

**UNITED STATES – SECTION 211 OMNIBUS APPROPRIATIONS ACT  
(DS176)**

**RESPONSES OF THE UNITED STATES  
TO QUESTIONS FROM THE PANEL  
FEBRUARY 5, 2001**

**Question 1**

**The language of Section 211 OAA seems to be limited to trademarks and other signs that were used in connection with property that was confiscated by the Cuban Government at the time of the confiscation. Please clarify which trademarks and other signs are covered by Section 211,**

**Answer**

1. In general terms, section 211 addresses the issue of trademarks, trade names, and commercial names associated with business assets confiscated without compensation, and for which the “original owner” of the confiscated business has not provided consent. Therefore, a finder of fact such as a U.S. court would have to determine whether each of the elements of section 211 was met. This requires a court to construe the words of the statute in the light of the facts presented in a particular case. This is not unlike the situation in which a court is called upon to resolve particular disputes based on common law principles. Therefore, the language of section 211 itself may not provide a definitive response to the specific questions presented below; the underlying issue is whether the entity claiming an ownership interest in a trademark, trade name or commercial name is entitled to be an owner.

**in particular:**

**(a) For a mark to be covered by Section 211, is there a requirement that the mark in question had been protected in Cuba at the time of the confiscation?**

2. Although the answer to this question depends on the facts of a particular case, section 211 is predicated on there being an “original owner” of the trademark, trade name or commercial name, which suggests that the trademark, trade name or commercial name was not only used in connection with a business or assets that were confiscated, but that the trademark, trade name or commercial name was owned by the “original owner”, which would likely mean owned at the time of confiscation. Of course, under U.S. law, use of the trademark itself can give rise to ownership. Whether this translates into a requirement that the mark had been “protected in Cuba” at the time of confiscation would be up to a court to determine. However, section 211 does not appear to be limited to trademark ownership (or protection) in Cuba.

**(b) Does it matter whether such a mark was protected in the US at that time?**

**Answer**

3. Whether such a mark would come within the scope of section 211 would depend on the facts. It may or may not be important to a court's determination of ownership of the mark that the mark existed in the United States at the time of confiscation.

**(c) Does it matter if the mark was protected in the US at that time but subsequently fell into the public domain?**

**Answer**

4. Again, as discussed above, the issues under section 211 relate to whether the entity claiming an ownership interest in a trademark, trade name or commercial name is entitled to be an owner. We assume, for purposes of this and other questions of the Panel, that "fell into the public domain" means "available for anyone else to use", *e.g.*, that the trademark was "abandoned" ("public domain" is not a term of art for purposes of the U.S. Trademark Act.). Any facts concerning the ownership of trademarks, including "abandonment" as defined by the Trademark Act at 15 U.S.C. 1127 (Exhibit US-28), could be raised and considered in any dispute over ownership. "Abandonment" has two components, both of which must be proved. First, the use of the mark must have been voluntarily discontinued. Second, the discontinuation must be with the intent not to resume use. Two observations are relevant to whether the issue of abandonment has any practical significance in this dispute. First, when the claimant to the mark has actual knowledge that the original Cuban owner's cessation of use was the result of a forcible takeover of his business, it would appear that the discontinuation of use was not voluntary, and was not accompanied by an intent not to resume use. Therefore, no issue of abandonment would be raised.

5. In any event, The Lanham Act has codified the long-standing equitable "excusable nonuse" doctrine (*i.e.*, the doctrine that nonuse attributable to special circumstances which excuse that nonuse does not give rise to an inference of an intent to abandon) with respect to the maintenance of a federal trademark registration under sections 8 and 9 of the Trademark Act. An assertion of excusable non-use, if successful, would prevent registered marks from being considered abandoned; that same doctrine applies with equal force to common law trademark ownership rights in the United States. Consequently, a court could determine that the nonuse of a trademark in the United States because its original Cuban owner had his production facility in Cuba forcibly expropriated is excusable nonuse and does not result in an abandonment of that expropriation victim's U.S. trademark rights.

6. Second, there is no TRIPs requirement that Members adopt a policy of abandonment. While Article 19(1) of the TRIPs Agreement forbids cancellation of a trademark based on non-use before the lapse of an uninterrupted period of at least three years of non-use, it does not require cancellation of a mark based on non-use. In fact, in some WTO Members, use is not a requirement for maintenance of a trademark registration. Thus, the mere fact of non-use is not synonymous with abandonment, either under the TRIPs Agreement or under U.S. law.

7. Section 211 does not specifically address the issue of “abandonment” or “public domain”; the one court decision that has considered this issue (although not in connection with TRIPs) suggested that whether a mark was abandoned was not relevant to a section 211 analysis. *Havana Club Holdings, S.A. v. Galleon S.A.*, 203 F.2d 116 (2d Cir. 2000), Exhibit EC-16.

- (d) **Do the provisions apply to a trademark that is currently used in connection with property that was earlier confiscated by the Cuban Government if the mark in question was not used in connection with that property at the time of the confiscation?**

**Answer**

8. This question has not been addressed by the courts, and the response would depend on the particular facts presented. From the language of section 211, however, it is possible that, if it is the confiscating entity that creates the trademark, such that there was no “original owner” of the trademark, a court may well find that section 211 does not apply.

**Question 2**

**How is the owner of a trademark determined in the US law?**

**Answer**

9. The determination of ownership is made on a fact-specific basis. Generally speaking, rights in a mark are acquired by use of a trademark in commerce in connection with the sale of particular goods or services. Thus, indicia of use may be determinative of ownership. Note, however, that applicants who file under section 44(d) or (e) of the Trademark Act may obtain a U.S. registration without demonstrating use in commerce (although a showing of use or excusable non-use will be necessary to maintain the registration).

**In particular, please explain:**

- (a) **What is the significance of a valid registration in determining who is the owner of a trademark registered in the US? Is its significance the same in administrative proceedings (in particular at the USPTO) and in courts? Please give some examples of situations where the holder of a valid trademark registration would not be deemed to be the owner of that registered trademark.**

**Answer**

10. In the United States, registration is not conclusive of the ownership of a mark, and trademark rights acquired in the United States at common law exist independently of federal registration. Registration of a mark under the Trademark Act, 15 U.S.C. § 1051, *et seq.* (Exhibit

US-28)<sup>1</sup> confers *prima facie* presumptions of the registrant's ownership of the registered mark and of the registrant's exclusive right to use that mark in commerce. This is true in both administrative proceedings and in U.S. courts.

11. Section 7(b) of the Trademark Act, 15 U.S.C. § 1057(b), reads as follows:

A certificate of registration of a mark upon the principal register provided by this Act shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate, subject to any conditions or limitations stated in the certificate.

See also Section 33 of the Trademark Act, 15 U.S.C. § 1115 (Registration as evidence of right to exclusive use; defenses) and Section 22, 15 U.S.C. § 1072 (Registration as notice). Exhibit US-28.

12. Federal trademark registrations on the principal register carry with them the presumption of validity. Therefore, the wording "valid registration" presumes an additional holding as the result of litigation that a challenged registration was confirmed as valid. The holder of a federal trademark registration is presumed to be the owner of the mark. Of course, this presumption is rebuttable, subject to challenge in a cancellation proceeding before the Trademark Trial and Appeal Board ("TTAB") or before a federal district court.

13. For instance, that registrant's claim to ownership of a mark can be defeated by a prior and continuous common-law usage of that mark or of a confusingly similar mark. *See* 15 U.S.C. § 1065 (Exhibit US-33). Thus if XYZ corporation used the mark JAX for corn muffins in U.S. commerce beginning at a date prior to the time that the owner of the registration used or filed to register the JAX trademark, then XYZ Corporation could successfully sue the owner of the trademark registration for infringement and could have the court cancel that owner's registration.

**(b) How is the owner determined under the US law in a situation where a person applies for a registration of a mark that is not protected in the US but is registered in one or more foreign countries?**

**Answer**

14. The principle of territoriality, which provides that a trademark has a separate legal existence in each sovereign territory, governs trademarks rights in the United States. Therefore, regardless of whether a trademark is registered in other countries, a registration applicant must aver to the U.S. Patent and Trademark Office ("USPTO") that he or she is the owner of the trademark. At the examination stage, if anything in the application suggests that the applicant is not the owner of the proposed mark, the application may be refused. Of course, the issue of

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<sup>1</sup> Please note that the U.S. Trademark Act is also available on-line, at <http://www.uspto.gov/web/offices/tac/tmlaw2.html>

ownership may also be raised in an *inter partes* context. For example, in an opposition proceeding before the TTAB, in a cancellation proceeding before the TTAB, on appeal from a decision from the TTAB to a federal court, or in the context of litigation in federal courts.

15. With respect to ownership, in the special situation in which an application is filed based on a "home country" registration under section 44(e) of the Trademark Act, the USPTO, after determining that the applicant is the owner of the foreign registration, makes a determination of whether the foreign applicant is entitled to registration in the United States on the same basis.

