UNITED STATES–SECTION 211 OMNIBUS APPROPRIATIONS ACT

(DS176)

FIRST SUBMISSION

OF THE

UNITED STATES OF AMERICA

December 21, 2000

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I. Introduction

1. The core issue presented by this dispute is whether the TRIPs Agreement[1] requires the United States to recognize and enforce trademarks used in connection with assets that have been confiscated – *i.e.,* expropriated without compensation[2] – from their rightful owners. It does not. Under U.S. law -- both section 211[3] and long-standing case law -- those whose claim to a trademark is based on an uncompensated confiscation of assets cannot claim rights of ownership in the United States, absent consent of the owners whose assets were confiscated. Indeed, this is a principle that has been widely recognized throughout the world, and, in particular, by many WTO Members. The EC view in this dispute, by contrast, is that a person's assets may be confiscated by a governmental authority which can then, invoking TRIPs and the Paris Convention,[4] enforce those "rights" in the United States in a manner contrary to U.S. law. TRIPs does not require such a result, and the negotiators of TRIPs could not have intended such a result.

2. Contrary to the assertions of the EC in its first submission at paragraph 6,[5] section 211 is not targeted at situations where the U.S. trademark has ceased to exist or never existed, and is not distinct from the well-recognized right of sovereign nations not to recognize foreign confiscations. Section 211 is targeted at the assertion of rights by a confiscating entity or its U.S. or non-U.S. successors vis-a-vis the rights of the original owners of the confiscated assets, the precise target of the principle against giving extraterritorial effect to uncompensated confiscations. The Panel should make no mistake. The EC is arguing that TRIPs and the Paris Convention require Members to recognize and enforce trademark rights asserted by foreign confiscating entities, even if that right is based on a foreign confiscation. Despite its protestations, the EC is, indeed, challenging the sovereign right of a Member not to give effect to foreign uncompensated confiscations, a right reflected in numerous judicial decisions both in Europe and in the United States.

3. Consequently, the EC inaccurately "sets the stage" throughout its introduction by implying that, before section 211 was enacted, confiscating entities could assert rights to U.S.

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[1] Agreement on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, done at Marrakesh, April 15, 1994 (entered into force January 1, 1995).

[2] In this submission, unless otherwise indicated, the United States uses the term "confiscation" to refer to an expropriation without payment of adequate and effective compensation. *See* Section 211(d)(2), referencing the definition in 19 CFR 515.336 (Exhibit US-1).

[3] Section 211 of the Department of Commerce Appropriations Act, 1999, as included in Public Law 105-277, section 101(b), 112 Stat. 2681. This law has been referred to in this dispute as "Section 211 Omnibus Appropriations Act of 1998".

[4] Paris Convention for the Protection of Industrial Property, done at Paris, March 20, 1883, as revised at Brussels, December 14, 1990, at Washington, June 2, 1911, at The Hague, November 6, 1925, at London, June 2, 1934, at Lisbon, October 31, 1958, and at Stockholm, July 14, 1967. References to the Paris Convention are, unless otherwise indicated, to the Stockholm Act of this Convention (1967).

[5] First Written Submission of the European Communities and their Member States, dated November 30, 2000.

trademarks based on their uncompensated confiscation, and that section 211 takes away these legitimate rights. It 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.

4. The EC has a heavy burden in this dispute — to demonstrate that the well-established principle against giving extraterritorial effect to foreign confiscations has always been contrary to the Paris Convention, and is now contrary to TRIPs. The United States submits that the EC cannot meet this burden, and that its assertions of conflict between section 211 and TRIPs are unfounded.

II. Background

A. Principle Of Non-Recognition Of Foreign Confiscations

5. It is an established rule of customary international law that a State may not expropriate private assets of nationals of other States in its territory unless the expropriation is (1) for a public purpose, (2) on a non-discriminatory basis and in accordance with due process of law, and (3) subject to prompt, adequate and effective compensation. In numerous judicial decisions spanning the past century, courts throughout the world have found similarly under their laws that foreign confiscatory decrees should be denied recognition in the forum States because they are repugnant to the nation's basic principles with respect to private property rights.[6] Those courts have found in the constitution and laws of the forum State emphatic pronouncements protecting property rights from uncompensated expropriation, and have had no difficulty concluding that those legal prescriptions are among the most fundamental principles of their systems. The courts have overwhelmingly held, accordingly, that it would be a flagrant violation of these principles if a foreign confiscation were given effect in the territory of the forum State.

6. This is as true in Europe as it is in the United States. One illustration is the multi-country litigation that arose out of the confiscation of the KOH-I-NOOR trademark by the Communist revolutionary Government in Czechoslovakia. Koh-I-Noor L. & C. Hardtmuth was a Czechoslovak firm that owned registered trademarks throughout Europe and the United States. Following the Second World War, the company was expropriated without compensation by the Czechoslovak government. The government conveyed the assets of the company, including its trademarks, to a state-owned company, which then tried to assert rights to the trademark in various countries. The original owners of the confiscated company reestablished their business in France and laid claim to those same trademarks.

7. Courts across Europe refused to give extraterritorial effect to the confiscation. In the words of those European courts:

[6] *See* cases cited in Appendix A (Exhibit US-2).

> *Austria:* "[S]uch confiscation is contrary to Austrian rules of law governing . . . the protection of private property, *i.e.*, contrary to Austrian public policy. [Accordingly,] the confiscatory measures taken against [the original owners] must be regarded as invalid in Austria."[7]
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> *Belgium:* The confiscation "can have no legal effects outside the frontiers of that country, as has moreover already been decided by the numerous French, Italian, Swiss and Swedish courts which have had to deal with the same question." Because the confiscatory actions are "contrary to public policy, we cannot but refuse to give them any effect, direct or indirect, in Belgium."[8]
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> *France:* "[T]he nationalization of the business . . . is contrary to French public policy, and . . . no effect can be given in France to rights which are said to have been acquired abroad by reason of such nationalization."[9]
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> *Germany*: The Koh-I-Noor confiscation "could not have any effect within the borders of the German republic." The protection that a trademark "enjoys in a member country is the outlet of an independent right, about whose continuance the protecting country has the sole determination, and such right is not extended when it issues from an uncompensated expropriation in its country of origin."[10]
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> *Italy:* "Where confiscation occurs there is an absolute conflict between the foreign law . . . and the rules of internal public policy of Italy which recognize private property . . . . Such measures of nationalization as are confiscatory cannot be recognized as producing any legal effect within the ambit of the Italian legal system and must be devoid of any value."[11]

[7] *Koh-I-Noor L. & C. Hardtmuth v. Koh-I-Noor Tuzkarna L. & C. Hardtmuth*, 26 I.L.R. 40, 41-42 (Supreme Court, June 2, 1958) (Austria) (Exhibit US-3).

[8] *S.A.R.L. "Koh-I-Noor - L. et C. Hardtmuth" v. S.A. Agebel and Societe de Droit Tchecoslovaque Entreprise Nationale Koh-I-Noor*, 47 I.L.R. 31, 34-36 (Brussels Appellate Court, March 17, 1959) (Belgium) (Exhibit US-4).

[9] *Entreprise Nationale L. et. C. Hardtmuth, Fabrique de Crayons Koh-I-Noor v. Fabrique de Crayons Koh-I-Noor, L. et. C. Hardtmuth*, 26 I.L.R. 50, 51 (Paris Appellate Court, June 25, 1958) (France) (Exhibit US-5).

[10] *Waldes-Koh-I-Noor Case*, 1963 GRUR 527, 529 (Federal Supreme Court, March 8, 1963) (Germany) (Exhibit US-6).

[11] *Koh-I-Noor Tuzkarna L. & C. Hardtmuth Narodni Podnik v. Fabrique de Crayons Hardtmuth L. & C., S.R.L.*, 26 I.L.R. 44, 46 (Turin Appellate Court, June 17, 1958) (Italy) (Exhibit US-7).

> *Norway:* "[T]he measures taken respecting the [original owner] cannot be given effect in regard to their property in Norway or the rights exercised by them in this country. . . . [T]o concede such effects of the nationalization as the defendant urges . . . would be to violate basic Norwegian principles of justice and also fundamental principles of ethics."[12]
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> *Switzerland*: "[T]he Czechoslovak expropriation decree may not be applied to assets located in Switzerland."[13]

8. Other European courts have adopted the same principle in the context of other confiscations. For example, in *Cifuentes y Compañía v. Internacional Cifuentes, S.A.,* September 25, 1992, RAJ 7325 (Exhibit US-10), the Supreme Tribunal of Spain held that a seizure of a Cuban company in Cuba by the revolutionary government, without any compensation, had no effect on trademarks in Spain. The court noted, in reference to the Cuban decrees, that "their purpose and even their structure and the philosophy underlying them clash head-on with the Spanish Constitution." The court added that the Cuban decrees "conceal, after omitting any reference to economic compensation, a veritable effective seizure of property located in Spain, which . . . is under the protection of the [Constitution], which defends as high values of the legal system liberty, justice, equality, and political pluralism, and is grounded on the recognition of private property . . ." *See also, e.g., Indonesian Corporation P.T. Escomptobank v. N.V. Assurantie Maatschappij de Nederlanden van 1845* (Supreme Court, April 17, 1964), 13 Nederlands Tijdschrift voor Internationaal Recht 58 (1966), 40 I.L.R. 7, 14 (Netherlands) (Exhibit US-11); *Estonian State Shipping Co. v. Jacobson* (Supreme Court, June 9, 1954), Nytt Jurisdiskt Arkiv 279, 21 I.L.R. 33, 35 (Sweden) (Exhibit US-12); *Lecouturier v. Rey*, [1910] A.C. 262, 265-66 (House of Lords)(United Kingdom) (Exhibit US-13).

