

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

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

Significant Issues

1. First, the EC purports to embrace the principle that a Member does not have to give effect to foreign confiscations with respect to assets in that Member's territory. But then the EC presents, for purposes of this dispute, an interpretation of TRIPs and the Paris Convention that would nullify this very principle. If TRIPs and the Paris Convention require Members to register and protect all trademarks regardless of the registrant's ownership of the trademark, as the EC argues, then Members are powerless to deny ownership of trademarks in their territory to confiscating entities. This means that TRIPs and the Paris Convention require Members to give effect in their territory to foreign confiscations.
2. In fact, however, there is nothing in TRIPs that requires this result. Nothing in TRIPs requires the United States to declare that confiscating entities are the rightful owners of U.S. trademarks and trade names associated with the confiscated assets. This point is confirmed by the materials provided by WIPO last week.
3. Second, the EC is seeking to re-interpret TRIPs and the Paris Convention so that these agreements accommodate only the civil law system of trademark law, and prohibit the U.S. common law system. This is at the bottom of the EC's argument that, under TRIPs, trademarks only come into existence when they are registered, and that whoever registers the trademark "owns" the trademark. TRIPs and the Paris Convention were specifically drafted to take into account both the civil law and the common law trademark systems, and cannot now be read to mandate the civil law system.
4. Third, the EC suggests that section 211 targets trademarks and trade names that have nothing whatsoever to do with the confiscated assets. But the entire focus of section 211 is the confiscated assets and those who purport to own trademarks associated with those assets. There plainly is a link between the two under section 211.
5. Finally, the EC claims that, by virtue of section 211, U.S. nationals are treated better than foreign nationals, and that some foreign nationals are treated better than others. The EC even cites some so-called "Cuban-origin" trademarks that are owned by U.S. companies. But the fact is that section 211 does not prevent registration or ownership of "Cuban-origin" trademarks; it targets only assertions of ownership by confiscating entities or their successors, of whatever nationality, whether U.S. or not, or whether Cuban or not. Section 211 is not inconsistent with the national treatment or most-favored-nation provisions.

Specific TRIPs and Paris Convention Articles

6. First, Article 6*quinquies* A of the Paris Convention and Article 15.1 of TRIPs limit the ability of Members to deny protection to trademarks on the grounds that the form of the trademark is inconsistent with national rules. Under Article 6*quinquies*, a Member cannot refuse to register or protect a trademark duly registered in its country of origin on the grounds that the trademark does not conform to national rules as to the form of the trademark.

7. Likewise, under Article 15.1, any sign or combination of signs capable of distinguishing goods is “capable” of constituting a trademark. Nowhere does Article 15.1 require a Member to register and protect all signs or combinations of signs that are capable of constituting a trademark. And despite the EC’s reference to “indirect guidance”, Article 15.1 says absolutely nothing about who is the legitimate owner of the trademark.

8. The EC claims that Article 6*quinquies* A requires the United States to “accept for filing and protect” a trademark that has been confiscated in the country of origin, so long as it is duly registered there. In other words, if the government of a Member confiscates the business assets of a company, including its duly registered trademarks in that Member (the country of origin), Article 6*quinquies* would, according to the EC, require all other Members to accept for filing and protect that trademark in their territories. This is tantamount to requiring Members to give effect in their own territory to foreign confiscations of trademarks, a result that both parties agree is wrong.

9. To avoid this result, the EC relies on the “exceptions” provision in paragraph B.1 of Article 6*quinquies*, which permits a Member to invalidate or avoid registering trademarks “when they are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed.” We do not agree that the Panel has to resort to the Article 6*quinquies* “exceptions” at all, but if it does, the exception for “*ordre public*” is the appropriate exception. Further, applying the Article 6*quinquies* B.1 exception, as urged by the EC, would require the Panel to find that the original owners of a confiscated company who have fled to the United States are now “third parties” that “acquired” rights in the United States. But the original owners of the company are not really “third parties” whose pre-existing acquired rights would be infringed by the recognition of the confiscated company’s trademark. Rather, the trademarks claimed by the original owners are the same as the trademarks claimed by the confiscated company. It is only by virtue of a tortured construction that the EC can conclude that protection of “third party” rights acquired in the United States means recognizing the continued ownership of the original owners.

