UNITED STATES – SECTION 211 OMNIBUS APPROPRIATIONS ACT
(DS176)

EXECUTIVE SUMMARY: ORAL STATEMENT OF THE UNITED STATES
FIRST MEETING OF THE PANEL
MARCH 19, 2001

1. This dispute boils down to the issue of whether TRIPs compels a Member to recognize claims of trademark ownership by persons whose ownership claim is based on a confiscation outside that Member's jurisdiction. TRIPs does not do so. TRIPs contains a number of important rights and obligations. It does not, however, dictate who owns or does not own a particular trademark within the jurisdiction of a Member. That is a decision that the TRIPs Agreement, like the Paris Convention, leaves to the discretion of each Member.

2. In particular, there is nothing in the TRIPs Agreement that takes away the sovereign right of a Member to decide that a person who traces his or her purported ownership of a trademark to a confiscation is not the owner of that trademark in the jurisdiction of that Member. There is a long-standing legal principle in the United States – and in much of the world, including the member States of the European Communities – that a foreign government might be able to confiscate assets located within its jurisdiction, but it cannot, by virtue of that confiscation, assert any ownership rights over assets located outside of its jurisdiction. This is specifically true of trademarks: the confiscation of a company's assets in one country does not give the government of that country the rights to trademarks outside of that country.

3. If it had been the intention of the TRIPs negotiators to supplant this recognized principle, that intention would have been clearly expressed in the TRIPs Agreement. It is not, because that is neither the intent nor the effect of the TRIPs Agreement.

4. Section 211 is not inconsistent with TRIPs, because it simply reflects the principle that the United States will not recognize confiscating entities or their successors as owners of the U.S. trademarks used in connection with the confiscated assets. In light of the long history of the principle of non-recognition, this should surprise no one.

5. Section 211 is made up of three parts. The first part, section 211(a)(1), simply says that the general OFAC license for trademark registrations and renewals is not available to register or renew trademarks that were used in connection with assets confiscated in Cuba, unless the original owner consents (although it is available for other trademarks in which Cuban nationals have an interest). This general license is, in effect, a standing authorization that permits the registration or renewal of trademarks in which the Cuban Government or Cuban nationals have an interest. A general license is distinct, under OFAC regulations, from a "specific license", in which a person applies to OFAC and receives a specific authorization to register or renew a trademark.

6. Under the second and third parts of section 211, U.S. courts will not recognize any assertion of rights in a trademark, trade name or commercial name by a person who traces his or her purported ownership of those rights to a Cuban confiscation, absent the consent of the original owner of the confiscated asset. These two parts of section 211 are similar, and deal with the two situations in which a person might assert rights in a trademark under U.S. law: section 211(a)(2) is directed at trademark registrants and those who assert trademark rights purely through use (that is, under common law, without registration). Section 211(b) is directed at persons who base their U.S. trademark registration on a foreign application or registration. This would cover, for instance, cases in which a confiscating entity in Cuba registers the trademark used in connection with the confiscated assets in Cuba – that is, registers

the trademark in Cuba – and then uses that Cuban trademark registration as a basis for a U.S. registration of the same trademark.

Section 211(a)(1)

7. The EC alleges that not making an OFAC general licence available to register or renew trademarks that are the same as or similar to trademarks used in connection with confiscated assets – without the consent of the original owner of those assets – violates Paris Convention Article 6 *quinquies* A(1) (incorporated into TRIPs through TRIPs Article 2.1) and TRIPs Article 15.1.

8. But neither of these articles requires a Member to accept a trademark registration filed on behalf of a person who is not -- under the Member's laws -- the owner of the trademark. Therefore, even if we assume that section 211(a)(1) blocks the registration of such trademarks – an assumption for which the EC has presented no evidence – it is not inconsistent with TRIPs.

Paris Convention Article 6 *quinquies*

9. The Paris Convention does not specify substantive rules that Members must follow in deciding who the owner of a trademark is. That decision is left to the laws of the Members, subject to the "national treatment" requirement that those laws should not grant greater advantages to a Member's own nationals than it does to other Members' nationals. Even the EC acknowledges that trademark registrations are subject to challenge in the EC. Rules are in place in Member states that determine who the actual owner of the trademark is, and therefore whether the registration was proper. Indeed, Article 6 of the Paris Convention specifies that "[t]he conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation."