9. Consistent with this practice in Europe, courts in the United States have steadfastly held that foreign confiscations will not be given effect within its jurisdiction. In case after case, courts in the United States have ruled that a foreign confiscation "is 'shocking to our sense of justice,' and we need not enforce it here." *Bandes v. Harlow & Jones, Inc.*, 852 F.2d 661, 667 (2d Cir. 1988) (Exhibit US-14). *See also, e.g., United Bank Ltd. v. Cosmic Int'l, Inc.*, 542 F.2d 868, 873 (2d Cir. 1976) (Exhibit US-15) ("American public policy does not recognize the validity of governmental takings without compensation"); *Maltina Corp. v. Cawy Bottling Co*., 462 F.2d 1021, 1025 (5th Cir. 1972) (Exhibit US-16) ("it is settled by a long line of cases that our courts will not give extra-territorial effect to a confiscatory decree of a foreign State"); *Republic of Iraq v. First Nat'l City Bank*, 353 F.2d 47, 51-52 (2d Cir. 1965) (Exhibit US-17) (foreign confiscation

[12] *Fabrique des Crayons Koh-I-Noor-L. & C. Hardtmuth, S.A.R.L. v. Koh-I-Noor Tuskarna L. & C. Hardtmuth, Narodni Podnik* , 30 I.L.R. 33, 49 (Oslo City Court, July 11, 1959) (Norway) (Exhibit US-8).

[13] *Fabrique de Crayons Koh-I-Noor L. & C. Hardtmuth S.a.r.l. v. Koh-I-Noor Tuzkarna L. & C. Hardtmuch Narodni Podnik*. BGE 83II 312, 319 (1957) (Federal Tribunal, September 13, 1957) (Switzerland) (Exhibit US-9).

of assets is "contrary to our public policy" and will not be given extraterritorial effect by U.S. courts); *Zwack v. Kraus Bros. & Co.*, 237 F.2d 255, 259 (2d Cir. 1956) (Exhibit US-18) (to recognize foreign confiscations would "be to give [the foreign confiscation decree] extraterritorial effect and thereby emasculate the public policy of the forum against confiscation"); *Rupali Bank v. Provident National Bank*, 403 F. Supp. 1285, 1290 (E.D. Pa. 1975) (Exhibit US-19) ("the public policy of the United States [ ] is vehemently opposed to confiscation without compensation"); *F. Palicio y Compañía, S.A. v. Brush,* 256 F. Supp. 481, 488 (S.D.N.Y. 1966) (Exhibit US-20) ("our courts will not give extraterritorial effect to a confiscatory decree of a foreign state"); *Carl Zeiss Stiftung v. VEB Carl Zeiss Jena*, 433 F.2d 686, 698 (2d Cir.1970) (Exhibit US-21) (enforcing "the well-settled United States policy against extraterritorial recognition of [foreign confiscatory] decrees"); *Vladikavkazsky Ry. Co. v. New York Trust Co*., 189 N.E. 456, 460 (N.Y. 1934) (Exhibit US-22) ("the arbitrary dissolution of a corporation, the confiscation of its assets, and the repudiation of its obligations by decrees, [are] contrary to our public policy and shocking to our sense of justice and equity").

10. The unifying theme of these European and American court decisions – and those of other countries as well[14] -- is that a foreign confiscation is contrary to the basic principles of the forum and will not be given effect in it. This principle – the *principle of non-recognition of foreign confiscations* – has been applied in a variety of settings. Not surprisingly, the most frequent case brought before the national courts is that of a foreign confiscation giving rise to a claim of title to property located in the forum. That case typically arises out of a foreign State's decree that purports to confiscate all of the assets of a company subject to its control, including assets (such as trademarks) in the forum State. A dispute often arises between the confiscating State (or, more frequently, a successor in interest) and the original owners over title to the property located in the forum State. When the forum courts are called upon to adjudicate such a dispute, they routinely refuse to recognize the purported extraterritorial effects of the confiscation. *See, e.g., Expropriation of Sudeten-German Co-Operative Society Case* (Federal Supreme Court, July 11, 1957); 24 I.L.R. 31, 32; 25 BGHZ p. 134 (Exhibit US-23) (German court would not recognize Czech decree purporting to confiscate assets in Germany); *Republic of Iraq v. First National City Bank*, 353 F.2d 47, 51-52 (2d Cir. 1965) (Exhibit US-17) (U.S. court would not recognize Iraqi attempt to confiscate assets located in the U.S.).[15]

11. Courts have also refused to recognize claims of title, based on a foreign confiscation, to

[14] *See* cases cited in Appendix A (Exhibit US-2).

[15] The same principle applies if the foreign State has chosen to confiscate the shares or equity participation in a company that owns assets abroad. Courts refuse to allow the confiscating State to obtain indirectly an extraterritorial effect that it cannot obtain directly. *See, e.g., Zwack v. Kraus Bros. & Co*., 237 F.2d 255 (2d Cir. 1956) (U.S.) (Exhibit US-18); *Effect of Nationalization of Foreign Company on Rights of Shareholders Case* (Supreme Court, April 19, 1961) OJZ 1961, Ev. Bl. No. 354; 40 I.L.R. 16 (Austria) (Exhibit US-24) ("[t]he confiscation of shareholders' rights must . . . be treated in the same way as the confiscation of the assets of the company" and denied legal effect).

property located in a third country at the time of the confiscation. In particular, courts have refused to give effect to the purported extraterritorial reach of a foreign confiscatory decree to trademarks registered in Berne. *See, e.g., S.A.R.L. "Koh-I-Noor - L. et C. Hardtmuth" v. S.A. Agebel and Societe de Droit Tchecoslovaque Entreprise Nationale Koh-I-Noor*, 47 I.L.R. 31, 37 (Brussels Appellate Court, March 17, 1959) (Belgium) (Exhibit US-4) (trademarks registered with the International Bureau in Berne, like those in Belgium, are "out of reach" of the "territorially limited" confiscatory decrees); *Confiscation of Trademarks Case* (Federal Supreme Court, June 7, 1955); 22 I.L.R. 17, 19 (Germany) (Exhibit US-25) (declining to recognize purported confiscation by Czech government of trademark registered in Berne); *Entreprise Nationale L. et C. Hardtmuth, Fabrique de Crayons Koh-I-Noor v. Fabrique de Crayons Koh-I-Noor, L. et C. Hardtmuth*, 26 I.L.R. 50, 51 (Paris Appellate Court, June 25, 1958) (France) (Exhibit US-5) (transfer of international registration to nationalized company has no effect in France).

12. The principle of non-recognition of foreign confiscations and the values it represents are shared by the United States and the member States of the EC. In this case, the EC has turned its back on this principle in an attempt to force the United States to give effect, in the United States, to claims of title to trademarks, trade names, and commercial names derived from foreign confiscations.

B. Section 211 Is Consistent With The Principle Of Non-Recognition of Foreign Confiscations

13. As discussed in section II.A above, it is a fundamental principle of U.S. law (as well as the laws of many Members of the European Communities) that a State need not, and will not, give extraterritorial effects to foreign confiscations, including with respect to trademarks. Section 211 was enacted to reaffirm this principle in respect of trademarks, trade names and commercial names used in connection with businesses confiscated by Cuba, and to reaffirm and clarify the rights of the legitimate owners of such marks and names.

1. Section 211(a)(1)

14. Section 211(a)(1) provides that:

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

As discussed further below, section 515.527 of title 31, Code of Federal Regulations[16] provides for general licenses under the regulations of the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"). Section 211(a)(1) provides that, absent consent of the original owner, this general license is unavailable for the registration or renewal of any trademark that is the same as or substantially similar to one used in connection with a business confiscated by Cuba.

2. Section 211(a)(2)

15. As a complement to section 211(a)(1), section 211(a)(2) prevents the confiscating government and its successors in interest from asserting rights of ownership in trademarks used in connection with confiscated assets in U.S. courts. Subsection (a)(2) directs that "[n]o U.S. court shall recognize, enforce or otherwise validate any assertion of rights by a designated national based on common law rights or registration obtained under such section 515.527 of such a confiscated mark, trade name, or commercial name." The term "designated national" is defined in the statute to include Cuba, any national of Cuba, any specially designated national of Cuba, and any national of a foreign country that is a successor-in-interest to a designated national.[17]

16. The phrase "*such* confiscated mark, trade name or commercial name" used in Section 211(a)(2) refers back to the corresponding phrase in Section 211(a)(1), and represents an abbreviation of the longer reference in Section 211(a)(1) to "a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of the mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented."

3. Section 211(b)

17. Section 211(b) is a provision parallel to Section 211(a)(2). Whereas Section 211(a)(2) protects the rights of legitimate owners vis-à-vis designated nationals or their successors who would attempt to claim confiscation-derived trademark rights under common law or a registration, Section 211(b) extends this prohibition to designated nationals that base their U.S. trademark registration on foreign registrations, through domestic laws intended to implement treaties. Section 211(b) prohibits the enforcement in the United States of rights based on foreign registrations in the case of a trademark, trade name, or commercial name confiscated by Cuba, except with the consent of the original owner. It provides in full as follows:

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[16] In this submission the citation form 31 CFR 515.XXX will be used to identify these OFAC regulations, found in Exhibit US-1.

[17] *See* 31 C.F.R. 515.305 (defining the term "designated national"); Section 211(d)(1) (expanding the definition to include successors-in-interest of a designated national) (Exhibit US-1).

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

The "treaty rights" referred to in this subsection are rights effected under Section 44 of the Lanham Act (also referred to as the “Trademark Act”). Section 44 of the Lanham Act (15 U.S.C. 1126) implements in domestic law the United States treaty obligations relating to trademarks, trade names, or commercial names, and provides that U.S. trademark registrations may be based on trademarks duly registered in another country. (Exhibit US-28).

18. Sections 211(a)(2) and 211(b) together cover two different situations in which, under U.S. law, a person might register a trademark: either by filing a use-based or intent-to-use application; or by filing a Section 44 application, based on either a foreign application (Section 44(d)) or a foreign registration (Section 44(e)), in which case no pre-registration use is required.

19. In either of these situations, U.S. courts are instructed not to recognize the ownership – that is, not to recognize, enforce or otherwise validate any assertion of rights – of the confiscating entity or its successors in interest. This instruction is consistent with the principle against the recognition of foreign uncompensated confiscations described above. No right granted under either the Paris Convention or the TRIPs Agreement is denied because, *ab initio,* the trademark application is invalid since the owner of the mark did not apply for registration.

III. Burden of Proof

20. The Appellate Body stated in *United States—Measures Affecting Imports of Woven Wool Shirts and Blouses from India* that:

> . . . the burden of proof rests upon the party, whether complaining or defending, who asserts the affirmative of a particular claim or defence. If that party adduces evidence sufficient to raise a presumption that what is claimed is true, the burden then shifts to the other party, who will fail unless it adduces sufficient evidence to rebut the presumption.[18]

[18] WT/DS33/AB/R, adopted 23 May 1997, p. 14.

