UNITED STATES–SECTION 211 OMNIBUS APPROPRIATIONS ACT

(DS176)

SECOND SUBMISSION

OF THE

UNITED STATES OF AMERICA

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I. Introduction.

1. WTO Members retain the right, under TRIPs, not to give extraterritorial effect to foreign confiscations with respect to trademarks, trade names and commercial names. They are free to determine that confiscating entities and their successors are not the rightful owners of such trademarks, trade names and commercial names in the Members' territories. Section 211 of the Omnibus Appropriations Act reflects this principle, and is therefore not inconsistent with TRIPs.

2. The First Submission of the United States describes how section 211 is not inconsistent with any of the TRIPs and Paris Convention articles cited by the EC in its panel request. Those points will not be repeated in this submission. Rather, this submission responds to the three major points presented by the EC in its oral statement at the first substantive meeting of the Panel, and in its responses to the Panel's questions. First, the EC has failed to present any legal support for its conclusion that TRIPs dictates how the owner of a trademark, trade name or commercial name is determined, and that it prevents Members from making their own determinations as to ownership. In trying to support its case, moreover, the EC fails to reconcile its position with the accepted principle against the extraterritorial recognition of foreign confiscations, contradicts its own arguments and the practices of its member States, and offers contorted interpretations of the TRIPs Agreement that are incorrect. Second, the EC engages in detailed speculative discussions about how section 211 might have a scope that is different from the principle of non-recognition of foreign confiscations. The EC does not show, however, how section 211 mandates that U.S. authorities take any actions that are contrary to any TRIPs obligations, a showing that it must make in order to establish that the law is inconsistent with TRIPs. To the contrary, an inquiry under section 211 depends on the facts presented, and there is no indication that section 211 requires any TRIPs-inconsistent actions or decisions. Finally, the EC fails to demonstrate that section 211 is inconsistent with the TRIPs national treatment and most-favored-nation provisions.

II. TRIPs Does Not Prevent Members From Prohibiting Assertions of Ownership By Confiscating Entities In Trademarks Associated With Assets They Have Confiscated.

3. In neither its first submission nor its response to direct questions from the Panel has the EC been able to point to any provision of TRIPs that defines who is the owner of a trademark, or that prevents a Member from deciding that a confiscating entity is not entitled to own the trademarks used in connection with confiscated assets. The best the EC can offer is that "direct or indirect references to ownership in TRIPs as well as the Paris Convention give guidance to Members in order to establish ownership." EC Response to Panel Question 50.[1] The conclusions that the EC draws from this apparently vague "guidance" are wrong, as will be

[1] Answers of the European Communities and their Member States to the Panel's Questions after the First Meeting, February 5, 2001.

discussed below. But the question is not whether references to ownership in the TRIPs Agreement "give guidance". The question is whether the TRIPs Agreement prevents any Member from refusing to give effect to a foreign confiscatory decree by deciding that it will not recognize the ownership of confiscating entities or their successors in such trademarks in the United States. The answer to this is "no": TRIPs does not require the United States to recognize such ownership with respect to U.S. trademarks.

A. The EC's Interpretation Of TRIPs Contradicts The Accepted Principle Of Nonrecognition Of Foreign Confiscations.

4. The EC professes to embrace the recognized principle that Members do not have to give effect to foreign confiscatory decrees with respect to assets in their territory, but argues that its position in this dispute is unrelated to that principle. The principle depends, however, on Members being free under the TRIPs Agreement to determine the conditions under which a person can claim ownership in a trademark. If a Member is not free under the TRIPs Agreement to determine these substantive rules of ownership, as the EC contends, then a Member is not free to decide that it will not recognize the ownership of confiscating entities in trademarks. The EC cannot have it both ways.

5. The EC takes a very expansive view of the requirements of Paris Convention Article 6*quinquies*, which it articulates as follows: "whenever a trademark is duly registered in the country of origin, the other countries of the Union are obliged to accept and protect it." EC Oral Statement at paragraph 8. Where confiscated trademarks registered in Cuba are concerned, therefore, the EC is, in fact, demanding that the U.S. give effect to confiscations with respect to assets within the United States. This is precisely what the many cases cited by the United States in its first submission have refused to do, and what section 211 addresses. The EC cannot avoid this contradiction between its position on Paris Convention Article 6*quinquies* (as well as on TRIPs Articles 15.1 and 16.1) and the principle of non-recognition of foreign confiscations, which the EC expressly accepts.