10. Article 6 *quinquies* provides a limited "national treatment plus" exception to this rule, providing that a "trademark duly registered in the country of origin shall be accepted for filing and protected as is [in the authentic French, *telle quelle*] in the other countries of the Union, subject to the reservations indicated in this Article." The key phrase in this provision is "telle quelle" -- "as is" or "in its original form". Article 6 *quinquies* is directed at the form of the trademark. In cases where a trademark would normally be ineligible for registration because of its form – for instance, because it contains foreign language terms or proper names -- Members are required to accept and protect duly registered foreign trademarks "as is" or "in their original form".

11. Article 6 *quinquies* does not eliminate Members' ability to determine that, with respect to issues other than form, the trademark will not be registered or protected. Article 6 *quinquies* would not require, for instance, that such a trademark duly registered abroad be accepted for filing and protected if an identical trademark is already registered in the name of someone else. It would not require that such a trademark be accepted for filing and protected if the trademark were already well known to be the trademark of someone else, or if another person had established his ownership of the trademark in the United States through use. A contrary interpretation, in addition to being contrary to the overall principle that trademark rights are territorial rights, would read the words "telle quelle", or "as is" out of Article 6 *quinquies*. If these words have any meaning at all – and the customary rules of treaty interpretation require that Article 6 *quinquies* be read in a way that gives meaning to all of its terms – it is that Article 6 *quinquies* is directed at matters of the form of the trademark, and not the ownership of the trademark.

12. We noted that the EC cited with approval the treatise by a respected commentator on the Paris Convention, Professor Bodenhausen, at page 110, which the EC termed a plea "for a comprehensive duty for registration and protection." The EC reads this as an interpretation that Article 6 *quinquies* applies

broadly to matters other than form. In fact, however, Professor Bodenhausen is very clear on pages 110 and 111 that Article 6 *quinquies* goes to the form of the trademark only. We quoted an extensive passage to that effect in our written submission. Indeed, Professor Bodenhausen's further elaborations on pages 110 and 111 (U.S. Exhibit 27) only confirm this fact.

13. Even if Article 6 *quinquies* A(1) were read broadly to take away the authority of Members to determine whether the person seeking the trademark registration and protection is the true owner of the trademark -- which we do not believe it should be -- it is still subject to the reservations in Article 6 *quinquies* B. That article specifically permits a Member to deny or invalidate registrations of trademarks duly registered abroad, when they are contrary to "*ordre public*". If the Article 6 *quinquies* obligations apply to issues other than the form of the trademark, it is plain that the principle against giving extraterritorial effect to foreign confiscations would put trademark applications filed by confiscating entities squarely within the category of trademarks whose registration and protection are contrary to "*ordre public*."

14. In sum, in no way can it be said that section 211(a)(1) is inconsistent with Article 6 *quinquies* of the Paris Convention.

TRIPS Article 15.1

15. The EC is also wrong to claim that TRIPs Article 15.1 contains an affirmative obligation to register all trademarks regardless of whether a Member considers the registrant to be the true owner of the trademark. Article 15.1 simply describes what subject matter is protectable as a trademark, emphasizing that any sign or combination of signs capable of distinguishing the goods and services of one entity from those of another is "capable of constituting a trademark". This means that Members are limited in their ability to deny registration to a trademark because of the sign or signs of which it is composed, so long as those signs are capable of distinguishing the goods of the trademark owner. That a sign is "capable of constituting a trademark", however, does not create an obligation to accept the registration of that trademark by whomever wants to register it. It certainly does not prevent a Member from declaring that confiscating entities cannot claim an ownership interest in trademarks associated with a confiscated asset.

16. Section 211(a)(1) has nothing to do with whether certain signs are capable of constituting trademarks; it has only to do with who may assert the rights in such a trademark. It is, therefore, not inconsistent with Article 15.1 of TRIPs.

17. The EC delegate admitted that, even though one person might register a mark in an EC member State, there may be other "contenders", who might, under national laws, succeed in having the registration canceled, and in registering the trademark in the names of the "contenders". This means that, even in EC member States, there is no obligation to register a trademark in the name of a particular person, just because the trademark is made up of signs making it "capable of constituting a trademark" under Article 15.1. Article 15.1 simply does not answer the question of who is the owner of the trademark.

18. Further, Article 15.2 of TRIPs is clear that Article 15.1 does not prevent a Member from denying registration of a trademark on grounds other than its form, provided that those grounds do not derogate from the provisions of the Paris Convention. The Paris Convention does not dictate national laws on the ownership of trademarks, so any denial based on lack of ownership does not derogate from the provisions of the Paris Convention.

19. Neither Paris Convention Article 6 *quinquies* nor TRIPs Article 15.1 limits the ability of Members to reject registrations because the registrant is not the true owner of the trademark. Section 211(a)(1) is, therefore, not inconsistent with either of these articles.