21. Under this rule, as recently applied to the TRIPs Agreement in *Canada – Patent Term*[17], the EC has the initial burden of establishing a *prima facie* case of inconsistency with a particular provision of the TRIPS Agreement by adducing sufficient evidence to raise a presumption that its claims are true. Only upon establishing a *prima facie* case of inconsistency would any burden shift to the United States to refute the claim of inconsistency.

22. In this dispute, the EC has not sustained its burden of establishing a *prima facie* case that section 211 is inconsistent with any provision of the TRIPs Agreement. It has not presented sufficient evidence of any inconsistency to create a presumption that its claims are true. There is little specificity or substance to the EC's argument and what little there is – while insufficient to create a presumption of inconsistency – is easily refuted.

23. For instance, the EC's claims with respect to sections 211(a)(1) and 211(b) completely ignore well-established doctrines with respect to the ownership of trademarks and well-established policies against extraterritorial recognition of foreign confiscations. In addition, in maintaining that section 211(b) is inconsistent with a number of TRIPs articles, the EC states that "the precise scope" of section 211(b) is "largely obscure." EC Submission, paragraph 67. It then offers an interpretation "[b]y way of speculation" and some dictum from a court case. *Id.* Since it is the EC's burden to *demonstrate* that section 211(b) is inconsistent with TRIPs, the EC's admission that it does not know exactly what section 211(b) covers is evidence that the EC has not sustained its burden in this dispute.

24. In effect, the EC has done little more than quote or restate various provisions of U.S. law, quote or restate various TRIPs provisions, and ask the United States to prove that section 211 is consistent with TRIPs. This reverses the proper allocation of burdens.

IV. Section 211 (a)(1) Is Not Inconsistent With TRIPs Or The Paris Convention

25. Contrary to the EC's assertions at paragraphs 44, 46, and 48 of its first submission, nothing in Paris Convention Article 6 *quinquies* A(1) (through TRIPs Article 2.1) or in TRIPs Article 15.1 requires the United States to accept the registration or renewal of trademarks, if the person registering or renewing the trademark registration is not the true owner of the trademark under U.S. law. Section 211(a)(1) provides

> Notwithstanding any other provision of law, no transaction or payment shall be authorized or approved pursuant to section 515.527 of title 31, Code of Federal Regulations, as in effect on September 9, 1998, with respect to a mark, trade name, or commercial name that is the same as or substantially similar to a mark,

[17] *Canada – Term of Patent Protection*, WT/DS170/R, upheld by Appellate Body, adopted, October 12, 2000, paras. 6.8 - 6.11.

trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of the mark, trade name or commercial name, or the bona fide successor-in-interest has expressly consented.

26. To understand what this provision means, it is necessary to understand how OFAC's regulations work. Generally speaking, under U.S. law, all transactions involving property under U.S. jurisdiction in which a Cuban national has an interest require a license from OFAC. 31 CFR 515.201 (Exhibit US-1). OFAC's regulations recognize two categories of licenses for this purpose: specific licenses and general licences. A general license is an authorization for certain types of transactions that is set forth specifically in OFAC's regulations. 31 CFR 515.317. In effect, these are standing authorizations for the types of transactions specified in the regulations, and a person wishing to engage in such transactions does not have to apply to OFAC. A specific license, by contrast, is one whose precise terms are not set forth in OFAC's regulations. 31 CFR 515.318. Generally, a person wanting to engage in a transaction for which a general licence is not available applies to OFAC for a specific license.

27. One of the general licenses available under OFAC regulations, at 31 CFR 515.527 (Exhibit US-1), is for transactions related to the registration and renewal in the United States Patent and Trademark Office ("USPTO") and United States Copyright Office of patents, trademark registrations, and copyright registrations in which the Government of Cuba or a Cuban national has an interest. Section 211(a)(1) changed this OFAC general licence provision, by stating that the coverage of this general license would not include transactions or payments with respect to certain marks, trade names and commercial names -- *i.e.*, those that are the same as or similar to marks, trade names or commercial names used in connection with a business or assets confiscated by the Government of Cuba (unless the original owner or his successor consents).

A. Neither Paris Convention Article 6 *quinquies* (A)(1) Nor TRIPs Article 15.1 Requires The Registration Of Trademarks That Are The Subject Of Section 211

28. [illegible]

1. Article 6 *quinquies* (A)(1) Of The Paris Convention Does Not Require The Registration Or Protection Of Trademarks That Are The Subject Of Section 211

a. Neither The Paris Convention Nor The TRIPs Agreement Dictates Domestic Law Concerning Trademark Ownership

29. Before considering the specific provisions of Article 6 *quinquies* (A)(1), it is important to understand the scope of both the TRIPs Agreement and the Paris Convention. As one trademark expert has noted:

> The Paris Convention is essentially a compact between the various member nations to accord in their own countries to citizens of other member nations trademark and other rights comparable to those accorded their own citizens by their domestic law. The underlying principle is that foreign nationals should be given the same treatment in each of the member countries as that country makes available to its own citizens. The Convention is not premised upon the idea that the trademark laws of each member nation shall be given extraterritorial application, <u>but on exactly the converse principle that each nation's law shall have only territorial application</u>. Thus, the Paris Convention creates nothing that even remotely resembles a "world mark" or an "international registration." Rather, it recognizes the principle of the territoriality of trademarks: a mark exists only under the laws of each sovereign nation.[18]

30. The Paris Convention, Article 1(1), established a "Union for the protection of industrial property." Article 1(2) states that [t]he protection of industrial property has as its object", among other subjects, trademarks. Although the term "trademark" is not defined in the Paris Convention, one commentator on the Paris Convention noted in 1969 that "a *trademark* is usually defined as a sign serving to distinguish the *goods* of one enterprise from those of other enterprises. The proprietor of a trademark generally has the exclusive right to use the trademark, or variations of it, for the same or similar goods."[19] Further, possibly because the principle was so universally understood as necessary to the functioning of an industrial property system as to

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[18] McCarthy, J. Thomas, *McCarthy on Trademarks and Unfair Competition*, Third Edition, section 29.10[1] (Release # 6, 9/95) (footnotes omitted, emphasis added) (Exhibit US-26).

[19] Bodenhausen, Professor G.H.C., <u>Guide to the Application of the Paris Convention for the Protection of Industrial Property</u>, United International Bureaux for the Protection of Intellectual Property (BIRPI) (1969) (reprinted 1991) (Exhibit US-27), at 22.

go without saying, the Paris Convention nowhere defines or describes who is the proprietor, or owner, of the trademark.

31. The decision on the identity of a trademark owner – who it is that may exclude others from using the mark – is, therefore, left to the domestic law of the Members of the Union. As one respected commentator has stated with respect to the Paris Convention, "[t]he question *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."[20] [Emphasis added by the author.] Under the domestic law of the Members, there are a myriad of considerations that can go into the determination of ownership of a trademark. In the United States, while "ownership" is generally established through use, there is a complex set of considerations that comes into play when decisions have to be made as to who owns a trademark, for instance, as between two users of the trademark, as between a distributor and a manufacturer, and as between related parties, each of whom claims ownership of the mark. Under U.S. law, the owner of a mark is generally the party who controls the nature and quality of the goods sold or services rendered under the mark.[21] Thus, the specific facts concerning the use of the mark are determinative of the issue of ownership in the United States.[22] This is true regardless of who has registered the trademark: if the person registering a trademark in the United States is not the true owner of the trademark under U.S. law, the registration may be canceled. In other Members, domestic law provisions on ownership of trademarks are different; as noted, there is nothing in the Paris Convention that dictates the content of domestic law on the subject of ownership.

32. Although the substantive rules on ownership are left to the domestic laws of the Members, a basic rule of the Convention under Article 2(1) is that, whatever the laws are, they must not grant fewer advantages to nationals of other Members than they grant a Member's own nationals. This provision for "national treatment" is discussed in greater detail below. Suffice it

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[20] Bodenhausen, at 125 (providing clarification as to who might be considered the proprietor of a mark for purposes of interpreting Article 6*septies* of the Paris Convention) (Exhibit US-27).

[21] 15 U.S.C. 1051 (Exhibit US-28); Trademark Manual of Examining Procedures, sections 1201 *et seq.* (available on-line at www.uspto.gov/web/offices/tac/tmep/ .)

[22] United States domestic law reflects in numerous respects the importance of determining the identity of the owner of the trademark. The only proper party to apply for registration of a mark is the person who owns the mark. 15 U.S.C. 1051. Further, 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) (Exhibit US-29).

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. 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 (Exhibit US-28).

to say, however, that the negotiators of the Paris Convention could have defined how a Member is to determine who owns a trademark in that Member's territory, but did not. Instead, the Paris Convention approach was to leave the rules on ownership to the individual members, and only require the even-handed application of those rules to all nationals of other Members.

33. The TRIPs Agreement elaborates on certain provisions of the Paris Convention with respect to trademarks by, for instance, defining eligible subject matter for trademarks (Article 15.1), specifying the minimum exclusive rights which must accrue to owners of registered trademarks (Article 16.1), and making certain enforcement procedures available to right holders (*e.g.*, Article 42). In these ways, it goes beyond the Paris Convention framework.[23] But, as in the case of the Paris Convention, the TRIPs Agreement does not contain any provision that specifies how trademark ownership is to be determined. As in the case of the Paris Convention, the TRIPs Agreement leaves that determination to the national law of each Member, subject to the requirements of "national treatment" (Article 3) and "most favored nation" treatment (Article 4).

34. In sum, the Paris Convention and TRIPs rights with respect to trademarks accrue only to the *owner* of the intellectual property right, but the Paris Convention and the TRIPs Agreement do not provide substantive rules for determining who the owner of the trademark is. For this reason, all responsible Members of the Paris Convention and TRIPs Agreement, including the European Communities, provide for the opportunity to challenge assertions of ownership and to cancel trademark registrations upon determination that the party asserting ownership rights is not, in fact, the true owner of the mark.

