Exhibit EC-17), certiorari denied 121 S.Ct. 277 (2000) (Exhibit EC-18).

44 The question whether or not the TRIPs Agreement is self-executory under US law can be left open. The language of Section 102(a) of H.R. S 5110, the bill approving and implementing the trade

5. NULLIFICATION AND IMPAIRMENT

72. Under Article 64 (1) TRIPs, Article XXIII GATT and Article 3 (8) DSU, the violation of the US obligations under the TRIPs Agreement are considered *prima facie* to constitute a case of nullification or impairment.

6. CONCLUSION

73. The EC therefore respectfully request the Panel to find that the US has violated its obligations under Articles. 3(1), 4, 15(1), 16(1) and 42 TRIPs as well as Article 2(1)TRIPs together with Articles. 2(1), 6 bis (1), 6 quinquis A (1) and 8 of the Paris Convention and should bring its domestic legislation into conformity with its obligations under the TRIPs Agreement.

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agreements concluded in the Uruguay Round (see Exhibit EC-19) would appear to militate against such a self-executory character.

LIST OF EXHIBITS

EC-1	-	31.C.F.R. 515.527
EC-2	-	Havana Club Holding, S.A. v. Galleon, S.A., 974.F.Suppl. 302 (S.D.N.Y.1997)
EC-3	-	Provisions of the Lanham Act referred to in this submission
EC-4	-	Inside U.S. Trade – November 27, 1998, at p. 18
EC-5	-	Short chronology of "Havana Club" trademark and trade name
EC-6	-	Definition of trademark as on Website US PTO
EC-7	-	H.R. 4328, 105th Cong., 2d Sess., 112 Stat. 2681 (1998)
EC-8	-	Havana Club Holding, S.A. v. Galleon, S.A., 62F., Supp. 2d 1085 (S.D.N.Y. 1999)
EC-9	-	Bodenhausen p. 110
EC-10	-	Bodenhausen pp. 90-91
EC-11	-	Bodenhausen p. 134
EC-12	-	Bodenhausen p. 133
EC-13	-	Gervais p. 48
EC-14	-	Bodenhausen p. 27
EC-15	-	Gervais p. 54
EC-16	-	Havana Club Holding, S.A. v. Galleon, S.A., 203F.3d 116 (2d Oct. 2000)
EC-17	-	Havana Club Holding S.A. v. Baccardi, 121 S.Q.277 (2000)
EC-18	-	H.R. S. 5110