16. In addition to refusals based on ownership, consistent with Article 6*quinquies* (B)(1) of the Paris Convention, a refusal to register might issue if it is determined by the USPTO that the proposed mark consists of or comprises a matter which so resembles a mark registered in the USPTO, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive. (15 U.S.C. § 1052(d)), Exhibit US-33. The USPTO might also refuse to register if it is determined, again consistent with Article 6*quinquies* (B)(1) of the Paris Convention, that the proposed mark falsely suggests a connection with another person, institution, etc. (15 U.S.C. § 1052(a)).

17. Since trademark rights are territorial in nature, there is nothing anomalous with a finding that ownership of the same mark for identical goods and/or services varies from country to country.

- (c) **How is it determined whether a person is entitled to apply for a registration of a trademark if the mark in question is not registered in the US or any other country?**

**Answer**

18. Any party that either has a *bona fide* intention of using a mark in commerce in the United States or has, in fact, used that mark in commerce may apply for registration. An applicant for a registration must include a statement that he believes himself to be the owner of the mark sought to be registered. Relevant provisions from Chapter 1200 of the TMEP, available via the Internet at <http://www.uspto.gov/web/offices/tac/tmep/1200.htm> are reprinted below for the convenience of the Panel:

**1201 Ownership of Mark**

**1201.01 Ownership and Related-Company Use - In General [R-1]**

Section 1(a) of the Trademark Act, 15 U.S.C. §1051(a), states, "The owner of a trademark used in commerce may apply to register his or her trademark under this Act...." An application for trademark registration under §1(a) or §44 of the Act must include "a statement to the effect that the person making the verification believes himself, or the firm, corporation, or association in whose behalf he makes the verification, to be the owner of the mark sought to be registered...." 15 U.S.C. §1051(a)(1)(A). Similarly, an application under §1(b) must include a statement to

the effect that the person making the verification believes the applicant to be entitled to use the mark in commerce. 15 U.S.C. §1051(b)(1)(A). These provisions also apply to service marks, collective marks and certification marks. 15 U.S.C. §§1053 and 1054. By definition, however, collective marks and certification marks are not used by the owner of the mark, but are used by others under the control of the owner.

The owner of a mark is the party who controls the nature and quality of the goods sold or services rendered under the mark. Thus, the specific facts concerning the use of the mark are determinative of the issue of ownership. \*\*\*

### **1201.02 Identifying the Applicant in the Application**

#### **1201.02(a) Identifying the Applicant Properly**

The applicant may be any person or entity capable of suing and being sued in a court of law. For the appropriate format for identifying the applicant and for specifying the required information for the relevant legal entity, see TMEP §802 et seq.

#### **1201.02(b) Application Void if Wrong Party Identified as the Applicant**

The applicant must be the owner of the mark for which registration is requested. If the applicant does not own the mark on the application filing date, the application is void. See *Huang v. Tzu Wei Chen Food Co. Ltd.*, 849 F.2d 1458, 7 USPQ2d 1335 (Fed. Cir. 1988).

An application filed by a party other than the owner of a mark is invalid, and this defect cannot be cured by amendment or assignment because the applicant did not have the right to apply on the assigned filing date. See TMEP §§706.01 and 802.06. The true owner may file a new application in its name.

Thus if the examining attorney determines from the record that the applicant is not the owner of the mark, the examining attorney should refuse registration on that ground. The statutory basis for this refusal is §1 of the Trademark Act, 15 U.S.C. §1051, and, where related-company issues are relevant, §§5 and 45, 15 U.S.C. §§1055 and 1127.

### **Question 3**

**Please explain how the USPTO makes the decision concerning who is the owner of a trademark. In particular, please explain:**

- (a) How is this determination made in case a person files a trademark application? Does the PTO examine *ex officio* whether the person filing the application is the proper owner of the trademark or otherwise entitled to file the application, or is such examination done only in case there is an opposition by another person? If it is of the view that the applicant is not the**

**proper owner, what action or remedies are at its disposal?**

**Answer**

19. The USPTO, in accordance with Section 1 of the Trademark Act, 15 U.S.C. §1051, and, where related company issues are relevant, §§5 and 45, 15 U.S.C. §§1055 and 1127 (Exhibit US-28), issues *ex officio* refusals when it is determined that the party seeking registration of a mark is not the owner of the mark. Further review of the ownership issue could indeed be conducted by the USPTO - - specifically, the TTAB - - in the context of an *inter partes* proceeding, either in an opposition proceeding (prior to registration) or in a cancellation proceeding (after registration). This is, indeed, the normal course, since, absent obvious indicia of lack of ownership that would cause the USPTO to act *ex officio*, the USPTO would generally accept the averment of ownership. Of course, if the person seeking registration is not the owner, at the examination stage, a refusal to register will issue. If the applicant appeals this refusal to the TTAB, and the TTAB upholds the refusal to register, no registration will issue. In the case of an opposition proceeding, again, if the applicant is found not to be the owner of the proposed mark, then registration will be refused. Finally, should the registrant be determined not to be the owner of the mark identified in the registration certificate, the registration will be canceled.

20. Section 211 does not address substantive examination of applications for federal trademark registration. Given the tremendous amount of information on this topic, we refer the Panel to Chapter 1200 of the Trademark Manual of Examining Procedure, and in particular to Section 1201, cited above in the answer to Question 2, subpart (c). Chapter 1200 of the TMEP is available via the Internet at: <http://www.uspto.gov/web/offices/tac/tmep/1200.htm>.

- (b) **When the holder of a valid registration applies for renewal of such registration, does the PTO examine *ex officio* or otherwise whether that holder is the proper owner of the trademark? If the authority is of the view that the holder of the registration is not the proper owner, what remedies are at its disposal?**

**Answer**

21. Yes, the USPTO does examine whether the person seeking renewal of the trademark is the proper owner, just as in the case of an initial registration. The following information regarding ownership and renewal of federal trademark registrations is taken from Chapter 1600 of the TMEP, available via the Internet at: <http://www.uspto.gov/web/offices/tac/tmep/1600.htm>

**1605.03 Ownership, and Who May File Application for Renewal**

The application for renewal must be executed and filed by the person who is the owner of the registration. Section 9 (the renewal section of the Act) speaks in terms of the registrant renewing the registration. The term "registrant" includes both the original registrant and a person who has acquired ownership through proper transfer of title. See Trademark Act §45, 15 U.S.C. §1127.

A change in the state of incorporation is a change of legal entity, creating a new

party.

Unless the partnership agreement provides for continuation of the partnership and the relevant state law permits this, the death of a partner, or other change in the membership of a partnership, creates a change in legal entity.

A merger of companies into a new company normally constitutes a change of legal entity.

Applications may be accepted from trustees, executors, administrators, and the like, when supported by court order or other evidence of such person's authority to act on behalf of the present owner.

Trademark Rule 2.183, 37 C.F.R. §2.183, requires that a statement verified "by the registrant" be filed within the period prescribed by the Trademark Act for applying for renewal. The standards for determining whether a renewal application has been verified by the registrant are the same standards used to determine whether a §8 affidavit has been properly executed. In limited circumstances, an application for renewal may be considered as being filed by the registrant even though executed by someone other than an officer of a corporate registrant. In such a case, the registrant is responsible for establishing circumstances warranting a broad construction of "registrant." That is, the registrant must set forth facts establishing an appropriate relationship between the signer and the registrant, the signer's personal knowledge of the facts as to use or nonuse of the mark and the registrant's ratification of the signer's action. See TMEP §1603.05.

Whenever possible, an application to renew the registration of a mark which is owned by joint owners should be executed by each of the joint owners. However, the relationship between joint owners is such that a document signed by one of the owners can be considered as being properly executed and filed "by the registrant" if the signer's action is subsequently ratified by each of the other owners. Such a ratification can be accepted after expiration of the period for applying for renewal because it is not a statutory requirement. *In re Murray*, 21 USPQ2d 1937 (Comm'r Pats. 1991).

#### **1605.03(a) Change of Owner**

If the owner, as set forth in the application for renewal, is not the same person or the same legal entity as the registrant shown in the registration, continuity of title from the registrant to the present owner must be shown. Trademark Rule 3.73, 37 C.F.R. §3.73, states, in part:

When the assignee of the entire right, title and interest seeks to take action in a matter before the Office with respect to a . . . registration, . . . the assignee must establish its ownership of the property to the satisfaction of the Commissioner. Ownership is established by submitting to the Office documentary evidence of a chain of title from the original owner to the assignee or by specifying (e.g. reel

and frame number, etc.) where such evidence is recorded in the Office.

If, therefore, the present owner is a different person or entity from the registrant of record, the owner must establish its ownership of the registration by (1) recording papers evidencing each change of ownership in the Assignment Division of the Patent and Trademark Office and specifying where such evidence is recorded in the Office (e.g., the reel and frame numbers) or (2) submitting other proof of the change or changes of ownership, (i.e., material showing the transfer of title), so that the record will show that title is in the entity which has filed the application for renewal.

"Documentary evidence of a chain of title from the original owner to the assignee," as referred to in 37 C.F.R. §3.73, would normally consist of the same type of documents which would be recorded in the Assignment Division, i.e., assignment documents, certificates of merger, certificates of change of name. In the alternative, an affidavit signed by the registrant or similar document containing sufficient facts to support the transfer of title may be accepted as proof.  
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If it is determined that the party seeking renewal of the registration is not the proper party and this defect cannot be cured, the registration will be cancelled. 15 U.S.C. §1058 [Exhibit US-33].