35. It is in this context that the Panel must consider the applicability of Article 6 *quinquies* of the Paris Convention.

b. Article 6 *quinquies* Is An "Exceptions" Provision That Concerns The Form Of The Trademark

36. Contrary to the assertions of the EC at paragraphs 45 - 48 of its first submission, Article 6 *quinquies* does not force the United States to register and protect all trademarks duly registered in a Member country of origin when the registrant traces its ownership "right" to the trademark to an uncompensated confiscation and when the United States does not recognize such a right under U.S. law. It is simply incorrect that Article 6 *quinquies* leaves no latitude to U.S. domestic law to determine whether the original owner – the one whose business or assets were taken from him without compensation – is the true owner of the trademark right in the United States.

37. In fact, Article 6 *quinquies* provides a limited exception to the rule that it is the Member's

[23] *See* Gervais, Daniel, The TRIPs Agreement: Drafting History And Analysis, Sweet & Maxwell, London (1998), at 105, 109-110, 200 - 201 (Exhibit US-30).

national laws that determine the conditions for filing and registration of trademarks. It in no way interferes with the United States' ability to determine whether the applicant is the proper owner of the trademark.

38. As an initial matter, by not registering "trade names" or "commercial names", the United States does not violate TRIPs or the Paris Convention.[24] Article 6 *quinquies*, by its explicit terms, concerns only trademarks; it does not even mention trade names and commercial names. Further, the USPTO registers and renews trademarks, but does not register or renew trade names or commercial names, and there is nothing in TRIPs that would require the USPTO to do so. Therefore, the only issue presented to the Panel regarding Article 6 *quinquies* is a trademark question, *i.e.*, whether the provisions of section 211 (a)(1) with respect to trademarks are consistent with Article 6 *quinquies*.

39. In interpreting Article 6 *quinquies*, Article 6 provides essential context.[25] Article 6 provides the general rule that "[t]he conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation". Article 6(1). Article 6 also emphasizes the independence of trademarks filed in different countries (Article 6(3)) and provides that a Member may not make filing or registration in its territory contingent on filing or registration in the country of origin of the registrant. In addition, Articles 2 and 3 of the Paris Convention guarantee to all nationals of other Members the same rights that a Member grants to its own nationals ("national treatment"). Therefore, the principles expressed in Article 6, in conjunction with Articles 2 and 3, are (1) that filings and registration of the same trademark in various countries are independent and (2) that a trademark applicant from one Member may claim "national treatment" with respect to all national laws related to the conditions for the filing and registration of trademarks.

40. Article 6 *quinquies*, by contrast, was aimed at the *exceptional* circumstance in which a

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[24] As noted in Article 8 of the Paris Convention, "[a] trade name shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of a trademark." Article 6 *quinquies* of course is with specific reference to trademarks, not trade names.

[25] The *Vienna Convention on the Law of Treaties* (Vienna Convention) restates in relevant respects the customary international legal rules of treaty interpretation. These rules have been repeatedly relied on by the Appellate Body and WTO panels in interpreting the WTO Agreements. *See*, *e.g.*, *United States - Standards for Reformulated and Conventional Gasoline*, WT/DS2/AB/R, 29 April 1996, at p. 16 ("[Article 31] forms part of the 'customary rules of interpretation of public international law' which the Appellate Body has been directed, by Article 3(2) of the *DSU*, to apply in seeking to clarify the provisions of the *General Agreement* and the other 'covered agreements' of the *Marrakesh Agreement Establishing the World Trade Organization*.") Article 31 of the Vienna Convention provides that "a treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in light of its object and purpose." According to Article 32, recourse to supplementary means of interpretation including preparatory work, *inter alia*, may be had "in order to confirm the meaning resulting from the application of Article 31."

national of a Member, who has a registered trademark in his country of origin, claims *better* than national treatment with respect to a registration of his trademark in its original form in another Member. This provision was necessary because of differences in domestic legislation with regard to the form of the trademark. Where, for instance, domestic legislation prohibited foreign words or simple numbers or letters from being registered as a trademark, a national of one Member might be precluded from registering his trademark even under national treatment principles. This was contrary to the interests of owners of trademarks and the public in having the same trademark apply to the same goods in various countries.[26]

41. To address this situation, in which a trademark registered in one Member might not otherwise be registrable in another member *because of its form* (*e.g.*, because it is in a foreign language or contains numbers), Article 6 *quinquies* provides an exceptional "national treatment 'plus'" avenue:

> Every trademark duly registered in the country of origin shall be accepted for filing and protected as is [in the authentic French text, telle quelle] in the other countries of the Union, subject to the reservations indicated in this article.

42. The phrase "as is", or "telle quelle" in the authentic French text of the Convention, is important in defining the scope of Article 6 *quinquies*. According to one commentator, Professor Bodenhausen, "telle quelle" in the original Convention of 1883 meant "in its original form", and the Final Protocol to that Convention made clear that the scope of what was later to become Article 6 *quinquies* was limited to situations in which domestic law would refuse to protect a trademark solely because of the signs of which it is composed:

> 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.[27]

43. Under the exceptional circumstances in which Article 6 *quinquies* is invoked, therefore, Members are obliged to accept trademarks duly registered in the country of origin for filing and registration, if the only objection to the trademark is that it does not comply with the provisions of domestic law concerning the permissible form of a trademark. Nothing in Article 6 *quinquies*

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[26] *See generally*, Bodenhausen at 108 - 111 (Exhibit US-27).

[27] Bodenhausen, at 110, quoting Final Protocol (emphasis added by author) (Exhibit US-27) .

prevents Members from applying other provisions of their domestic law to trademark applications under Article 6(1).[28]

44. Consequently, nothing in Article 6 *quinquies* requires the United States to accept for filing and protection trademarks that, although duly registered in the country of origin, are not duly registered by the persons that the United States considers under its domestic laws to be the proper owners of the trademark. The exceptional circumstance represented by Article 6 *quinquies* – where the United States might be required to accept a trademark that is inconsistent with U.S. law *as to the form of the trademark* – cannot reasonably be read to require the United States to accept and protect a trademark filed by the person who, under U.S. law, is not the legitimate owner.

c. Article 6 *quinquies* Contains Specific Exceptions That Permit Members To Deny The Registration Of Trademarks

45. Even assuming, for the sake of argument, that the scope of paragraph (A)(1) of Article 6 *quinquies* of the Paris Convention could be interpreted as not being limited to the form of a trademark, section 211(a)(1) would still not be contrary to this article, because of the exceptions or reservations set forth in paragraph (B).

46. Article 6 *quinquies* (B) provides as follows:

> B.-- Trademarks covered by this Article may be neither denied registration nor invalidated except in the following cases: . . . 3. when they are contrary to morality or <u>public order</u> ["*ordre public*," in the authentic French text] and, in particular, of such a nature as to deceive the public. It is understood that a mark may not be considered contrary to public order for the sole reason that it does not conform to a provision of the legislation on marks, except if such provision itself relates to public order. (Emphasis added)

An interpretive rule in paragraph (C)(1) makes it clear that this exception (as well as the other ones in paragraph (B)) must be applied in the light of all the relevant facts. Article 6 *quinquies* (C)(1) reads as follows:

> C.—In determining whether a mark is eligible for protection, *all the factual circumstances must be taken into consideration*, particularly the length of time the mark has been in use. (Emphasis added.)

[28] Bodenhausen, at 111 (providing specific examples of the requirement of a previous use of the mark, or the condition that the applicant must possess an industrial or commercial enterprise) (Exhibit US-27).

47. Under Article 6 *quinquies* (B), the Members of the Paris Union have reserved the right to deny registration to, or to invalidate, a foreign-origin trademark when, in the light of all the relevant circumstances (as directed by paragraph (C)(1)), such a registration would be "contrary to . . . public order."

48. The term "public order" is a translation into English of the phrase *"ordre public"* which is used in the original French text of the Paris Convention. Although the Paris Convention does not define the term "*ordre public*," there is no question that this is a reference to the familiar civil-law concept denoted in French by the expression "*ordre public*" (and in other European languages by "*orden público*," "*ordine pubblico*," "*öffentliche Ordnung*," etc.). For convenience, we will generally refer to this concept as "*ordre public.*" The functional counterpart of this concept in common-law systems is the concept of "public policy", although this term is also used in other contexts with a broader meaning.

49. It is plain that any exception based on "*ordre public*" would include the principle of non-recognition of foreign confiscations.[29] The customary international law on expropriation is clear: a State may not expropriate private assets of nationals of other States in its territory unless the expropriation is (1) for a public purpose, (2) on a non-discriminatory basis and in accordance with due process of law, and (3) subject to prompt, adequate and effective compensation. It is on the basis of "ordre public" that courts in Europe, the United States, and elsewhere around the world have refused to give effect in the forum to claims of title based on a foreign confiscation. In particular, as discussed in more detail in section II.A above, courts in many countries of the world -- and in particular those in Europe and in the United States -- have declined to recognize claims of title to trademarks that were expropriated without compensation. While courts justify their decisions in accordance with the technical peculiarities of each system, the conclusions they reach are consistent: the forum will refuse to give extraterritorial effects to a claim of title derived from a foreign confiscation because such confiscation is contrary to the "*ordre public"* of the forum.

50. In the United States, respect for private property is a fundamental principle. The Fifth Amendment to the United States Constitution provides that no person "shall be deprived of . . .

[29] As discussed above, in section IV.A.1, the United States does not believe that Article 6 *quinquies* (A) imposes an obligation to accept for filing and protect all trademarks filed in Member countries, if, under U.S. law, the filing entity is not the true owner of the trademark. Therefore, the United States does not believe that the exceptions under Article 6 *quinquies* (B) are relevant. However, were Article 6 *quinquies* (A) considered to impose such an obligation, the *"ordre public"* exception under Article 6 *quinquies* (B) would encompass the principle against the recognition of foreign confiscations.