Sections 211(a)(2) and 211 (b)

TRIPs Article 16.1

20. TRIPs Article 16.1 requires that Members provide owners of registered trademarks with certain rights, including the exclusive right to prevent third parties not having the owner's consent from using the trademark under certain circumstances. Nowhere does it define who the "owner" of the registered trademark is. But once the "owner" of the registered trademark is identified – a decision that is made under the Member's national laws – Article 16.1 requires Members to give that owner certain rights.

21. Sections 211(a)(2) and 211(b) are not inconsistent with Article 16.1 because they do not deprive owners of registered trademarks of their exclusive rights. Rather, they reflect the principle under U.S. law that a person who traces his purported U.S. trademark "right" to a confiscation of assets abroad is not the true owner of the U.S. trademark right. Therefore, that person is not in a position to assert Article 16.1 ownership rights.

22. Sections 211(a)(2) and 211(b) also do not deny access to the U.S. court system. Any person seeking to enforce his or her rights to exclude third parties from using the trademark is given full access to the U.S. court system to do so. If that person is found not to be the true owner – for instance, because that person claims a right to the trademark by virtue of a foreign confiscation, or because another person has prior rights based on use – he or she will not be able to enforce rights in the trademark. This is not a denial of rights or of access to courts; it is the process by which ownership rights in the trademark are determined. Article 16.1 requires nothing more than this.

TRIPs Article 42

23. Article 42 of TRIPs requires WTO Members to make civil judicial procedures available for the intellectual property rights that are covered by the Agreement. Article 42 does not require WTO Members to provide claimants with procedures to enforce rights that do not exist. Sections 211(a)(2) and 211(b) are not, therefore, inconsistent with Article 42. Further, the United States makes civil judicial procedures available to enforce intellectual property rights. For both of these reasons, it simply cannot be maintained that sections 211(a)(2) and 211(b) are inconsistent with TRIPs Article 42.

Paris Convention Article 6 *bis*

24. Sections 211(a)(2) and 211(b) reflect that the United States does not recognize the ownership of confiscating entities or their successors in trademarks that are similar or identical to trademarks used in connection with confiscated assets. There is nothing in Article *6bis* of the Paris Convention that requires the United States to protect trademarks that do not belong to – that is, are not "the mark of" – the confiscating entity or its successor in interest. These sections, therefore, do not violated Article *6bis*

Paris Convention Article 8

25. Under Article 8 of the Paris Convention, Members have to offer some protection to trade names, without the requirement of filing or registration, and regardless of whether they form part of a trademark. Article 8 does not impose any requirements on the scope of this protection. Further, Article 8 says

nothing about trade name ownership. Therefore, there is nothing in sections 211(a)(2) and 211(b) that is inconsistent with Article 8.

National Treatment Provisions of TRIPS and the Paris Convention

26. Sections 211(a)(2) and 211(b) are not inconsistent with the national treatment provisions of TRIPs and the Paris Convention. By its own explicit terms, section 211(b) applies, not only to a confiscating entity in Cuba, but to any person, whether U.S. or not who succeeds to the interest of that confiscating entity. Although section 211(a)(2) applies to "foreign" successors in interest, U.S. nationals cannot even become successors in interest without getting a specific OFAC license. OFAC has never granted such a licence. In any case, the principle against the recognition of foreign confiscations would apply in such a case.

27. In sum, neither section 211(a)(2) nor section 211(b) gives non-U.S. nationals less favorable treatment than U.S. nationals; these sections are, therefore, not inconsistent with the TRIPs and Paris Convention national treatment provisions.

Most Favored Nation Provision of TRIPs

28. Neither section 211(a)(2) nor section 211(b) is inconsistent with the TRIPs MFN requirement. These sections specifically provide that any person, of whatever nationality, whether Cuban or not, who is a successor in interest to derives their purported ownership from a confiscation cannot be recognized as an owner of the trademark in the United States. This is not a case in which the United States will not enforce a trademark on behalf of a Cuban national, but will enforce it on behalf of a non-Cuban national. Further, as we described in detail in our written submission, the principle that the United States will not give extraterritorial effect to foreign confiscations is a principle that applies equally to all countries. Consequently, sections 211(a)(2) and 211(b) are not inconsistent with Article 4 of the TRIPs Agreement.

Conclusion

29. In sum, section 211 is not inconsistent with any of the articles cited by the EC in their written submission or in their oral statement this morning. We respectfully ask that this Panel reject the EC's claims in their entirety.