**(c) Are these decisions subject to judicial review?**

**Answer**

22. Yes. See 15 U.S.C. §§ 1071 (Review of Director's or Trademark Trial and Appeal Board's Decision); 1119 (Power of court over registration; certification of decrees and order); 1121 (Jurisdiction of Federal courts; State, local, and other agency requirements). Exhibit US-33.

**Question 4**

**If in a court proceeding, the court determines that the holder of a valid trademark registration is not the proper owner of the trademark in question, what remedies are at its disposal? For example, can a court invalidate a registration, or can it transfer the registration to the proper owner?**

**Answer**

23. The United States emphasizes that the wording "valid registration" implies a judicial finding affirming the presumption of validity attendant to a federal trademark registration on the principal register. Thus, a registration for which it is determined that the registrant is not the owner of the mark is not a "valid registration." Pursuant to Section 37 of the Trademark Act, 15 U.S.C. § 1119, in any action involving a registered mark, the court may determine the right to

registration, order the cancellation of registrations, in whole or in part, restore cancelled registrations, and otherwise rectify the register with respect to the registrations of any party to an action. The USPTO is controlled by certified orders of the court with respect to these decisions.

### **Question 5**

**Please explain how "the original owner" referred to in Section 211 OAA is determined? The law of which country is applicable to this determination, including in the case of well-known trademarks? Please explain also how the successor-in-interest is determined under Section 211.**

### **Answer**

24. In the context of a U.S. court proceeding under Sections 211(a)(2) or 211(b), courts would use common law principles, based on the particular facts of the proceeding, to determine who the "original owner" is. Consistent with the principle of territoriality of trademarks, the "original owner" of the trademark, trade name, or commercial name would likely be determined under the law of the United States. This principle would not be applied differently in the case of well-known trademarks: the owner of the trademark would be determined under the laws of the United States.

25. The issue of who is a "successor-in-interest" would be determined under the contract and corporation law applicable on the facts of each case. Such determination would normally involve application of the personal law applicable to the original owner and its successors, unless such laws were found to violate the public order of the forum, in which case they would not be applied. See, e.g., *Zwack v. Kraus Bros. & Co.*, 237 F.2d 255 (2d Cir. 1956) (Exhibit US-18).

### **Question 6**

**By whom and following what type of procedures is the above determination of "the original owner" made under Section 211(a)(1) OAA? Please provide information on any decisions concerning "the original owner" made under those provisions. Are such decisions subject to judicial review?**

### **Answer**

26. We are unaware of any decisions that specifically address the determination of the "original owner" under section 211(a)(1). In one court decision addressing section 211 (although not in the context of TRIPs) there appeared to be no dispute as to the identity of the original owner. *Havana Club Holdings, S.A. v. Galleon S.A.*, 203 F.2d 116 (2d Cir. 2000), Exhibit EC-16.

27. With the caveat that section 211(a)(1) has not been applied, it is reasonable to assume that the determination of the original owner could be made by the USPTO, in the context of an opposition or cancellation proceeding, if the claimant sought to register a trademark in reliance on the general license conferred by 31 C.F.R. § 515.527. This determination might also be made

by the Office of Foreign Assets Control (“OFAC”), if (a) the claimant sought an OFAC ruling that he met the conditions for the general license or (b) OFAC is called upon to consider whether a “general licence” registrant met the conditions for a general license under section 515.527, or whether that registrant should have requested a specific licence.

28. A decision made by either of these agencies would be subject to judicial review under the Administrative Procedure Act, 5 U.S.C. § 706, pursuant to which a court may set aside final agency action that is, *inter alia*, arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.

### **Question 7**

**How is the determination made under Section 211 on whether property has been confiscated in the sense of Section 515.336 of title 31 CFR, in particular whether an adequate and effective compensation has been provided?**

#### **Answer:**

29. U.S. courts would use common law principles, based on the particular facts presented, to determine whether or not there has been a confiscation, and whether adequate and effective compensation has been provided. This is the same as the approach that would be followed in any case in which confiscation is an issue, whether involving section 211 or not.

### **Question 8**

**Does a trademark licensee have standing to sue in a US court? Is there any difference between exclusive and non-exclusive licensees?**

#### **Answer**

30. Courts have held that an exclusive licensee of a mark may have standing to sue under Section 43(a) of the Trademark Act, 15. U.S.C. § 1125(a), for acts that cause injury to the licensee. One need not be either an “owner” or “registrant” to assert a Section 43(a) claim. Further, both exclusive and non-exclusive U.S. distributors of foreign-branded products have been granted standing to sue under Section 43(a) for infringement. With respect to ownership issues, since a licensee – whether exclusive or non-exclusive – is by definition not the owner of the mark, if standing to sue for infringement turns on ownership of a mark, a mere licensee has no standing.

31. Further, a licensee cannot have greater rights in the trademark than the person from whom the trademark is licensed. In other words, if the person licensing the trademark is found not to be the owner of the trademark, the licensee will not be able to maintain a suit for infringement of that trademark.

### **Question 9**

**Please explain how common law rights in relation to trademarks, trade names and commercial names are protected under US law.**

**Answer**

32. Section 43 of the Trademark Act, 15 U.S.C. 1125, provides the legal basis for pursuing unfair competition claims with respect to trademarks, trade names and commercial names. The owner of any of these types of property may assert rights as a plaintiff.

33. The right of a trademark owner to the exclusive use of his trademark may be enforced under U.S. law by a civil suit brought in either federal or state court. In determining ownership disputes as to both trademarks and trade names, the principle "first in time, first in right" applies under both state and federal law in the United States.

34. A "trade name" and a "commercial name" (hereinafter collectively: "trade name") are synonymous under the Lanham Act and are defined as "any name used by a person to identify his or her business or vocation". See Sec. 45 of the Lanham Act (Definitions), 15 U.S.C. §1127 (Exhibit US-28). Trade names are not entitled to federal registration under the Lanham Act. Trade names are protectable under the common law, upon a showing of secondary meaning. A party claiming a trade name infringement may bring a suit in state court or initiate a federal suit under § 43(a) of the Lanham Act, 15 U.S.C. §1125(a), in the same manner as a party claiming common-law rights in an unregistered trademark. No presumptions of validity or ownership are accorded to a trade-name or common law trademark owner.

**Question 10**

**Please explain who is considered to be the owner of a common law trademark.**

**Answer**

35. The first juridical person to use a trademark in connection with the offering for sale and sale of a particular good or service in commerce in the United States as a symbol of origin is presumed to be the common-law owner of that mark. The determination of who is the owner of a common law trademark is heavily dependent on the facts of a particular dispute.

**Question 11**

**Please explain the meaning of the term "including any person who is a specially designated national" as used in Section 515.303 of title 31 CFR. What criteria does the Secretary of Treasury or the authority designated by him or her use in making a decision concerning a specially designated national pursuant to Section 515.306(a)(1) of title 31 CFR? How has the latter provision been applied in practice?**

**Answer**

36. The United States assumes that the Panel's question refers to the term "including any person who is a specially designated national" in 31 C.F.R. § 515.305. As used in Section

515.305, the term specially designated national refers to a person meeting the criteria outlined in 31 C.F.R. § 515.306 (Exhibit US-1). Under the latter section, a specially designated national is defined as follows:

- (1) Any person who is determined by the Secretary of the Treasury to be a specially designated national,
- (2) Any person who on or since the "effective date" has acted for or on behalf of the Government or authorities exercising control over a designated foreign country, or
- (3) Any partnership, association, corporation or other organization which on or since the "effective date" has been owned or controlled directly or indirectly by the Government or authorities exercising control over a designated foreign country or by any specially designated national.

37. The Secretary of the Treasury may designate a person or entity as a specially designated national if he determines that the individual or entity is owned, controlled or acts on behalf of the government of Cuba. A "specially designated national" has been authoritatively defined as a "person who is acting for or on behalf of the Government of Cuba."<sup>2</sup> A determination that a person is a "specially designated national" is subject to judicial review.

38. The Office of Foreign Assets Control (OFAC) has explained its practice regarding specially designated nationals (or SDNs) as follows:

In practice, an SDN of a target nation is typically a government body of that country, or a representative, agent, intermediary, or front (whether overt or covert), often located outside the country which functions as an extension of that government. It may be a firm created by the government, or it may be a third-country company that otherwise becomes owned or controlled by the government, or that operates for or on behalf of the government.<sup>3</sup>

## **Question 12**

**In paragraph 100 of your first written submission it is stated that "U.S. nationals cannot even become successors in interest to a designated national (...) without getting a specific license from OFAC. This is because any transaction by which a U.S. person could become a successor-in-interest to a Cuban confiscating entity is prohibited under 31 CFR 515.201. OFAC has never issued a specific license for such a purpose." Please clarify whether the OFAC or any other authority has any discretion concerning whether to issue a license to a**

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<sup>2</sup> R. Richard Newcomb (Director of OFAC), "Office of Foreign Assets Control," Commercial Law and Practice Course Handbook Series No. A-812, *Coping with U.S. Export Controls 2000* 123, 199 (2000).