In the view of the United States, any exception to obligations under the Paris Convention based on "*ordre public*" should be narrowly drawn.

property, without due process of law . . ." This constitutional principle bars takings of private property without full compensation. In light of this principle, courts in the United States have consistently refused to give extraterritorial effects to claims of title based on foreign confiscations. As the United States Court of Appeals for the Fifth Circuit stated in the *Maltina* case, it has been "settled by a long line of cases that our courts will not give extraterritorial effect to a confiscatory decree of a foreign state . . . ." *Maltina Corp. v. Cawy Bottling Co*., 462 F.2d 1021, 1025 (5th Cir. 1972) (Exhibit US-16). Foreign confiscations are "shocking to our sense of justice" and must not be recognized by U.S. courts. *Bandes v. Harlow & Jones, Inc*., 852 F.2d 661, 667 (2d Cir. 1988) (Exhibit US-14). The reason is that to recognize foreign confiscations would "be to give [the foreign confiscation decree] extraterritorial effect and thereby emasculate the public policy of the forum against confiscation." *Zwack v. Kraus Bros. & Co*., 237 F.2d 255, 259 (2d Cir. 1956) (Exhibit US-18); *see also F. Palicio y Compañía, S.A. v. Brush*, 256 F. Supp. 481, 488 (S.D.N.Y. 1966) (Exhibit US-20) ("our courts will not give extraterritorial effect to a confiscatory decree of a foreign state"); *Rupali Bank v. Provident National Bank*, 403 F. Supp. 1285, 1290 (E.D. Pa. 1975) (Exhibit US-19) ("the public policy of the United States [ ] is vehemently opposed to confiscation without compensation"); *Republic of Iraq v. First Nat'l City Bank*, 353 F.2d 47, 51-52 (2d Cir. 1965) (Exhibit US-17) (foreign confiscation of assets is "contrary to our public policy" and will not be given extraterritorial effect by U.S. courts); *Vladikavkazsky Ry. Co. v. New York Trust Co*., 189 N.E. 456, 460 (N.Y. 1934) (Exhibit US-22) ("the arbitrary dissolution of a corporation, the confiscation of its assets, and the repudiation of its obligations by decrees, is contrary to our public policy and shocking to our sense of justice and equity").

51. The confiscations that occurred during the Cuban revolution have been specifically held to be among those to which extraterritorial effect should not be given. *See, e.g., Menendez v. Saks & Co*., 485 F.2d 1355, 1364 (2d Cir. 1973) (Exhibit US-31) ("the Cuban government's purported seizure of [certain assets] without compensation is contrary to our own domestic policy," and therefore "the confiscation was ineffective" within U.S. territory); *F. Palicio y Compañía, S.A. v. Brush*, 256 F. Supp. 481, S.D.N.Y. 1966) (Exhibit US-20) (U.S. courts will not recognize trademark rights of the Cuban government that were derived from a confiscation), *aff'd mem*., 375 F.2d 1011 (2d Cir. 1967); *Maltina Corp. v. Cawy Bottling Co*., 462 F.2d 1021, 1027 (5th Cir. 1972) (Exhibit US-16) (giving effect in the U.S. to a Cuban confiscation "would violate bedrock principles of this forum, embodied in the Fifth Amendment to the Constitution"; courts therefore have a "duty to assess . . . the compatibility [of a foreign confiscation] with the laws and policy of this country"); *Compania Ron Bacardi, S.A. v. Bank of Nova Scotia*, 193 F. Supp. 814, 815 (S.D.N.Y. 1961) (Exhibit US-32) ("the public policy of our nation is antithetical to the recognition of the Cuban government's confiscatory decree with respect to property outside Cuba . . .").

52. As discussed in section II.B above, section 211 reflects the principle that no extraterritorial effect will be given to a claim of title based on a foreign confiscation. If section 211(a)(1) restricts the recognition of a claim of title based on a foreign confiscation, in so doing,

it properly prevents the application in the United States of a foreign confiscatory decree. Indeed, giving *telle quelle* protection to a foreign-origin trademark that has been confiscated by a foreign government would amount to giving extraterritorial effect in the United States to the foreign confiscation. Neither TRIPs nor the Paris Convention requires the United States to do this. Accordingly, even if the Panel came to the view that Article 6 *quinquies* (A)(1) contains an obligation to register and protect a trademark on behalf of a person that the United States does not consider the owner of the trademark -- a view that the United States believes is incorrect -- the "ordre public" exception in Article 6 *quinquies* (B) would excuse the United States from such an obligation where the result would be to give extraterritorial application to foreign confiscations. Therefore, Section 211(a)(1) cannot be inconsistent with the obligations of the United States under Article 6 *quinquies* of the Paris Convention.[30]

d. Conclusion: Section 211(a)(1) Is Not Inconsistent With Article 6 *quinquies*

53. Under Article 6 of the Paris Convention, which provides that the conditions for filing and registration of trademarks are a matter for domestic law, the United States is entitled to require the express consent of the original owner of uncompensated confiscated property as a precondition to registration. The Paris Convention Article 6 *quinquies* provides only for the exceptional circumstance in which a trademark registered in one Member is entitled to registration in another Member, despite the fact that, <u>solely because of the form of the trademark</u>, it would not be entitled to registration under national treatment principles. Moreover, it recognizes that Members may deny the registration of trademarks that are contrary to "*ordre public*." Nothing in Article 6 *quinquies* requires the United States to accept for registration a trademark claimed on the basis of an uncompensated confiscation in another country.

[30] Article 21 of the TRIPs Agreement also supports the position that the Agreement cannot be construed to compel a Member to give extraterritorial effect to a claim of title to a trademark derived from a foreign confiscation. Article 21 provides in part that "the compulsory licensing of trademarks shall not be permitted." The uncompensated confiscation of a trademark amounts to a particularly harsh and egregious form of compulsory licensing – the forced surrender to the state of exclusive and all-encompassing rights to the trademark without the payment of any royalties or other consideration. The prohibition of compulsory licensing shows that, *a fortiori*, the confiscation of trademarks is contrary to the philosophy of the Agreement.

2. TRIPs Article 15.1 Defines Eligible Subject Matter; It Does Not Contain An Affirmative Obligation To Register All Eligible Trademarks

a. TRIPs Article 15.1

54. TRIPs Article 15.1, "Protectable Subject Matter", provides generally that "[a]ny sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from of other undertakings, shall be capable of constituting a trademark." Article 15.1 further elaborates that such signs – and in particular words including personal names, letters, and numerals, among other specified signs – "shall be eligible for registration as trademarks."

55. A simple textual reading is that Article 15.1 defines what may constitute a trademark. As one commentator noted, Article 15.1 is an important first in that it defined the expression "trademark", and did so in a very broad manner that does not limit the types of signs that may be considered a trademark, but instead focuses on distinctiveness.[31] The object and purpose of Article 15.1 is to limit the ability of Members to claim that a trademark is not capable of constituting a trademark, and is therefore not eligible for registration, because of the form of the trademark. For instance, under Article 15.1, a Member could not refuse trademark registration on the grounds that it is made up of personal names, or of letters, or on other grounds related to form, so long as the signs of which the trademark is composed are capable of distinguishing the goods or services or one undertaking from another. Article 15.2 emphasizes that this does not mean that a Member is prevented from denying registration of a trademark on other grounds, provided such other grounds do not derogate from the provisions of the Paris Convention. This point is discussed in the next section.

56. In this light, section 211(a)(1) is not inconsistent with Article 15.1. The restrictions imposed by section 211(a)(1) are not based on the form of the trademark. Section 211(a)(1) is concerned with trademarks, regardless of the form, that are similar or identical to trademarks used in connection with assets confiscated without compensation, and are being registered without the permission of the original owner. Section 211(a)(1) has nothing to do with the form of the trademark, or with whether the trademark is made up of signs "capable of distinguishing the goods or services of one undertaking from another." It relates solely to the rights of the person registering the trademark to assert an ownership interest in that trademark. For this reason, for instance, section 211(a)(1) has no effect on registrations of a trademark by the original owner of the confiscated assets, or by a person who has the original owner's permission.

57. Because section 211(a)(1) does not provide that signs capable of distinguishing the goods of one undertaking from another may not constitute a trademark, but only addresses the issue of

[31] Gervais, at 105 (Exhibit US-30).

who may assert rights in such a trademark, it is not inconsistent with TRIPs Article 15.1.

b. TRIPs Article 15.2

58. In any event, assuming, for the sake of argument, that Article 15.1 of the TRIPs Agreement could be interpreted as imposing on Members an independent affirmative obligation to register those trademarks that it declares "eligible for registration," such an obligation would be limited by Article 15.2 of the same Agreement. The limitation set forth in Article 15.2 amply justifies the provisions of Section 211(a)(1).

59. Article 15.2 of the TRIPs Agreement provides as follows:

> Paragraph 1 shall not be understood to prevent a Member from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention (1967).

As used in this provision, "to derogate" means "to take away a part *from*; to detract, to make an improper or injurious abatement *from*" something, such as a right, privilege or possession, or a treaty.[32] Therefore, Article 15.1 does not prevent a Member from denying registration of a trademark, as long as doing so does not impair its obligations under the Paris Convention. Article 15.2 does not require that the grounds for the denial be expressly contemplated in the Paris Convention; it is enough that the denial itself be consistent with the Paris Convention, *i.e.,* that it is not inconsistent with the Member's obligations under that treaty. Consequently, because, as discussed in section IV above, nothing in section 211(a)(1) is inconsistent with the Paris Convention, Section 211(a)(1) is not inconsistent with TRIPs Article 15.1.

V. Sections 211 (a)(2) and 211(b) Are Not Inconsistent With TRIPs

60. Section 211(a)(2) provides that "No court shall recognize, enforce, or otherwise validate any assertion of rights by a designated national based on common law rights or registration obtained under [the OFAC general licensing provision discussed above] of such a confiscated mark, trade name or commercial name". In plain terms, anyone who traces "rights" in a U.S. trademark to a confiscation in Cuba may not have those purported rights recognized or enforced by U.S. courts. Section 211(b) contains a similar provision with respect to persons who claim trademark, trade name or commercial name rights in the United States by virtue of a trademark registration in a Member country. In other words, under section 211(b), a confiscating entity, or its successors in interest, cannot – by virtue of having confiscated a business and duly registering its trademark in Cuba – claim ownership rights to that trademark in the United States. The EC

[32] Oxford English Dictionary, Compact Ed. "Derogate" No. 5 (derogate *from*), p. 695. One of the examples given is "This present Treaty shall in no way derogate from former Treaties."

claims, incorrectly, that these provisions are inconsistent with a number of TRIPs provisions, each of which will be examined in turn.