6. In its responses to Panel questions 42 and 43, among others, the EC tries to navigate a course through the circumstances in which TRIPs does require a Member to confer trademark ownership on the entity that confiscated it, and those in which it does not. This is done with an apparent view to preserving both its present position in this dispute that TRIPs dictates trademark ownership rules, on the one hand, and the principle that Members have the right not to recognize the ownership rights of confiscating entities, on the other. This is a distinction that cannot be maintained. Either TRIPs does or it does not contain rules that require the United States to recognize a confiscating entity's ownership in a U.S. trademark. TRIPs contains no such requirement, and the EC has been unable to point to one. To say that there is such a TRIPs requirement, but that it is subject to exceptions, is not only to invent an "ownership" provision where there is none, but to craft detailed exemptions to that invented provision to accommodate the recognized principle of non-recognition.

7. The EC attempts to confuse the issue by arguing that section 211 impermissibly extends the reach of the accepted principle of nonrecognition of foreign confiscations. According to the EC's response to Panel questions 40 - 42, the United States, through section 211, denies the ability of a sovereign, such as Cuba, to make ownership decisions within its own territory. The EC would have the Panel believe that section 211 is the United States' attempt to control creation and assignment of trademark, trade name and/or commercial name rights in other countries. In fact, section 211 merely denies the extraterritorial effect of an uncompensated confiscation. Section 211 in no way addresses the validity, in a third country, of a particular trademark, trade name or business name. It simply points out that, despite validity in any other country, an assertion of rights in a trademark, trade name or business name associated with a business that was confiscated without compensation is not a valid assertion of rights in the United States – unless such assertion is made by the owner.

8. The inconsistencies in the EC's position are further highlighted by several of its responses to Panel questions. In its response to Panel question 46, the EC noted that, after the nationalization of Compania Ron Bacardi in Cuba, the "trademark owners" (i.e., the original owners of the company, who had left Cuba to set up business in New York) asked the Danish authorities to change the Danish trademark registration to reflect the ownership of the new company in New York. If, as the EC maintains, Article 6*quinquies* requires that all duly registered foreign trademarks be registered and protected — without regard to any decision as to who the true owner of the trademark is — how did the Danish authorities justify simply changing the ownership of the Danish trademark from the confiscated Cuban company to a new New York company? For the United States, the answer is that the Danish authorities were not compelled by anything in the Paris Convention to continue to recognize the trademark ownership of the confiscated Cuban registrant. A similar question is presented with respect to the Bacardi trademarks in the UK.

9. The EC response does not indicate whether or not the Danish registration was based on a foreign registration (as provided for in Paris Convention Article 6*quinquies*), nor how the Danish Government arrived at the determination that the change in ownership was valid. The United States doubts that the Danish authorities simply transferred ownership of the trademark to the first person to file an "assignment" document. Rather, it appears that the Danish authorities made some considered determination about who the true owner of the trademark was. This is precisely the determination that the EC now claims that Members are powerless to make. Under the EC's interpretation, it appears that Paris Convention Article 6*quinquies* would have prevented the Danish authorities from concluding that ownership of the trademark should be transferred. Likewise, if the TRIPs Agreement were applied to this situation in the manner urged by the EC, it appears that Articles 15.l and 16.1 would have required the Danish authorities to maintain and enforce the trademark on behalf of the registrant -- that is, the confiscated Cuban company.