<sup>3</sup> *Id.* at 145.

**US national for such a purpose. If such discretion is available, please explain why such an option is necessary and justified in respect of US nationals, but not in respect of foreign nationals?**

**Answer:**

39. There are jurisdictional limits to OFAC's licensing authority. While it has the jurisdiction and authority to prevent U.S. nationals from becoming successors in interest to a confiscating entity, it has no ability to prevent foreign nationals from becoming successors in interest to other foreign nationals in connection with property not subject to U.S. jurisdiction. OFAC would theoretically have the discretion to grant a specific license to a U.S. national to become a successor in interest to a confiscating entity, although this has little practical effect. OFAC has never granted such a license. Therefore, although there is a superficial difference in how section 211 discusses U.S. nationals as opposed to foreign nationals, in practical effect, there is no difference. It certainly cannot be said that section 211(a)(2) mandates that agencies treat U.S. nationals differently from foreign nationals. To the contrary, despite the slight difference in approach, section 211 assumes identical treatment between U.S. and foreign nationals. In considering the TRIPs-consistency of section 211, the Panel should not assume that OFAC would exercise its discretion in a manner contrary to the TRIPs national treatment provisions.

40. Further, even if the Panel considers relevant the possibility that OFAC might issue a license to a U.S. national to become a successor in interest to a confiscating entity, the Panel should also keep in mind that any effort by a U.S. person to enforce a confiscated trademark in the courts would be subject to the judicial doctrine regarding the non-recognition of extraterritorial effects of foreign confiscations.

41. In sum, section 211 (a)(2) does not in any sense require that U.S. nationals be treated more favorably than non-U.S. nationals. To the contrary, although the section 211 wording is different as between U.S. nationals and non-U.S. nationals, the actual treatment provided for under section 211 is the same.

**Question 13**

**Can a third party (other than the original owner or a designated national including its successor-in-interest) obtain a registration of a mark that is in the public domain in the US but was used, in the sense of Section 211 OAA, in connection with property confiscated by the Cuban Government?**

**Answer**

42. This question can only be answered case-by-case, based on particular facts. A court might find that a disputed mark was, in fact, a non-proprietary term, freely available for use. Alternatively, a court might find that a disputed mark had been abandoned, in the legal sense of that term, prior to the time of confiscation and, because no subsequent use or claim or rights had been made in the United States, the mark was free to be registered/used by a third party.

Generally speaking, if the original owner or its successor does not claim and establish rights to the mark, there does not appear to be anything in section 211 that would preclude a third party from registering the mark.

#### **Question 14**

**Is the TRIPS Agreement a treaty in the sense of Section 44(b) Lanham Act? Does Section 211(b) affect the enjoyment of rights stemming from the TRIPS Agreement?**

#### **Answer**

43. As discussed in the First Submission of the United States, sections 44(b) and (e) of the Lanham Act permit U.S. trademark registrations to be based on a foreign registration, without any requirement for a showing of pre-registration use. This is provided for in the provisions of the Paris Convention with which Members have agreed to comply in TRIPs Article 2.1. Section 211(b), in referencing “treaty rights”, is focused on this provision of U.S. law. It does not affect the enjoyment of rights stemming from the TRIPs Agreement, because section 211 is directed at the ownership of trademarks, and specifically at the inability of confiscating entities to assert ownership rights in trademarks used in connection with assets they have confiscated, an issue that is not addressed by TRIPs.

#### **Question 15**

**Please explain by whom and how decisions are made under Section 211(a)(1) OAA concerning whether to authorize a transaction or payment pursuant to Section 515.527 of title 31 CFR?**

#### **Answer**

44. In general, unless a registrant requests a ruling from OFAC, a registrant makes his own determination as to whether he or she is entitled to register under the general license provision. If a question arises as to whether the transaction is covered by a general license (or whether, by contrast, the registrant should obtain a specific licence), the issue would likely be decided by OFAC, subject to judicial review. This would be a similar process to that initiated if any registration, covered by section 211 or not, were challenged by someone alleging that the registrant is not the true owner of the trademark, for instance, because the registrant bases its claim on a confiscation.

#### **Question 16**

**Are such decisions subject to review, either administrative or judicial? What type of procedures are available to a person who wishes to challenge such a decision made pursuant to Section 211(a)(1) on the basis that it prevents him or her from acquiring or maintaining a trademark registration? In the case of judicial review, does Section**

**211(a)(2) apply? In particular, what course of action would be available to a person who applied for an authorization under Section 211(a)(1) OAA if the validity of the consent of the original owner of the trademark was in dispute?**

**Answer**

45. Any decisions made under section 211(a)(1) would be subject to administrative and/or judicial appeal. With respect challenges to a decision under section 211(a)(1), the Panel should bear in mind that a decision under section 211(a)(1) is a decision as to whether a "general license" applies to the transaction. It is not at all clear, therefore, that a decision under section 211(a)(1) would itself prevent anyone from "acquiring or maintaining a trademark registration". In any case, with respect to an application for federal registration of a trademark or a federal registration itself, any denial of the application or cancellation of the registration may be appealed administratively to the TTAB and/or judicially to the U.S. courts of jurisdiction. In the case of appeals to U.S. courts, it would appear that section 211(a)(2) and 211(b) would come into play in such an appeal; that is, the U.S. courts would take the matter up on appeal and make a decision on the merits based on the principles against the recognition of foreign confiscations articulated in section 211.

**Question 17**

**Please explain the practical effects of a decision made under Section 211(a)(1) not to authorize or approve a transaction or payment pursuant to Section 515.527(a)(2) of title 31 CFR as regards the acquisition and maintenance of trademarks that are subject to Section 211 OAA (including the registration of trademarks, renewal of existing trademark registrations, and licensing and assignment of trademarks).**

**Answer**

46. As explained in the First Submission of the United States, OFAC regulations provide for two types of licenses: general and specific. The practical effect of a decision under section 211(a)(1) is that a general license is not available. A decision by OFAC not to approve any transaction or payment related to the registration or renewal of a trademark would, if not set aside on judicial review, prevent such registration or renewal because the statutory fees for the filings would not be deemed to have accompanied the filing.

**Question 18**

**In paragraph 68 of your first submission it is stated that "[a]lthough the United States is not enforcing the trademark for the benefit of the trademark registrant, it is not denying exclusive rights to the 'owner' of the registered trademark (...)." Does this mean that the person deemed to be the "owner" of a registered trademark will be able to enjoy the exclusive rights provided under the Lanham Act while the other person whose rights will not be enforced may continue to be the holder of a valid registration? Would the "owner" be in a position to prevent the holder of the valid registration from using the trademark?**

**Answer**

47. “Ownership” of the trademark is a legal determination. Under Section 7 of the Trademark Act, 15 U.S.C. § 1057 (Exhibit US-33), the certificate of registration of a mark on the principal register is *prima facie* evidence of the validity of the registered mark and, *inter alia*, of the registrant’s ownership of the mark. The presumption of ownership is rebuttable, that is, can be successfully challenged. Thus, if the holder of the registration is found not to be the owner of the mark, the holder does not have rights to the mark. In this sense, it is misleading to characterize the registrant as the holder of a “valid” registration, which presupposes that the registrant is the owner of the mark. The owner – of a trademark at common law, or of a trade name or commercial name – is certainly in a position to prevent the holder of a registration from using a trademark, for example, under Section 32, 15 U.S.C. § 1116, (Injunctions; enforcement; notice of filing suit given Director). Exhibit US-33.

48. As a practical matter, the registrant would generally not be able to continue to hold title to the registration, for a court would have the power to cancel that registration.

**Question 19**

**In paragraph 13 of your first written submission is stated that "Section 211 was enacted [...] to reaffirm and clarify the rights of the legitimate owners of such marks and names". However, the provisions of Section 211 do not appear to address the issue of ownership directly. Rather, subparagraph (a)(1) of Section 211 seems to include procedural obstacles for the renewal of a valid registration and subparagraphs (a)(2) and (b) seem to deal with non-enforcement of rights whose validity as such is not addressed. Please explain why such approach was chosen if the objective was to reaffirm and clarify the rights of those deemed to be legitimate owners?**

**Answer**

49. Section 211, in its entirety, reflects that ownership is a threshold issue and a basis for legal challenge in cases in which a party asserts rights in a trademark, trade name or commercial name. The overall purpose and effect of Section 211 is to emphasize that one may not claim rights of ownership derived from a confiscation. That purpose was accomplished by addressing or eliminating the procedural devices by which such a right of ownership could be asserted. This includes addressing the transactions or payments necessary to register a trademark, under section 211(a)(1), or the ability to enforce a trademark in the U.S. courts, under sections 211(a)(2) and 211(b). Such thinking and drafting in procedural terms is not uncommon in the U.S. legal system, which largely derives from case law rather than from declaratory provisions such as those characteristic of civil-law codes.