A. Sections 211(a)(2) and 211(b) Are Not Inconsistent With TRIPs Article 16.1

61. The EC has a two-part argument with respect to TRIPs Article 16.1: (1) sections 211(a)(2) and 211(b) deny access to the U.S. court system for certain trademark owners and (2) this "denial" is tantamount to depriving rightholders of their exclusive rights. Neither of these arguments is accurate. Sections 211(a)(2) and 211(b) do not interfere with full access to the U.S. court system for all persons asserting ownership rights in U.S. trademarks. For sake of clarity, however, this part of the EC argument will be discussed in the next section, along with the EC's arguments concerning Article 42 ("Fair and Equitable Procedures"). This section is directed at the EC's argument that these section 211 provisions deprive rightholders of their exclusive rights, contrary to Article 16.1.

62. TRIPs Article 16.1 confers certain rights on the "owner" of a "registered trademark", notably the exclusive right to prevent third parties not having the owner's consent from using the trademark under certain circumstances. Sections 211(a)(2) and 211(b) can only violate Article 16.1, therefore, if they prevent the owner of a registered trademark from asserting his exclusive rights vis-a-vis third parties. Section 211(a)(2) and 211(b) do not do this, for two reasons. First, under section 211, a person who traces his "rights" to an uncompensated confiscation is not an owner of the trademark under U.S. law, and is in no position to assert any rights under TRIPs. Nothing in TRIPs requires the United States to confer ownership status on a person who traces his purported ownership status to an uncompensated confiscation. Second, with respect to the assertion of "common law rights" under section 211(a)(2) – *i.e.*, those rights based not on registration, but on use -- these are not rights sought by "the owner of a registered trademark", which are the rights guaranteed by Article 16.1, but are rights sought by the owner of a common law trademark.

63. With respect to the first point, TRIPs Article 16.1 clearly distinguishes between the registered trademark, on the one hand, and the owner of the trademark, who may assert his rights, on the other. Where a person is the owner of a trademark, and that trademark is registered by that owner, TRIPs guarantees that person exclusive rights to prevent third-party use. However, it may be, under Article 16.1, that the "owner" of the trademark is not the same as the person who has registered the trademark. While a U.S. federal trademark registration carries with it the legal presumptions of ownership, validity, and priority, all of these presumptions are subject to challenge. If a person other than the registrant can show a superior claim to the trademark based, for example, on prior use, that person can be adjudged the true "owner" of the trademark. Article 16.1 specifically anticipates that the owner of the trademark — the person in a position to assert exclusive rights under domestic law — may be someone other than the registrant.

64. This is clear from the last sentence of Article 16.1, which states that the rights guaranteed

by Article 16.1 do not "affect the possibility of Members making rights available on the basis of use." That sentence also provides more generally that the Article 16.1 rights "shall not prejudice any existing prior rights." By way of illustration, in the United States, if one person registers a trademark, but another person has "existing prior rights" based on use, it is the latter person, and not the registrant, who, consistent with domestic law implementing Article 16.1, can assert his rights.[33]

65. Aside from the specific mention of rights acquired by use, Article 16.1 does not specify what are the other "existing prior rights" that are not prejudiced by the Article 16.1 rights. The determination of existing prior rights, like the determination that trademark rights are acquired through use, is a question of national law not dealt with in the TRIPs Agreement.

66. In light of this interpretation, it is plain that sections 211(a)(2) and 211(b) are not inconsistent with TRIPs Article 16.1.

67. Section 211(a)(2) provides that if a "designated national" – essentially the Cuban government, Cuban nationals, and their successors in interest – (1) has obtained a trademark registration under a general OFAC licence, <u>and</u> (2) the trademark is identical or similar to a trademark used in connection with a business confiscated without compensation by the Cuban Government, U.S. courts will not recognize, enforce or otherwise validate any assertion of trademark rights by that person. Under Section 211(b), if a designated national has obtained a registration in his country of origin for such a trademark (that is, a trademark used in connection with a confiscated business), and asserts ownership rights to that trademark in the United States by virtue of the foreign registration, U.S. courts will not recognize, enforce, or otherwise validate that assertion of rights.

68. This is not inconsistent with Article 16.1. Although 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, which is the obligation set forth in Article 16.1. This is because, under U.S. law, the successor to the confiscating entity is not the "owner" of the trademark in the United States. Whether to confer ownership status on a claimant to a trademark right is a matter that is reserved to the domestic law of the member. TRIPs simply has nothing to say about the substantive issue of trademark ownership.[34] If the United States decides that confiscating entities that have provided no compensation for the property confiscated or their successors in interest cannot exercise the rights of ownership to the trademark associated with the

[33] In rare circumstances, it is possible for a later-in-time ("junior") good faith registrant to co-exist with a "senior" user, under a consent or concurrent-use agreement. 15 U.S.C. 1052(d) (Exhibit US-28); TMEP, sections 1207.01(c)(viii) and 1207.04 *et seq.*

[34] There are, of course, certain important procedural protections and principles, such as national treatment and most favored nation, that would affect ownership rules from a procedural point of view. This is to be contrasted with the substantive requirements for ownership that Members are entitled to establish under their domestic laws.

confiscated business in the United States, it is fully within the authority of the United States to do so. As discussed above, there is no TRIPs provision that limits that right. Once a Member recognizes that the registrant is the owner of the trademark, TRIPs requires the Member to grant certain rights to that owner. Until that happens, it does not.

69. An illustration may help clarify why this result makes sense in light of the principle against the extraterritorial application of foreign confiscatory decrees. Under this principle, for example, if there were an uncompensated confiscation of a Cuban business that had trademarks both in the United States and in Cuba, the confiscation would not affect the ownership of the trademark rights in the United States: those rights would still belong to the true owners of the business, not the confiscating entity. On this point, both EC and US judicial precedent seem to agree.[35] Yet, if the U.S. trademark were a common law trademark – that is, one established through use and not through registration – the confiscating entity might be able to register the trademark in its name. Under the EC reading of TRIPs Article 16.1, if the confiscating entity succeeded in registering the mark, it would be entitled under Article 16.1 to have its trademark enforced in the United States, to the detriment of the true owners. This is a result that would be entirely contrary to the principle of not giving extraterritorial effect to foreign confiscations.

70. The United States reiterates that such an interpretation of Article 16.1 is not supported by the plain language of that Article, which clearly envisions that, under domestic law, the rights of ownership may be given to someone other than the registrant. Further, it is inconceivable that the TRIPs negotiators intended, by means of Article 16.1, to reverse the established principle against giving domestic effect to foreign uncompensated confiscations. As discussed above, this principle has been in effect in the much of the world, including the United States and Europe, for nearly one hundred years, and has been much in force and in evidence throughout the post-World War II period. There is no indication in the TRIPs text, or in its object and purpose, of any intention to overturn this long-standing principle.

71. Article 16.1 has as its object and purpose to define and protect the rights of the owner of a trademark, not to limit the ability of Members to determine who the owner is. In other words, the contribution of TRIPs Article 16.1 was enhanced enforcement of intellectual property rights,[36] not curtailment of a sovereign nation's authority to determine who may assert those rights. Article 16.1 especially did not curtail such rights with respect to the basic decision whether to recognize uncompensated foreign confiscations.

72. The EC appears to argue at paragraph 9 of its first submission that the extraterritorial effect of uncompensated confiscations is <u>not</u> the issue. The EC appears to concede that sovereign nations are entitled to refuse recognition to foreign uncompensated confiscations at the

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[35] *See* section II.A above.

[36] Gervais, at 109 (Exhibit US-30).

time the confiscation takes place. For the EC, the issue presented by section 211 is whether, after a foreign confiscation takes place, and after the original owner has abandoned his trademark, the United States can still prevent the confiscating entity from owning U.S. trademark rights.

73. This argument draws a false distinction. Whether TRIPs has, despite its silence, overturned the principle against giving domestic effect to foreign confiscations is, indeed, the issue. Either Article 16.1 takes away the ability of sovereign nations not to recognize the ownership of confiscating entities, or it does not. Nothing in Article 16.1 supports a distinction between the rights of confiscating entities at the time of the confiscation and those rights 20 years later. If, as the EC asserts, Article 16.1 says that Members are no longer free to determine who is and who is not the owner of a trademark right, a Member is no freer to make that determination at the time of the confiscation than it is after the trademark has allegedly fallen into the public domain. Article 16.1 does not change the rule that Members get to determine who may claim ownership of a trademark.

B. Even If Sections 211(a)(2) and 211(b) Were Inconsistent With Article 16.1, They Would Fit Within The Article 17 Exceptions

74. As discussed above, sections 211(a)(1) and 211(b) are not inconsistent with TRIPs Article 16.1, because Article 16.1 confers rights on the owner of a registered trademark, and section 211 does not limit the rights of the true owners of registered trademarks. Even if the Panel were to find an inconsistency between the rights referred to in Article 16.1 and sections 211(a)(1) and 211(b), however, these sections would still be consistent with TRIPs. The TRIPS Agreement contains a general provision – Article 17 – which allows WTO Members to make exceptions to the rights conferred by a trademark. Article 17 of the TRIPS Agreement provides as follows:

> Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.

As shown below, notwithstanding Article 16.1 (and Article 42 of the TRIPs Agreement and Article 6 *bis* of the Paris Convention, discussed further below), the restrictions imposed by sections 211(a)(2) and 211(b) would be justified as limited exceptions to trademark rights under Article 17 of the TRIPS Agreement.

75. Article 17 permits WTO Members to make exceptions to the rights conferred by a trademark so long as they meet two cumulative requirements: (i) any exception must be limited, and (ii) it must take account of the legitimate interests of both the trademark owner and third

parties.[37]

1. Sections 211(a)(2) and 211(b) Are Limited

76. The first of the two conditions under Article 17 is that any exception to trademark rights be "limited". The ordinary meaning of "limited" is "confined or restricted within certain limits."[38] Vague, unbounded exceptions to trademark rights are not excused by Article 17.

77. Sections 211(a)(2) and 211(b) represent limited exceptions to trademark rights for several reasons. First, each of these provisions applies only to a very narrow and specified class of potential right holders. Second, these provisions, properly construed, merely impose one condition to the enforcement of asserted trademark rights: the consent of the original owner. This consent requirement is directly related to the purpose of the exception, which is to deny extraterritorial effects to a Cuban confiscation. If the original owner's consent is obtained, neither section 211(a)(2) nor section 211(b) imposes any limitation whatsoever on the enforcement of asserted trademark rights. In addition, sections 211(a)(2) and 211(b) apply only to the confiscating entity and its successors in interest; it does not apply to any unrelated third party that seeks to assert rights in the trademark.