10. Perhaps more significantly, the exception under Article 6*quinquies* B.1 says nothing about how a Member makes the determination that the “third parties” have acquired rights that would be infringed by the foreign trademark. Article 6*quinquies* B.1 leaves this decision to the national laws of the Members. Thus, the EC ends up where the U.S. began.

11. The EC’s interpretation of 15.2 is equally flawed. There is simply no support for the contention that, under Article 15.2, registrations can only be refused in the “exceptional cases expressly mentioned in TRIPs and the Paris Convention”. Article 15.2 clarifies that Article 15.1 -- defining the form of a trademark -- does not prevent Members from denying registration of a trademark on other grounds (“other”, that is, than the form of the trademark), as long as those grounds do not derogate from the Paris Convention. The Paris Convention is silent on ownership. Therefore, denying a trademark registration on the grounds that the registrant is not the true owner of the trademark is not inconsistent with Article 15.1, and does not derogate from any provision of the Paris Convention under Article 15.2.

12. Notably, unlike under Article 6*quinquies*, the EC offers no “exception” to TRIPs Article 15.1 that would permit a Member to determine that it will not give effect in its territory to a foreign confiscation. Under the EC’s interpretation, Article 15.1 does not permit a Member to decide that the confiscating entity is not the owner of the trademark used in connection with the confiscated assets.

13. Section 211(a)(1) does not require the United States to take any actions inconsistent with its

TRIPs obligations. This provision focuses on those trademarks that were used in connection with an asset confiscated by the Cuban Government, and on the original owners of those trademarks. It protects the original owners of those trademarks by saying that the confiscating entity or its successors must get the consent of those owners before it can take advantage of a general OFAC licence to register or renew the trademark.

14. Turning now to TRIPs Article 16.1, the ordinary meaning of Article 16.1 is that it confers certain exclusive rights to prevent third party use on the owner of a trademark that is registered. If a person is not the owner of the trademark – and ownership is determined under a Member’s national laws – Article 16.1 does not confer rights on that person. In the context of section 211, if a confiscating entity or its successor is not the owner of a trademark, Article 16.1 does not guarantee that entity any rights.

15. The EC’s interpretation is that Article 16.1 confers exclusive rights on whoever registers the trademark. In fact, Article 16.1 could not be clearer that there is a distinction between the owner of the trademark and the trademark registrant: it specifically says that nothing in that Article prevents Members from making rights available based on use. It therefore simply cannot be accurate that Article 16.1 imposes an obligation to confer rights on whoever registers the trademark.

16. Nor is it credible to argue, as the EC does, that there is one class of federal trademarks which are “owned” by whoever registers them and another class of trademarks whose ownership is based on use. The very fact that a person can establish his ownership of a trademark based on prior use, and can disprove the ownership of the federal trademark registrant, demonstrates that there are not two distinct “classes” of trademarks. This is a situation specifically anticipated by Article 16.1.

17. Sections 211(a)(2) and 211(b) do not violate TRIPs Article 16.1 because they do not deny exclusive rights to the true owners of registered trademarks. Rather, they reflect that courts are not obligated to find the trademark registrant to be the “owner” of the trademark where the registrant claims ownership by virtue of a confiscation and the original owner does not consent.