50. As a general matter, codification of legal principles is common in the U.S. legal system. For example, it was not until 1996 that the concept of dilution was incorporated, at the federal level, into the Trademark Act. Prior to that time, while all fifty states had dilution statutes, plaintiffs and defendants alike were required to “prove” the concept and its applicability. Codification eliminated this time-consuming, economically wasteful step, making more efficient

use of both judicial and consumer resources. Thus, the U.S. system acknowledges the economic benefits that accrue when a time-honored principle is committed to statutory form. Since codification is usually completed in response to a real or perceived need, not all principles of common law have been codified, nor does the codification necessarily address an issue as broadly as the common law principle. (For example, federal trademark law is not codified. The Trademark Act is only one legal vehicle relevant to federal trademark law.)

51. Another consideration in the case of section 211 is that, as a practical matter, not all courts see a variety of issues. In 1983, the Court of Appeals for the Federal Circuit was created specifically to address – among other specialty legal issues such as federal labor-relations cases – appeals in intellectual property cases, particularly patent cases. Thus, legislators have found it necessary and desirable to ensure that specialty areas of the law receive fair and knowledgeable treatment. Section 211 follows in this tradition, to ensure that courts that do not ordinarily hear confiscation cases are attuned to the intellectual property issues that may be raised by such cases.

### Question 20

**To what extent has Section 211 OAA been applied by US courts to date?**

#### Answer

52. The only application of Section 211 by U.S. courts to date, so far as we are aware, was the application of Section 211(b) to the trade-name issue in *Havana Club Holdings, S.A. v. Galleon S.A.*, 203 F.2d 116 (2d Cir. 2000), Exhibit EC-16.

### Question 21

**In paragraph 3 of your first submission you state that "[i]t has never been the case, in the United States or elsewhere, that confiscating entities or their successors could establish ownership rights in assets not within their jurisdiction. Section 211 is a *statutory reflection* of the principle that they cannot do so." (emphasis added) Please explain in what way the entry into force of Section 211 changed the legal situation in respect of those trademarks covered by its provisions compared to the situation under the pre-existing law as concerns**

- (a) the procedures relating to the acquisition and maintenance of rights relating to such marks (including procedural steps necessary to register or renew the registration of such marks); or**
- (b) the substantive law concerning the ownership and protection of such marks.**

#### Answer

53. With respect to the substantive law concerning the ownership and protection of trademarks, the United States has already explained that section 211 is a statutory articulation of a principle that is reflected in numerous U.S. judicial decisions. It is not unusual in a common-law system for the legislature to elect to codify certain principles that have evolved in common

law, for the sake of clarity and predictability. See response to question 19.

54. Procedurally, prior to section 211, a confiscating Cuban entity or its successors could register a trademark pursuant to an OFAC general license (although the trademark could not be used in association with Cuban products because of the embargo). That registration, like all trademark registrations, was subject to challenge on the grounds that the trademark registrant was not the owner of the trademark. Such a challenge might be launched, for instance, by the original owner whose assets and trademark were confiscated in Cuba. A challenge could arise in a cancellation proceeding before the USPTO or in the context of litigation before a federal district court. After section 211, if a confiscating entity or its successor registers a trademark used in connection with confiscated assets under cover of an OFAC general license, that registration would be subject to challenge on the same grounds as before — that the registrant is not the proper owner of the mark.

55. Section 211 does clarify, moreover, that Cuban confiscating entities do not have any special favorable status in registering trademarks associated with assets they have confiscated. As discussed in the First Submission of the United States, U.S. courts do not give effect to foreign confiscations with respect to U.S. assets, such as trademarks. However, OFAC had issued a general license for the registration of trademarks in which Cuba or Cuban national have an interest – which would include confiscated marks. This created the possibility of confusion as to whether the United States was – exceptionally – allowing Cuban confiscating entities to claim trademark rights in the United States associated with the assets they had confiscated. This confusion was heightened by the fact that USPTO, although tasked in part with assuring that registrants are the owners of the trademarks they claim, is not an agency generally called upon to consider questions arising from foreign confiscations. Added to this was the fact that, because Cuban trademarks cannot be used in the United States, there was no opportunity for the original owners to bring suit for infringement with respect to the confiscated trademarks.

56. Section 211 eliminates any possible confusion over any “special” status conferred on Cuban confiscating entities with respect to confiscated trademarks by providing that the OFAC general license is not available for the registration of such trademarks. Thus it is made abundantly clear that the original owner of the trademark can challenge the ownership rights of the confiscating entity.

57. For these reasons, section 211 did not meaningfully change the legal situation with respect to those trademarks covered by its provisions compared to the situation under the pre-existing law as concerns either the procedures relating to the acquisition and maintenance of rights relating to such marks (including procedural steps necessary to register or renew the registration of such marks); or the substantive law concerning the ownership and protection of such marks.

## **Question 22**

**Is your statement, referred to in question 21, true also when the confiscating entity continued to supply the products in question to the market (cf. VEB Carl Zeiss Jena gegen**

**Firma Carl Zeiss Heidenheim, ATF 91 II 117, 30 March 1965)?**

**Answer**

58. European courts have consistently refused to recognize ownership rights of confiscating entities in assets located within the forum, even in cases where the confiscating entity continued to supply the product to the forum market.<sup>4</sup> This was precisely the case with respect to the cases arising out of the Koh-I-Noor confiscation -- following the confiscation, the nationalized Czech company continued to supply goods to various European markets under the old trademarks until the practice was challenged and halted by the trademarks' former owners.<sup>5</sup> The Koh-I-Noor cases thus affirm the established principle that a confiscatory action cannot reach assets that are located outside the territory of the confiscating entity, even when the confiscator continues to supply products to the market.

59. Applying this principle, most European courts refused to give effect to the East German confiscation of the Carl Zeiss Foundation, despite the fact that VEB Carl Zeiss continued to attempt to market its products under the Carl Zeiss name. The Austrian high court held that the confiscation by the GDR of the Carl Zeiss Foundation had no extraterritorial effect, and concluded that under established principles of law the confiscating entity "cannot derive any benefit" from the confiscated trademarks.<sup>6</sup> The French Court of Cassation declined to give domestic effect to the confiscation of the Carl Zeiss Foundation,<sup>7</sup> and a French appellate court subsequently ruled that the Carl Zeiss confiscation "is deprived of any effect in France, by application of the fundamental principles of French *ordre public*."<sup>8</sup> The German Federal Supreme Court held that any purported right held by VEB Carl Zeiss, which "derive[d] [its] alleged right" to the Carl Zeiss name via a confiscation, "cannot be recognized in the Federal

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<sup>4</sup> See, e.g., *Jenaer Glaswerk Schott & Gen. v. Waldmüller*, 24 I.L.R. 42 (Supreme Court, December 18, 1957) (Austria) (Exhibit US-34); *S.A.R.L. Ets. Sidney-Merlin v. Les Domaines de la Seine, Sté. Coocimec, Sté. Nouvelle Française des Machines à écrire Olympia, l'U.R.S.S.* (Court of Cassation, March 15, 1961) (1962 Annales p. 30), affirming *Administration des Domaines v. Établissement Sidney-Merlin*, (Paris Appellate Court, March 21, 1953) (Gazette du Palais 1953-I. 269) (France) (Exhibit US-35); *Confiscation of Trademarks Case* (Federal Supreme Court, June 7, 1955) (22 I.L.R. 17) (Germany) (Exhibit US-25); *Societa Ornati v. Archimedes Rechenmaschinenfabrik Reinhold Pothig* (Court of Cassation, October 5, 1959) (28 I.L.R. 39) (Italy) (Exhibit US-36).

<sup>5</sup> See, e.g., *Koh-I-Noor, L. & C. Hardtmuth v. Koh-I-Noor, Tuskarna L. & C. Hardtmuth* (Supreme Court, June 2, 1958) (26 I.L.R. 40, 43) (noting that the plaintiffs "receiv[ed] supplies of goods manufactured by the defendants under these marks during the post-war period") (Exhibit US-3); *Fabrique des Crayons Koh-I-Noor, L. & C. Hardtmuth, S.A.R.L. v. Koh-I-Noor Tuskarna L. & C. Hardtmuth, Narodni Podnik* (Oslo City Court, July 11, 1959) (30 I.L.R. 33, 39) ("All the marks registered in Norway were transferred in 1947 to the national company . . . . The trade-marks had been used by the national company in the Norwegian market since 1946 . . . .") (Exhibit US-8).

<sup>6</sup> *Jenaer Glaswerk Schott & Gen. v. Waldmüller*, 24 I.L.R. 42 (Supreme Court, December 18, 1957) (Exhibit US-34).

<sup>7</sup> *Foundation Carl Zeiss Stiftung and Another v. Foundation Carl Zeiss Heidenheim and Others* (Court of Cassation, March 15, 1966) (47 I.L.R. 129) (Exhibit US-37).

<sup>8</sup> *Carl Zeiss Heidenheim and Others v. VEB Carl Zeiss Jena and Others* (Court of Appeal of Paris, July 9, 1975) (73 I.L.R. 580) (Exhibit US-38).

Republic as having been lawfully acquired."<sup>9</sup> And the Dutch courts concluded that the uncompensated East German expropriation should not be recognized as having any effect in the Netherlands because the confiscation was contrary to good morals and to Dutch *ordre public*.<sup>10</sup> Like their European counterparts, U.S. courts also declined to give effect to the East German confiscation of the Carl Zeiss Foundation.<sup>11</sup> In all of these cases, courts held that the East German confiscation had no effect on assets located outside of East Germany, despite the fact that VEB Carl Zeiss continued to ship goods to the market.