2. Sections 211(a)(2) and 211(b) Do Take Account Of The Legitimate Interests Of The Owner Of The Trademark And Of Third Parties

78. Exceptions permitted under Article 17 must also take account of the legitimate interests of the owner of the trademark and of third parties. The ordinary meaning of the phrase "take account of" is "to take into consideration"[39] or " to allow for"[40] certain factors – in this case, the legitimate interests of the trademark owner and third parties.

79. The WTO Panels in both *Canada Pharmaceuticals* and *United States – Section 110(5)* considered the meaning of the phrase "legitimate interests" in reference to an interest in

[37] Gervais, at 112 (Exhibit US-30).

[38] American Heritage Dictionary, 732 (1982). *See also* Oxford English Dictionary, available on-line at **www.oed.com** ("circumscribed within definite limits, bounded, restricted").

[39] Oxford English Dictionary, available on-line at **www.oed.com**.

[40] American Heritage Dictionary, 72 (1982).

exclusive rights.[41] The *Canada Pharmaceuticals* Panel explained that legitimate interests must be defined "as a normative concept calling for protection of interests that are 'justifiable' *in the sense that they are supported by relevant public policies or other social norms.*"[42] The primary issue in determining whether the claimed interest should be considered legitimate is "whether the normative basis of that claim rest[s] on a widely recognized policy norm."[43] The Panel also emphasized that the term "legitimate interests" is broader than "legal interests."[44]

80. The WTO Panel in *United States – Section 110(5)* reached a similar conclusion regarding the meaning of the phrase "legitimate interests" in Article 13 of the TRIPS Agreement. According to the Panel, "[l]egitimacy relates to lawfulness from a legal positivist perspective, but it has also the connotation of legitimacy from a more normative perspective, in the context of calling for the protection of interests that are justifiable in the light of the objectives that underlie the protection of exclusive rights."[45] These two decisions make clear that, in considering the legitimate interests of the trademark owner and third parties under Article 17, the principle against the recognition of foreign confiscations would play a strong role.

81. As discussed above, the goal underlying section 211 is clear: to prevent Cuban confiscations from having an extraterritorial effect in the United States. As already shown in section II.A above, it is a well-established principle of both U.S. and European law that foreign confiscations are contrary to ordre public and, consequently, claims of title based thereon are not given extraterritorial effect. The significance of this principle is not diminished in the least by any transfer of the confiscated property to another party or by the passage of time since the confiscation took place.

82. Under section 211, a designated national who claims to own the trademark rights has *no* legitimate interest in the mark because his claim is based, directly or indirectly, on the confiscation of the business associated with the mark. By contrast, the interest of the dispossessed owner has considerable legitimacy. The original owner created the trademark, first used it on his products, and built its distinctive reputation. The fact that he was deprived of his

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[41] Panel Report, *Canada – Patent Protection of Pharmaceutical Products*, WT/DS114/R, (adopted Mar. 17, 2000, para. 7.44 (applying Article 30 of the TRIPS Agreement, concerning exceptions to patent rights); *United States - Section 110(5) of the U.S. Copyright Act,* WT/DS160/R, adopted July 27, 2000, para. 6.224 (applying Article 13 of the TRIPS Agreement, concerning exceptions to copyright protection).

[42] *Canada Pharmaceuticals,* para. 7.69 (emphasis added).

[43] *Id.* para. 7.77.

[44] *Id.* para. 7.68, 7.71.

[45] *Section 110(5)*, para. 6.224.

property, without compensation, by governmental fiat, in no way diminishes the policy justification for protecting his interest in the mark. A consent requirement sufficiently "takes account" of this history and allows the current claimant and the original owner to work out an accommodation of their respective interests. In other words, section 211 is precisely targeted at the wrong it seeks to address.

C. Sections 211(a)(2) and (b) Are Not Inconsistent With Article 42 Of The TRIPs Agreement

83. Article 42 of the TRIPs Agreement requires that WTO Members make civil judicial procedures available for the enforcement of intellectual property rights covered by the Agreement.[46] This Article appears in Part III of the TRIPs Agreement concerning enforcement, and does not affect the requirements of the Agreement concerning the availability and scope of intellectual property rights set forth in Part II.

1. Article 42 Applies Only In Respect Of Intellectual Property Rights That Are Enforceable Under The TRIPs Agreement

84. The plain text of Article 42 makes clear that it applies only with respect to intellectual property rights "covered by [the] Agreement," *i.e.*, rights that a Member is required to enforce under the Agreement. Article 42 does not require WTO Members to provide right holders with procedures to enforce rights that do not exist. If a purported intellectual property right is not "covered by this Agreement," a Member is under no obligation to enforce it through its civil judicial system. Neither Article 16, nor any other provision of the TRIPs Agreement, addresses the question of who is the legitimate owner of a trademark under a Member's domestic law. sections 211(a)(2) and (b) reflect the entirely mundane proposition that a person that holds no rights in a mark cannot enforce that mark. These sections, therefore, do not violate Article 42.

85. The same reasoning applies if the Panel finds that section 211 falls within the TRIPs Article 17 exceptions provision, as described in section V.B above. By definition, where a valid exception to trademark rights applies, such rights cannot be successfully asserted.

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[46] Article 42 of the TRIPs Agreement ("Fair and Equitable Procedures") provides as follows:

> Members shall make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement. Defendants shall have the right to written notice which is timely and contains sufficient detail, including the basis of the claims. Parties shall be allowed to be represented by independent legal counsel, and procedures shall not impose overly burdensome requirements concerning mandatory personal appearances. All parties to such procedures shall be duly entitled to substantiate their claims and to present all relevant evidence. The procedure shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements.

86. Consequently, sections 211(a)(2) and (b) cannot violate Article 42. As the text of Article 42 makes clear, where TRIPs prescribes no right, it certainly does not require a remedy.

2. U.S. Judicial Procedures Comply With Article 42

87. There can be no serious question that the United States makes available civil judicial procedures concerning the enforcement of intellectual property rights. The U.S. civil judicial system is one of the most developed systems in the world and trademark holders regularly enforce their rights in U.S. domestic courts. Notwithstanding the EC's erroneous assertions to the contrary,[47] persons potentially affected by section 211 do have access to United States courts, and have standing to present their case.

88. Sections 211(a)(2) and (b) constitute substantive rules governing the ownership of trademark rights, not jurisdictional or standing rules regarding access to the court system. They do not affect the availability of judicial procedures to any party asserting a right to a trademark. Indeed, in order for a court to find that section 211 applies, it must make a number of legal determinations -- for instance, that the trademark is the same as, or similar to, a trademark used in connection with a confiscated business, that no adequate and effective compensation was paid, and that the person asserting the right is a designated national or a successor in interest. Nothing in section 211(a)(2) or (b) precludes the person asserting ownership rights in the trademark from having a full opportunity to substantiate his claim to ownership and to present all relevant evidence. Consistent with the requirements of Article 42, nothing in section 211 imposes burdensome requirements regarding mandatory personal appearances, or precludes parties from being represented by independent legal counsel.

89. In conclusion, given the availability of civil judicial procedures meeting the standards set forth in Article 42, and the absence of any substantive violation of the TRIPs requirements governing trademarks, the EC's claim that the United States is in violation of Article 42 cannot be sustained. For the same reason, the EC cannot claim, under Article 16.1, that the United States denies access to the U.S. court system for certain trademark owners.

D. Sections 211(a)(2) and 211(b) Are Not Inconsistent With Paris Convention Article 6 *bis*

90. Article 6 *bis* (1) of the Paris Convention states that a country of the Union shall undertake to cancel and prohibit use of trademarks considered by that country to be well-known as the mark of another person entitled to the benefits of the Convention. That provision provides, in relevant

[47] *See* EC Submission, paras. 50 - 51.

part:

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

91. The purpose of the provision is to avoid the registration or use in a Member country of marks that are confusingly similar to well-known marks (which may not yet be registered or used in the country concerned). In most cases such registration or use would constitute an act of unfair competition, and may also be prejudicial to the interests of those who will be misled.[48]

92. One of the key provisions of Article 6 *bis* (1) is that a Member only undertakes to refuse or cancel a registration, or to prohibit the use of a trademark, when the competent authorities of that Member consider that the trademark is *well known* in that Member's territory "*as being already the mark of*" another person claiming protection under this article. Sections 211(a)(2) and 211(b) only come into play when U.S. courts determine that the U.S. trademark is not, in fact, "the mark of" the confiscating entity or its successors in interest. If, under U.S. law, the confiscating entity does not have any rights of ownership in the trademark, the trademark cannot, as a matter of law be "well known as being already the mark of" the confiscating entity.

93. Consequently, nothing in section 211(a)(2) or section 211(b) is inconsistent with Article 6 *bis* of the Paris Convention.

E. Sections 211(a)(2) and 211(b) Are Not Inconsistent With Paris Convention Article 8

94. The obligations of Article 8 are straightforward. A Member has to offer some protection to trade names, without the requirement of filing or registration and regardless of whether it forms part of a trademark:

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

Article 8 does not impose any requirements on the scope of protection, other than, through Article 2, the requirement of national treatment. For this reason alone, sections 211(a)(2) and

[48] Bodenhausen, pp. 90 - 91 (Exhibit US-27).

211(b) do not violate Article 8 of the Paris Convention.

95. In any case, however, it cannot be asserted that the protections given trade names must be more stringent than those given trademarks. Therefore, for reasons asserted throughout this submission with respect to trademarks, sections 211(a)(2) and 211(b) are not inconsistent with Article 8 of the Paris Convention.

F. Sections 211(a)(2) and 211(b) Are Not Inconsistent With The National Treatment Provisions Of TRIPs And The Paris Convention

96. Both the Paris Convention and TRIPs contain a national treatment obligation. TRIPs Article 3.1 provides that "Each Member shall accord to the nationals of other Members treatment no less favorable than that it accords to its own nationals with regard to the protection of intellectual property . . ." Note 3 states that, for this purpose, "'protection' shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement."

97. Paris Convention Article 2(1) contains a similar statement, dating back to 1887:

> Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their laws now grant, or may hereafter grant, to nationals.

98. Contrary to the EC's claims at paragraph 58 of its first submission, it is simply incorrect to claim that Cuba, Cuban nationals, and specially designated nationals are denied "protection of their intellectual property rights, while US nationals are enjoying such protection", or that foreign nationals who are successors in interest are denied such protection, while U.S. nationals are not. First and foremost, as discussed above, those nationals that base their alleged trademark rights on a foreign confiscation are not the true owners under U.S. law, and so have no ownership rights to assert under TRIPs.