18. This point is directly relevant to the EC’s claims with respect to other articles of TRIPs and the Paris Convention. TRIPs Article 42 requires enforcement of rights under TRIPs. Where there is no TRIPs right — where a confiscating entity has no rights of ownership to enforce — Article 42 does not require enforcement. Article *6bis* of the Paris Convention requires Members to deny registration to trademarks that are considered by the competent authorities in the United States to be well known as being owned by someone else. Where a trademark is not considered by the competent authorities in the United States to be owned by the confiscating entities, Article *6bis* does not require that the United States protect that trademark. Article 8 of the Paris Convention requires Members to protect trade names with no requirement of filing or registration and whether or not they form part of a trademark. Article 8 does not define who owns a particular trade name, and it does not specify the protections offered trade names; it only requires that trade name protections be independent of trademarks and independent of filing requirements. This reading is supported by the materials provided by WIPO, which indicate that this article was introduced to prevent companies from losing their trade names whenever they lost their trademarks. Indeed, the WIPO materials state that proposals to define specific protections for trade names in Article 8 were rejected. In this connection, we find it curious that the EC’s rebuttal submission focuses on the importance of specific protections offered to trade names, when Article 8 is silent on the protection given trade names.

19. Moving on to the final TRIPs and Paris Convention provisions cited by the EC — those related

to national treatment and most favored nation treatment — the EC notes that section 211(a)(2) appears to apply only to ownership by confiscating entities and their “foreign” successors in interest, implying that U.S. successors in interest are being accorded more favorable treatment. The only way that this Panel could find that the U.S. is according more favorable treatment to U.S. nationals under section 211(a)(2) is if the Panel found that OFAC itself accords more favorable treatment to U.S. nationals, because it is required to license U.S. nationals to become “successors in interest”. Far from this being the case, there is a general prohibition on U.S. persons becoming successors in interest. This Panel should not, as a matter of law, determine that OFAC would use its discretion to accord more favorable treatment to U.S. nationals than is accorded to foreign nationals. Such a determination would amount to an adverse assumption about the treatment that might be accorded U.S. nationals versus foreign nationals, not a finding that the U.S. accords less favorable treatment to foreign nationals.

20. In sum, nothing in section 211 requires that the United States take any action that is inconsistent with any TRIPs obligation.

Operation and Scope of Section 211

21. First, the EC maintains that section 211 requires no factual or legal link between the trademark for which enforcement is being sought and a trademark or trade name that existed in the United States at the time of confiscation. Although it is not clear why this would amount to a TRIPs violation, in fact, section 211 refers to the original owner of the trademark “used” in connection with the confiscated asset. The use of a trademark — even outside of the United States — can give rise to ownership of that trademark in the United States under U.S. law. Therefore, a court might or might not find that the original owner owned a trademark in the United States at the time of the confiscation, and the court might or might not find that this is relevant. It is simply unclear how a court would resolve this ownership issue.

22. Second, the EC says that section 211 targets trademarks that might cover products completely different from those subject to the confiscation. The EC does not say how this relates to any TRIPs obligation, but, in any case, the EC’s conclusion is pure speculation. Section 211 requires that the trademark have been used in connection with the asset or business that was confiscated, and it focuses on protecting the interests of the “original owner” of the trademark used in connection with that asset or business. And, of course, trade names relate to the business itself, not to particular goods.

23. Third, the EC says that section 211 may be applied to prevent the assertion of ownership by confiscating entities in cases where the original owner has legally abandoned the U.S. trademark. Again, since TRIPs does not require an abandonment policy at all, it is not clear how the fact that it might not be applicable in certain circumstances, even if true, would violate TRIPs. And in fact, a court in one case has recognized that, in the context of a forced confiscation, it may be appropriate to conclude that the original owners did not voluntarily cease use of the trade name with the intent not to resume use, which is the legal standard for abandonment.

24. Finally, the EC distinguishes section 211 from the jurisprudence on non-recognition of foreign confiscations on the grounds that section 211 targets trademarks that have never been confiscated and that “have existed in the hands of owners unrelated to the expropriated Cuban business or have only been created in the US after the Cuban revolution.” This is not accurate. If the trademarks are in the hands of “owners” unrelated to the confiscated business, section 211 would not apply, because section 211 only deals with the trademark ownership of those who derive their ownership from the confiscated business.