60. In contrast to these decisions, the Swiss Carl Zeiss decision appeared to involve a dispute over the use of a commercial name, not over the ownership of a Swiss trademark. Faced only with a claim of unfair competition, the court was not required to decide whether the principle of non-recognition of foreign confiscations prevented VEB Carl Zeiss from succeeding to the ownership of a Swiss asset -- the Carl Zeiss trademark. Rather, the court appears to have been called on only to apply Swiss domestic law and principles of good faith to decide whether VEB Carl Zeiss could use its commercial name in Switzerland. Confined to its facts, therefore, the Swiss Carl Zeiss decision is not inconsistent with these other European decisions.

61. It is worth noting, however, that the Swiss Carl Zeiss decision does not fit comfortably with other Swiss decisions concerning the effect of foreign confiscatory decrees on trademarks located in Switzerland. Swiss case law has consistently denied extraterritorial effects to an expropriation of assets (including trademarks) located outside the territory of the expropriating state, particularly if the expropriation was confiscatory. It has been held that foreign public law is not applicable in Switzerland unless Swiss *ordre public* (public policy) so requires. By application of these principles, Swiss courts have ruled that a state has no right to expropriate trademarks registered abroad, which are independent of any trademark (even an original trademark) registered in the expropriating state. Significantly, it has also been held that trademarks registered by the expropriated owner abroad do not expire just because of the loss of production facilities resulting from the expropriation, so long as the owner has kept key assets abroad (such as production secrets) to enable him to resume production of goods of the same quality. Likewise, a state company that took over the business of the expropriated owner has been barred from claiming that a trademark registered by the expropriated owner abroad expired for non-use, because the non-use was the result of the expropriation of the business and hence the responsibility of the expropriating state.<sup>12</sup>

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<sup>9</sup> *Carl Zeiss, Heidenheim An Der Brenz v. VEB Carl Zeiss Jena and DIA Feinmechanik-Optik* (Federal Supreme Court, July 25, 1957) (53 Am. J. Int'l L. 687) (Exhibit US-39).

<sup>10</sup> *Carl-Zeiss-Stiftung Heidenheim/Brenz v. VEB Jenaer Glaswerk Schott & Gen. and Hartmann* (Gerechtshof Amsterdam, March 28, 1957), *confirmed by Hoge Raad of the Netherlands* (November 8, 1957) (Exhibit US-40).

<sup>11</sup> *Carl Zeiss Stiftung v. VEB Carl Zeiss Jena*, 293 F. Supp. 892 (S.D.N.Y. 1968) ("the objective of [U.S.] policy is to prevent the unfair consequences of expropriation without compensation."), *affirmed*, 433 F.2d 686 (2d Cir. 1970), *cert. denied*, 403 U.S. 905 (1971) (Exhibit US-41).

<sup>12</sup> Relevant Swiss decisions include: *Vereintigte Carborundum-und Elektritwerke v. Federal Department for Intellectual Property* (Federal Tribunal, September 25, 1965) (23 I.L.R. 24) (Exhibit US-42); *Fabrique de Crayons Koh-I-Noor L. & C. Hardtmuth S.à.r.l. v. Koh-I-Noor Tuskarna L. & C. Hardtmuth Národní podnik* (Federal Tribunal, September 13, 1957) (GRUR 1958 Ausl., p. 129), 24 I.L.R. 46 (Exhibit US-9); *Fabrique de crayons Koh-I-Noor L. &*

62. Finally, the Swiss Carl Zeiss decision was subjected to criticism in Switzerland, and a subsequent decision has called into question its continued validity.<sup>13</sup>

63. It is worth noting that, with respect to this dispute, the main point of the principle of non-recognition of foreign confiscations is that it has long been recognized that nothing compels States to give extra-territorial effect to foreign confiscations. That some States might, in some instances, choose to recognize the ownership of confiscating entities in assets within their jurisdiction, does not contradict the principle of non-recognition.

### **Question 23**

**In paragraph 108 of your first written submission it is stated that "the principle that the United States will not give extra-territorial effect to foreign confiscations is a principle that applies equally to all countries, and is not limited to confiscations in Cuba". The term "confiscated" is defined in Section 211 OAA to mean "[t]he nationalization, expropriation, or other seizure by the Cuban Government of ownership or control of property, on or after January 1, 1959" (Section 211(d)(2) together with Section 515.336 of tile 31 CFR). Why is the scope of Section 211(a) limited to the rights related to property confiscated by Cuban Government in 1959 or later? Why is the scope of subparagraph (b) limited to treaty rights that relate to property confiscated by the Cuban Government?**

### **Answer**

64. It is not unusual in a common law system for the legislature to codify certain common law principles, and in so doing, to focus on one particular area of application of that principle. This does not imply that the principle no longer applies in the other areas; it only means that, for whatever reason, the legislature saw fit to clarify its application in the one particular area. With respect to section 211, it is fair to conclude that the confiscations in Cuba presented a concrete situation which Congress saw fit to specifically address in legislation.

### **Question 24**

**Is the US law in regard to trademarks that relate to property confiscated by governments other than the Cuban Government identical to that provided in Section 211 OAA? If not, what are the differences that concern the procedures relating to the acquisition and maintenance of trademark rights or the substantive law concerning the ownership and**

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*C. Hardmuth, entreprise nationale à Budweis v. Waser & Cie, à Zurich* (Federal Tribunal, March 15, 1955) (1955 Propriété Industrielle 204) (Exhibit US-43); *Zeiss Ikon Aktiengesellschaft v. Otto Scheuchzer Aktiengesellschaft* (Basel, Civil Tribunal, December 31, 1952) (1954 Propriété Industrielle 176) (Exhibit US-44). See also *Bibliographisches Institut AG (Mannheim) v. VEB Bibliographisches Institut (Liepzig)* (Tribunal of Commerce of St. Gall, September 29, 1971) (72 I.L.R. 26) (Exhibit US-45).

<sup>13</sup> *Bibliographisches Institut AG*, 72 I.L.R. at 27 (Exhibit US-45).

**protection of trademarks?**

**Answer**

65. The principle of public order that foreign confiscations will not be given extraterritorial effect applies equally to confiscations by Cuba and confiscations by other governments. See response to question 21.

**In particular, please explain:**

- (a) **Can transactions and payments be made for the purpose of obtaining a registration for a trademark confiscated by a government other than the Cuban Government or for the purpose of renewing a registration of such trademark without the express consent of the original owner? Is the issue of ownership examined by the competent authority in these cases and, if so, by whom and how is this examination done?**

**Answer**

66. Generally, a trademark registration for a mark confiscated by a government other than the Cuban Government will not be maintainable, regardless of the country involved or the nationality of the person attempting the registration. Any registrant attempting to register such a mark would be subject to the challenge that the registrant is not the true owner of the mark. See response to question 2.

- (b) **Do US courts recognize treaty rights under Section 44(b) and (e) of the Lanham Act in case the trademark in question relates to property confiscated by a government other than the Cuban Government?**

**Answer:**

67. The United States is not aware of any case in which such treaty rights have been asserted. If such a case did arise, however, the judicial policy and precedents described in the U.S. First Submission would be fully applicable.

**Question 25**

**Is there any limit in time as to how far back in time a US court or other competent authority will go in determining whether a confiscation has taken place at some point in time?**

**Answer**

68. There are no authoritative decisions that address this issue, although one decision,

involving the confiscation of vodka distilling assets in Russia by the Soviet regime at the time of the Russian Revolution, *Joint Stock Soc. v. UDV North America, Inc.*, 53 F.Supp. 2d 692 (D. Del. 1999) (Exhibit US-46), indicates that the passage of over half a century would not, in itself, cut off the trademark rights of the original owners. (In that case, the issue was not squarely raised, because the original owners had not taken reasonable steps to vindicate their rights, by making their claims known to intervening potential purchasers prior to their investment in a disputed mark.)

### **Question 26**

**Is the US law in regard to other forms of intellectual property covered by the TRIPS Agreement that relate to confiscated property the same as the law in regard to trademarks that relate to confiscated property?**

#### **Answer**

69. While the principle against recognition of foreign confiscations is a general one, not all intellectual property rights are fungible, and the TRIPs Agreement contains separate provisions with respect to different kinds of intellectual property. Therefore, the application of this principle to different kinds of intellectual property would have to be examined on a case-by-case basis.

### **Question 27**

**The cases involving confiscation, including the various Koh-I-Noor cases cited in the US submission, appear to involve situations in which courts have been called to allocate the ownership between the original owner and the confiscating authority or its successor-in-title. In your view, do the provisions of Section 211 OAA allocate the ownership in a comparable manner?**

#### **Answer**

70. Section 211 does not "allocate" ownership between two rivals; it reflects the principle that courts will refuse to recognize any right of ownership based on a confiscation. As articulated by U.S. courts, the policy against extraterritorial application of foreign confiscatory decrees is expressed, not in terms of giving rights to the original owners, but of not recognizing the rights of the confiscating entities. *See, e.g.*, First Submission of the United States at paras. 9 and 50. As a practical matter, however, both the principle of non-recognition and section 211 are most likely to be invoked or used as a reference in an *inter partes* proceeding between the owner and the party asserting rights in the mark (derived from an uncompensated confiscation).