99. Further, however, neither section 211(a)(2) nor 211(b) accords less favorable treatment to non-U.S. nationals than it does to U.S. nationals. Section 211(b) specifies that U.S. courts shall not recognize, enforce, or otherwise validate any assertion of rights – by virtue of a foreign registration – in trademarks, trade names or commercial names used in connection with confiscated assets "by a designated national or its successor-in-interest". Section 211(b) applies, therefore, by its own terms, to designated nationals <u>and to any successor in interest</u>, whether Cuban or not. It applies to any person, <u>whether Cuban or not and whether U.S. or not</u>, who claims a registration under U.S. law by virtue of a foreign registration of a trademark used in connection with confiscated assets.

100. Section 211(a)(2) provides that U.S. courts may not recognize, enforce, or otherwise validate any assertion of alleged rights in a confiscated trademark "by a designated national" or a national <u>of any foreign country</u> who is a successor in interest to a designated national. U.S. nationals who are successors in interest are not specifically mentioned in section 211(a)(2), but U.S. nationals <u>cannot even become</u> successors in interest to a designated national -- for instance, a Cuban entity that owns a confiscated business in Cuba -- without getting a specific licence 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 licence for such a purpose.

101. Even assuming for the sake of argument that a U.S. national were in a position to assert alleged rights in trademarks used in connection with assets confiscated abroad, that U.S. person would, moreover, have to convince a U.S. court that any such rights should be enforced in spite of the principle of non-recognition of foreign confiscatory measures. U.S. judicial precedents have very specifically addressed situations involving a foreign confiscation without compensation that purports to affect trademarks or other property in the United States, and resulting disputes between the confiscating entity (or its successor) and the original owners. In those situations, which are equally addressed by section 211, the precedent is clear and directly on point that it is the original owners of the asset in the United States (whose assets abroad were confiscated) that can assert ownership rights in the associated U.S. trademark, <u>not</u> the confiscating entity or its successors.[49] For example, in *Maltina Corporation v. Cawy Bottling Company*[50] the court stated that "in tracing ownership of United States property cast adrift by the 'extraordinary and basically unfair measure' of expropriation with out compensation, 'our courts have developed a willingness to disregard technicalities in favor of equitable considerations. . . We accept the traditional explanation for the continuing dominion of former owners over property with an American situs: the former owners retain equitable title to the American property."

102. In sum, neither section 211(a)(2) nor section 211(b) gives non-U.S. nationals less favorable treatment than U.S. nationals. Section 211(b) applies, by its terms, to all successors in interest to the confiscating entity, regardless of nationality. With respect to section 211(a)(2), first, under OFAC regulations, U.S. persons have been prohibited from becoming successors-in-interest in the first place. Therefore, under U.S. law, U.S. nationals would not even be in the position of being successors in interest hoping to enforce a trademark used in connection with a confiscated business. The result is that neither U.S. nor foreign nationals are in a position to enforce such trademarks; the only difference is that U.S. nationals never even reach the step of becoming a successor in interest of the confiscating entity. Second, even if this were not the case,

[49] See section II.A above.

[50] 462 F.2d at 1028 (Exhibit US-16).

courts would likely prevent U.S. nationals from enforcing such trademarks in light of their treatment of foreign confiscations.

103. One final consideration is worthy of note. The "national treatment" principles of the Paris Convention have been in place, at least among the Paris Convention countries, throughout the 20th century. Throughout that time, Paris Convention countries have considered it their right not to give effect to foreign confiscations, and many countries, including the United States, have exercised this right. When "national treatment" was reasserted as a principle in the TRIPs Agreement, it was reasserted without any change in the language that would suggest that the rights asserted up until that time by WTO Members were being changed. There is simply no reason to believe that TRIPs was intended to change these rights.

G. Sections 211(a)(2) and 211(b) Are Not Inconsistent With Article 4 of TRIPs

104. The EC alleges that sections 211(a)(2) and 211(b) violate Article 4 of TRIPs, which provides that:

> With regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members.

105. The EC alleges at paragraphs 64 and 71 of its first submission that sections 211(a)(2) and 211(b) violate this Article because they "create[ ] *de jure* discrimination between Cuba/Cuban nationals and other non-US nationals by denying protection of intellectual property rights held by Cuban nationals while granting such protection to nationals of other countries."

106. This claim is incorrect. It is incorrect first because, under U.S. law, persons basing their trademark claims on foreign confiscations are not the true owners of the trademarks and therefore have no rights to assert under TRIPs. It is also incorrect because sections 211(a)(2) and (b) do not grant an "advantage, favour, privilege, or immunity" to non-Cuban nationals that they do not grant to Cuban nationals: neither one nor the other can enforce a trademark based on a foreign confiscation.

107. Sections 211(a)(2) and 211(b) apply in the first instance to those entities in Cuba that confiscated a business in Cuba without compensation and to any Cuban national, to whom the "rights" in connection with that business are transferred or made available.[51] These persons may

[51] A "designated national", in the first instance, is "Cuba [*i.e.*, the Government of Cuba] and any national thereof." This is under the first part of the definition in section 211(d)(1), which incorporates the definition of "designated national" in 31 CFR 515.305. (Exhibit US-1) "Confiscated" means seized by the Cuban Government

not assert ownership rights in a U.S. trademark, trade name, or commercial name used in connection with that confiscated business under section 211(a)(2) and (b). In other words, there must be a clean "chain of title" in order to assert ownership rights. Section 211(a)(2) and (b) can be analogized to a mandatory "title search" which operates to ensure that the entity asserting rights in the mark, trade name or commercial name is legally entitled to the benefits of ownership. This preserves not only the true owners rights, but serves also to protect the public from misrepresentation.

108. Sections 211(a)(2) and 211(b), therefore, are aimed at all those persons whose claim to a particular trademark, trade name or commercial name is based on an uncompensated confiscation of the business associated with that trademark, trade name or commercial name. That nationals of Cuba are specifically mentioned in sections 211(a)(2) and 211(b) results from the territorial nature of trademarks: Cuban nationals who assert trademark rights used in connection with confiscated businesses in Cuba – unlike other nationals -- are claiming a right by virtue of the confiscation. Further, as discussed above in section II.A, 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.[52]

109. Indeed, sections 211(a)(2) and 211(b) do not limit their focus to Cuba and Cuban nationals: under those sections, U.S. courts will not enforce or recognize any asserted rights to such trademarks, trade names and commercial names by <u>any</u> successors-in-interest -- <u>whether Cuban or not</u> -- to any Cuban entities claiming rights based on confiscated assets. It does not matter if the "rights" associated with the confiscated assets are transferred by the confiscating entity to a Cuban, European, or U.S. national: U.S. courts will not recognize those assertions of rights as regards trademarks, trade names and commercial names in the United States.

110. Sections 211(a)(2) and 211(b) do not, therefore, grant an "advantage, favour, privilege or immunity" to the nationals of, for instance, France that it does not grant to the nationals of Cuba with regard to the protection of intellectual property rights. Under sections 211(a)(2) and 211(b),

without compensation. 31 CFR 515.336 (Exhibit US-1). In the first instance, therefore, sections 211(a)(2) and 211(b) mean that the Cuban Government cannot enforce rights in the United States to a trade mark, trade name or commercial name used in connection with a business that it seized without compensation. It can seize the physical assets of a business in Cuba, but it cannot assert trademark rights connected with that business in the United States.

[52] The TRIPs Agreement assures that, with respect to the protection of intellectual property, nationals of different Members are not granted different advantages, favours, privileges or immunities based purely on their nationality. It does not, however, prevent a Member from pursuing legitimate objectives -- such as not recognizing rights in trademarks similar to those used in connection with a confiscated business in Cuba -- as long as the advantages granted the nationals of one Member are not withheld from the nationals of another Member. That sections 211(a)(2) and 211(b) are focused on trademarks similar to those used in connection with confiscated businesses in Cuba -- and not confiscated businesses elsewhere -- does not amount to an MFN violation under the TRIPs Agreement, because it does not discriminate against Cuban nationals, as opposed to other nationals, who wish to assert such trademark rights.

a Cuban national who is a successor-in-interest to a confiscated business will have all the advantages of a French national who is a successor in interest to a confiscated business, with regard to the protection of intellectual property rights. Neither one will be able to claim rights in the United States to a trademark, trade name, or commercial name of a confiscated business.

111. Consequently, sections 211(a)(2) and 211(b) are not inconsistent with Article 4 of the TRIPs Agreement.

VI. Conclusion

112. The United States respectfully requests that the Panel reject the EC's claims in their entirety and find that section 211 is not inconsistent with Articles 3.1, 4, 15.1, 16.1 or 42 of the TRIPs Agreement, or with TRIPs Article 2.1, together with Articles 2(1), 6 *bis* (1), 6 *quinquies* A(1) and 8 of the Paris Convention.

EXHIBIT LIST

1. Regulations of the Office of Foreign Assets Control, 31 CFR 515 (excerpts).

2. Appendix A: Jurisprudence on Extraterritorial Confiscations With Particular Reference To Trademarks.

3. *Koh-I-Noor L. & C. Hardtmuth* v. *Koh-I-Noor Tuzkárna L. & C. Hardtmuth* (Supreme Court, June 2, 1958); 26 I.L.R. 40 (Austria).

4. *S.A.R.L. "Koh-I-Noor - L. et C. Hardtmuth"* v. *S.A.S. Agebel and Société de Droit Tchécoslovaque Entreprise Nationale Koh-I-Noor* (Court of Appeals of Brussels March 17, 1959); 47 I.L.R. 31, Pasicrisie Belge 1960, II, p. 148 (Belgium).

5. *Entreprise Nationale L. et. C. Hardtmuth, Fabrique de Crayons Koh-I-Noor* v. *Fabrique de Crayons Koh-I-Noor, L. et. C. Hardtmuth* (Court of Appeals of Paris June 25, 1958); 26 I.L.R. 50; Journal du Droit International, 1959, 1098 (France).

6. *Waldes-Koh-I-Noor Case* (Federal Supreme Court, March 8, 1963); GRUR 1963, p. 527 (Germany).

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