Further, if the trademarks were only created after the Cuban revolution, a court could well find that there is no “original owner” of the trademark other than the confiscating entity itself, and therefore, no room for the application of section 211. The distinctions drawn by the EC are simply not there, and even if they were, they do not make out a case that section 211 is inconsistent with TRIPs.

25. To summarize, the scope of section 211 is not what the EC speculates. Further, even if the EC’s description of the scope were accurate, the EC has failed to show that section 211 is inconsistent with TRIPs.

26. The EC also purports to describe the “operation” of section 211. It engages in the same amount of speculation that it did in describing section 211’s scope, and fails completely either to show that section 211 requires the actions that it claims are required, or to demonstrate that those actions, even if they were required, are inconsistent with the United States’ TRIPs obligations.

27. The EC first implies that the purpose and effect of section 211 was to make Cubaexport’s Havana Club “incontestable registration” contestable. This is incorrect. First, federal trademark registrations, no matter how old, are subject to challenge on bases that go to the ownership of the trademark. Second, no one has made the statutory filing required for “incontestability” with respect to that mark, so “incontestability” is simply not an issue.

28. Second, the EC complains that section 211 does not give any rights to the owner of the confiscated business, but only curtails the rights of certain right-holders. The EC says this demonstrates the “punitive” nature of section 211. In fact, section 211, where it applies, gives the original owner of a trademark used in connection with confiscated assets — or his or her successor — the right to exclude the confiscating entity or its successor from using the mark or from asserting ownership in the mark. This is a significant right for the original owner. Further, a defendant in a trademark action can always defend himself by saying that the plaintiff does not own the trademark that is allegedly infringed. So, section 211 does not propose anything unusual or punitive in this respect.

29. In short, section 211 does not mandate the kinds of decisions that the EC speculates might result from section 211. The exact operation of section 211 will depend on the facts before the decision-maker, but the core issue to be addressed is the identity of the owner of the trademark at issue. Further, even if the EC’s speculations were accurate, they do not amount to a violation of TRIPs.

U.S. Jurisprudence and Public International Law with Respect to Foreign Confiscations

30. The EC first asserts that the principle against the recognition of foreign confiscations is irrelevant to the present dispute. This assertion is simply wrong. The principle of non-recognition exists because Members exercise their right to determine who is and who is not the owner of assets on their territory, including trademarks. This is a right that the EC asserts was taken away by TRIPs. That the principle of nonrecognition of foreign confiscations exists alongside of TRIPs and the Paris Convention means that the EC’s interpretation of TRIPs is incorrect. This principle is, therefore, of utmost relevance in this dispute.

31. Second, it is untrue that, under the U.S. act of state doctrine, the U.S. courts presume the validity of a foreign expropriation. The act of state doctrine is a doctrine of judicial restraint with respect to acts of foreign sovereigns within their own territories. It has not been applied with respect to assertions of ownership by confiscating entities in trademarks in the United States.

32. Third, the EC engages in some interesting legerdemain on a Member’s right to regulate property

on its territory, using the following logic: (1) Every State has the right to regulate the ownership of property in its own territory. (2) Therefore, Cuba had a right to confiscate assets, including registered trademarks, in Cuba. (3) The United States is not obligated to accept an attempt by Cuba to confiscate property in the United States, but (4) the United States is obligated to recognize the change of title of property in Cuba – and here’s the catch – “and to draw certain consequences therefrom”. These “consequences” apparently include an obligation to recognize the ownership of confiscating entities with respect to trademarks in the United States. The EC’s conclusion flatly contradicts its opening assumption. The United States does not dispute in this proceeding the right of countries to regulate the ownership of assets in their own territories, although in fact those rights are subject to limitations. The U.S does dispute, however, that this results in the United States not being able to regulate the ownership of trademarks in its territory under TRIPs.