### **Question 28**

**In your view, does an intervening event such as abandonment that causes a trademark to**

**fall into the public domain affect the principle of non-recognition of foreign confiscations?**

**Answer**

71. The Panel should note that, as articulated by U.S. courts, the policy against extraterritorial application of foreign confiscatory decrees is expressed, not in terms of giving rights to the original owners, but of not recognizing the rights of the confiscating entities. The Panel should also note that “abandonment” is a legal determination that depends on the factual circumstances, but which requires that the owner (1) cease using the trademark (2) with the intention of not resuming use. In the case of confiscations, the original owner demonstrably did not voluntarily cease using the mark or renounce all intention of resuming use.

72. Similarly, section 211 does not mention “abandonment” at all; it is not clear how U.S. courts will treat the issue of abandonment if presented in with specific facts in the context of section 211 (although one court has suggested that section 211 applies regardless of whether the trademark has been abandoned).

73. The United States notes that there is no TRIPs or Paris Convention requirement that Members adopt any policy of “abandonment” that would make a trademarks available to those other than the original owners of the trademark. To the contrary, TRIPs Article 19.1 provides that trademark registrations may be canceled only after an uninterrupted period of at least three years of non-use.

**Question 29**

**How many trade embargoes cover, in addition to goods and services, IPRs and/or have provisions comparable to those of Section 211 OAA?**

**Answer**

74. Embargoes maintained by the United States cover trademarks in addition to goods and services. We provide details of some of these below. The coverage of trade embargoes, however, has little or no relevance to the dispute at hand. The issue before this Panel is whether a policy of not recognizing the ownership of confiscating entities in trademarks used in connection with assets they have confiscated — a principle applied with respect to confiscations regardless of where they take place — is contrary to TRIPs.

75. This said, in addition to the Cuban embargo, other U.S. trade embargoes -- against Libya, Iraq, Sudan, and Iran, as well as embargoes against terrorists and traffickers in drugs and arms, among others -- apply to trademarks. Of these, the Libya, Iraq, and terrorism- and narcotics-related regulations contain no general license provision, and therefore require specific licences in a manner similar to section 211.

76. The regulations for the Sudan and Iran programs do contain general license provisions for certain intellectual property transactions. The United States is aware of no instance in which any of these governments or their successors in interest have attempted to take advantage of this general license with respect to a confiscated trademark. Moreover, any registrant attempting to

register a mark confiscated by one of these countries would be subject to the same challenges as anyone else related to whether the registrant is the true owner of the trademark.

77. In sum, although U.S. embargoes cover trademarks in addition to goods and services, this fact is not relevant to the Panel's analysis of whether section 211 is consistent with the TRIPS Agreement.

### **Question 30**

**Article 1.3 of the TRIPS Agreement requires the treatment provided for in the Agreement to be granted to the nationals of other Members. This provision defines these nationals according to the criteria for eligibility for protection provided for in the Paris, Berne, Rome and Washington treaties. How does the US reconcile these provisions with its claim that Part II of the TRIPS Agreement, or at least its provisions on trademarks, is silent on the issue of ownership?**

### **Answer**

78. There is no inconsistency between the provisions of Article 1.3 of the Agreement and the U.S. view that TRIPS leaves the issue of trademark ownership to national law. Article 1.3 of TRIPS merely incorporates by reference the eligibility criteria contained in existing intellectual-property conventions, and requires WTO members to respect such criteria in determining who is accorded the treatment provided for in the TRIPS Agreement. It identifies, for instance, those persons who benefit from the national treatment and most favored nation provisions of TRIPS. It does not, however, prescribe the conditions under which such those persons must be considered "owners" of trademarks.

### **Question 31**

**79. Which of the terms contained in footnote 3 to Article 3 of the TRIPS Agreement, namely "availability", "acquisition", "scope", "maintenance", "enforcement" and "use [...] specifically addressed in this Agreement", could be relevant for the consideration of whether Section 211 OAA complies with Articles 3 and 4 of the TRIPS Agreement? Please explain how.**

### **Answer**

80. Section 211 does not affect entitlements under Articles 3 and 4 of the TRIPS Agreement. All of the terms contained in footnote 3 of Article 3 – and indeed every provision of the TRIPS Agreement – are important and unaffected by Section 211.

### **Question 32**

**The US appears to claim that Article 15.1 of the TRIPS Agreement does not contain an affirmative obligation to register all trademarks, even if protection is sought by the true**

**owner. Does the US believe that the same reasoning would apply to the provisions on protectable subject-matter in other Sections of Part II of the TRIPS Agreement?**

**Answer**

81. Careful attention to the wording of Article 15.1 reveals the drafters' concern with signs "capable of constituting a trademark." The United States' understanding of Article 15 is based on an analysis of the text of that provision; other provisions on protectable subject matter in other sections of Part II would obviously require separate analysis, because there are significant differences in the various forms of intellectual property and in the provisions of the Agreement related to them.

**Question 33**

**Please explain on what types of "other grounds" referred to in Article 15.2 of the TRIPS Agreement WTO Members are permitted to deny the registration of a trademark? Please give examples. What are the grounds that WTO Members are not permitted to use under that Article?**

**Answer**

82. Article 2.1 of the TRIPs Agreement requires compliance with specified provisions of the Paris Convention. Article 15(2) recognizes the grounds mentioned in Articles *6bis* (proposed mark conflicts with a well-known mark), *6ter* (proposed mark conflicts with a state emblem, official hallmark, or emblem of an intergovernmental organization), *6quinquies* (proposed mark infringes on rights acquired by third parties in the country where protection is claimed; proposed mark is devoid of any distinctive character, etc.; proposed mark is contrary to morality or public order), and *10bis* (registration of the proposed mark would constitute an act of unfair competition) of the Paris Convention, as well as the grounds mentioned in Article 22.3 and Article 23.2 of the TRIPs Agreement (*ex officio* refusal or invalidation of a registration of a trademark which contains or consists of a geographical indication with respect to goods not originating in the territory indicated, if use is of such a nature as to mislead the public as to the true place of origin). Chapter 1200 of the TMEP is devoted to explaining substantive examination of applications before the USPTO, and numerous cases are cited therein with respect to the refusals noted above.

83. As noted in Articles *6quinquies* and 7 of the Paris Convention, Members are not, for example, permitted to refuse registration because of the form of the mark, or because they object to the underlying goods.

**Question 34**

**Please provide information on the legislative history and subsequent practice to support your view that the scope of Article *6quinquies* of the Paris Convention as incorporated into the TRIPS Agreement is limited to the form of a trademark.**

**Answer**

84. According to Professor G.H.C. Bodenhausen, a director of the United International Bureaux for the Protection of Intellectual Property (now WIPO), the legislative history of Article 6*quinquies* was as follows:

The history of the provision shows a clear situation at the start. In the original Convention of 1883 Article 6 was worded: "Every trademark duly filed in the country of origin shall be accepted for filing and protected in its original form (in French, "*telle quelle*") in the other countries of the Union." The Final Protocol, which, according to paragraph 7 thereof, was considered an integral part of the Convention, explained the above provision, in paragraph 4, as follows:

"Paragraph 1 of Article 6 should be understood in the sense that no trademark may be excluded from protection in one of the States of the Union for the sole reason that it does not comply, *with regard to the signs of which it is composed*, with the conditions of the laws of that State, provided it complies on this point with the laws of the country of origin and that it has been properly filed there. Subject to this exception, *which only concerns the form of the mark*, and subject to the provision of the other Articles of the Convention, each State shall apply its domestic law."<sup>14</sup>

85. Professor Bodenhausen goes on, at page 111 of his treatise on the Paris Convention, to state that Members are obliged to accept and protect trademarks duly registered in the country of origin even if, as regards the form of the trademark – that is, with regard to the signs of which it is composed – the trademark does not comply with the requirements of domestic legislation. Professor Bodenhausen further explains that member States are not obliged to interpret the notion of a trademark in a manner which differs from that of their national legislation. Thus, if a "signature tune" is not considered a trademark in another country, other Members are not obligated to register and protect these subjects. (For example, the "NBC chimes" or the "MGM Lion's Roar" trademark registrations – both venerable U.S. sound marks which are, arguably, also well-known marks - are not obligatorily protected under Article 6*quinquies* of the Paris Convention or under Article 15.1 of the TRIPs Agreement.)

**Question 35**

**The grounds for the refusal or invalidation of the registration of a trademark under the provisions of Article 6*quinquies* are limited to those stipulated in Article 6*quinquies* B. Under 6*quinquies* B.1, such refusal or invalidation is permitted when a trademark is of such a nature as to infringe a right acquired by a third party in the country where protection is claimed. The Guide to the Application of the Paris Convention by Prof.**

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<sup>14</sup> Bodenhausen, Professor G.H.C., Guide to the Application of the Paris Convention for the Protection of Industrial Property, United International Bureaux for the Protection of Intellectual Property (BIRPI) (1969) (reprinted 1991) (Exhibit US-27), at 110.

**Bodenhausen explains (p.114/115) that such a right can be either a right in a trademark already protected in the country concerned, or another right, for example a right to a trade name, a copyright, or a person's right of privacy. To what extent does this allow the registration of a trademark under Article 6quinquies to be refused or invalidated when the trademark conflicts with a right that, according to the competent authorities of the country where protection is claimed, continues to exist because it has been expropriated improperly?**

**Answer**

86. The grounds for refusal or invalidation of the registration of a trademark under the provisions of Article 6quinquies are not limited to those stipulated in Article 6quinquies (B). As has been noted, the threshold question of ownership is not stipulated in Article 6quinquies (B). As Professor Bodenhausen notes, “the question of *whether* a person is the *proprietor* of the mark in a country of the Union will have to be decided according to the domestic legislation of that country.”<sup>15</sup>

87. Article 6quinquies is clear on the point that registrations may be denied or invalidated where they infringe on third-party rights. Article 6quinquies (B)(1) specifically permits denial or invalidation of a registration when it is of such a nature as to infringe rights acquired by third parties in the country where protection is claimed. As discussed in the U.S. First Submission, U.S. courts have consistently protected the rights and interests of legitimate property owners and refused to enforce foreign confiscations in the United States. The goal of Section 211 is simply to ensure respect for the rights of an original owner of a trademark as against persons that seek to obtain a registration on the basis of a foreign confiscation. This fits squarely within the ambit of Article 6quinquies(B)(1), which also imposes no restrictions regarding the scope or definition of the third-party rights so protected.

**Question 36**

**In the light of paragraph 32 of the US submission, does the US believe that, apart from the national treatment and MFN obligations, there is anything in the TRIPS Agreement that would prevent a WTO Member from arbitrarily reallocating ownership of foreign trademarks to a national company? Would the US response apply also to other areas of IP covered by the TRIPS Agreement?**

**Answer**

88. The obligations to provide national and most-favored-nation treatment would both generally prevent a WTO member from arbitrarily reallocating ownership of foreign trademarks or any other intellectual property right to a national company or to a company of another Member. The relevance of other TRIPS provisions would depend on the precise circumstances of the hypothetical arbitrary reallocation, and whether the Members had reasonable expectations

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<sup>15</sup> *Id.* at 125 (emphasis in the original) (Exhibit US-27)

with respect to the actions taken. For example, if the reallocation involved the administrative revocation of existing and previously valid marks, the obligations of Article 62 could be relevant. It is worth emphasizing that, in the case of section 211, there is no "arbitrary reallocation of ownership"; section 211 is based upon a long-standing principle of non-recognition of foreign confiscations (with respect to which Members cannot have had reasonable contrary expectations).

### **Question 37**

**Does the US consider that its view that the Section of the TRIPS Agreement on trademarks is silent on the issue of ownership applies, *mutatis mutandis*, to other IPRs covered by the TRIPS Agreement?**

#### **Answer**

89. The United States has focused its analysis on the issue of ownership as regards the trademark provisions of TRIPs, including the provisions incorporated from the Paris Convention. While some of this analysis may have relevance with respect to other aspects of intellectual property rights covered by TRIPs, recognizing that each form of intellectual property provided for in Part II differs significantly, that relevance would depend on the specific rights and obligations set out in TRIPs.

### **Question 38**

**What do you consider to be "limited exceptions" referred to in Article 17 of the TRIPS Agreement? How do you understand the term "legitimate interests" in this context? In your view, who can be considered to be "third parties" referred to in Article 17 of the TRIPS Agreement?**

#### **Answer**

90. As discussed in paragraphs 76-82 of the U.S. First Submission, "limited exceptions" within the meaning of Article 17 are exceptions that are confined or restricted within certain bounds. The term "legitimate interests" should be interpreted in a manner consistent with the way in which that term was interpreted in the decisions of the two Panels that have considered its meaning in the patent and copyright contexts. That is, it should be understood as a normative concept calling for the protection of interests that are justifiable in terms of public policy.<sup>16</sup> Third parties under Article 17 refer to parties with a potential claim to rights in the mark at issue, or that would be affected by the owner's exercise of trademark rights. For example, with respect

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<sup>16</sup> See *Canada-Patent Protection of Pharmaceutical Products*, WT/DS114/R (adopted May 17, 2000), para. 7.444; see also *United States - Section 110(5) of the U.S. Copyright Act*, WT/DS160/R, adopted July 27, 2000, para. 6.224.

to an exception allowing fair use of descriptive terms, relevant third parties with legitimate interests in the exception would include those persons with an interest in using such descriptive terms to describe their products.

91. In the context of Section 211, the most important and "legitimate" interests of which the Panel must take account under Article 17 is the true owner's interest in the mark that was taken from him. The numerous court decisions previously cited from the United States, Europe and other jurisdictions clearly establish the principle of non-recognition of foreign confiscations as a fundamental principle of public policy. The only way properly to take account of that policy and the legitimate interests of the true, original owners of marks affected by Section 211 is to adopt a requirement that any person who claims rights to the mark by virtue of the confiscations must respect the original owner's rights. The consent requirement such as the one in Section 211(a)(2) and (b) is a narrowly crafted provision designed to take account of this policy.

### **Question 39**

**In your view, does the US have any obligations under the TRIPS Agreement that relate to the protection of common law trademarks? Does the Agreement otherwise have any implications on the protection they enjoy in the US?**

### **Answer**

92. The United States has obligations under TRIPS with respect to common-law trademarks. For example, Article 16(1) of the TRIPs Agreement is clear that the rights accruing to owners of registered trademarks shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use. In fact, because of the United States' long-standing commitment to protection of common law trademarks, during the negotiations leading to the conclusions of the TRIPs Agreement, the United States was a vocal proponent of the trademark provisions which contemplate and protect common law trademarks.

93. Certain provisions of the TRIPS Agreement apply only to registered marks -- for example, Articles 16(1), 18 and 19. Other provisions apply more generally to "trademarks" or covered intellectual property rights in general -- such as Article 3 national treatment obligations -- and thus represent obligations applicable to common-law marks. For example, Article 21 would preclude the United States from granting compulsory licenses of common-law marks. The text of the Agreement reveals significant precision in the use of the terms "trademark" and "registered trademark." Under fundamental rules of treaty interpretation, this distinction must be presumed to have significance.

## EXHIBIT LIST

33. U.S. Trademark Act (Excerpts)
34. *Jenaer Glaswerk Schott & Gen. v. Waldmüller*, 24 I.L.R. 42 (Supreme Court, December 18, 1957) (Austria)
35. *S.A.R.L. Ets. Sidney-Merlin v. Les Domaines de la Seine, Sté. Coocimec, Sté. Nouvelle Française des Machines à écrire Olympia, l'U.R.S.S.* (Court of Cassation, March 15, 1961) (1962 Annales p. 30), *affirming Administration des Domaines v. Établissement Sidney-Merlin*, (Paris Appellate Court, March 21, 1953) (Gazette du Palais 1953-I. 269) (France)
36. *Societa Ornati v. Archimedes Rechenmaschinenfabrik Reinhold Pothig* (Court of Cassation, October 5, 1959) (28 I.L.R. 110) (Italy)
37. *Foundation Carl Zeiss Stiftung and Another v. Foundation Carl Zeiss Heidenheim and Others* (Court of Cassation, March 15, 1966) (47 I.L.R. 129)
38. *Carl Zeiss Heidenheim and Others v. VEB Carl Zeiss Jena and Others* (Court of Appeal of Paris, July 9, 1975) (73 I.L.R. 580)
39. *Carl Zeiss, Heidenheim An Der Brenz v. VEB Carl Zeiss Jena and DIA Feinmechanik-Optik* (Federal Supreme Court, July 25, 1957) (53 Am. J. Int'l L. 687)
40. *Carl-Zeiss-Stiftung Heidenheim/Brenz v. VEB Jenaer Glaswerk Schott & Gen. and Hartmann* (Gerechtshof Amsterdam, March 28, 1957), *confirmed by Hoge Raad of the Netherlands* (November 8, 1957)
41. *Carl Zeiss Stiftung v. VEB Carl Zeiss Jena*, 293 F. Supp. 892 (S.D.N.Y. 1968), *affirmed*, 433 F.2d 686 (2d Cir. 1970), *cert. denied*, 403 U.S. 905 (1971)
42. *Vereintigte Carborundum-und Elektritwerke v. Federal Department for Intellectual Property* (Federal Tribunal, September 25, 1965) (23 I.L.R. 24)
43. *Fabrique de crayons Koh-I-Noor L. & C. Hardmuth, entreprise nationale à Budweis v. Waser & Cie, à Zurich* (Federal Tribunal, March 15, 1955) (1955 Propriété Industrielle 204)
44. *Zeiss Ikon Aktiengesellschaft v. Otto Scheuchzer Aktiengesellschaft* (Basel, Civil Tribunal, December 31, 1952) (1954 Propriété Industrielle 176)
45. *Bibliographisches Institut AG (Mannheim) v. VEB Bibliographisches Institut (Liepzig)* (Tribunal of Commerce of St. Gall, September 29, 1971) (72 I.L.R. 26)
46. *Joint Stock Soc. v. UDV North America, Inc.*, 53 F.Supp. 2d 692 (D. Del. 1999)