10. Indeed, the EC itself appears unsure about its argument that its interpretation of TRIPs

has no relevance to the principle of non-recognition of foreign confiscations. When asked by the Panel whether the Koh-I-Noor cases cited by the United States would have come out differently under the EC's interpretation of TRIPs, the EC replied, without elaboration, that it is "unlikely" that TRIPs would require a different outcome. In fact, however, the EC's argument in this proceeding -- that the U.S. must register and enforce trademarks that are confiscated and duly registered in the country of origin -- would compel a finding that the Czechoslovakian confiscating entity had an enforceable right to the Koh-I-Noor trademark outside of Czechoslovakia wherever it was registered by virtue of Article 6*quinquies* of the Paris Convention. This is a very different result from the original round of cases -- and one that would find the EC member States powerless to prevent the assertion of ownership by that confiscating entity. Indeed, it appears that many of the cases discussed in the First Submission of the United States concerning the principle of non-recognition of foreign confiscations, in addition to the Koh-I-Noor cases, would have come out differently if the EC's interpretation of the Paris Convention had been adopted and applied.

11. The United States notes that the uncertainty about whether the EC's position is inconsistent with the principle of non-recognition is shared by a significant number of members of the European Parliament, who have recently taken the unusual step of writing a "Declaration of Dissent" to EC President Prodi to protest the EC's challenge to section 211. The Declaration, attached as Exhibit US-47, states that:

> In pitting Europe against the United States regarding cancellation of [section 211], the Commission is engaging in a battle which . . . places it in opposition to its own history of civil law by allowing the rights of the **Confiscator** to prevail over the **Robbed**, **Aggression** to win over **Justice**. Europe cannot accept that, for private commercial interests, the general sense of the defence of founding principles of our Western civilisation be neglected, principles which include specifically the right to private ownership.
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> Section 211 codifies a principle of international public order recognized by the vast majority of countries, including those belonging to the European Union, which has found and continues to find consistent support in jurisprudence: **when private property is the subject of confiscation measures, i.e., expropriation carried out without the payment of any compensation, the legal validity of this confiscation should not be recognized by third countries.**

(Emphasis in original).

12. The EC is also distinguishing "TRIPs-inconsistent" section 211 from the "TRIPs-consistent" principle of non-recognition of foreign expropriations, on the grounds that the latter is a principle of "allocation" of ownership between two contending parties, whereas the former — section 211 — simply blocks the ownership of confiscating entities, without allocating it to anyone else. However, any dispute that may arise under section 211 will also likely involve two

parties who claim ownership of the trademark and will also therefore appear to "allocate" ownership – just as in the jurisprudence. Further, however, TRIPs says nothing about "allocation" of ownership; it does not say that Members' rules of trademark ownership must allocate the ownership of all trademarks to one party or another. It is simply silent on the issue of ownership. A Member's law might state that ownership of a trademark must be "allocated" to someone; but nothing in TRIPs would require this. As to the relevance of "abandonment", this is a legal determination that depends on the facts and on the intentions of the owner. TRIPs does not require that Members have a policy of "abandonment" at all; therefore, the impact of "abandonment" on section 211 decisions has no relevance to an analysis of section 211's TRIPs-consistency.

B. The EC's Interpretation Of TRIPs Is Inconsistent With The Plain Meaning Of TRIPs, With The EC's Own Arguments, And With EC Member State Practice.

13. The EC, while admitting that TRIPs does not define who the owner of a trademark is, claims that direct or indirect references to ownership "give guidance to Members in order to establish ownership." EC Response to Panel Question 50. TRIPs does not contain either definitions or, apparently, the guidance perceived by the EC, because the EC's various conclusions from this guidance are wrong.

14. The EC gleans from Article 15.1 that only an "undertaking" can be the owner of a trademark, because Article 15.1 establishes a link between the trademark and the goods or services emanating from an undertaking. This is untrue. An individual can own a trademark — *e.g.*, a celebrity can own the trademark to his name, an artist can own the trademark to work he has created (*e.g.*, Superman, or Spiderman) — and license the use of that trademark to a company that uses it in trade. This situation is specifically anticipated in Article 19.2.

15. More significant with respect to this dispute is the EC's conclusion that signs "only become a trademark upon registration. Prior to registration there exists no trademark." EC Response to Panel Question 51. This assertion is critical to the EC's interpretation, and it is wrong. It is critical to the EC's interpretation because it is on this basis that the EC asserts that the trademark registrant and the trademark owner are, by definition, the same entity under the TRIPs Agreement, and that, therefore, TRIPs addresses the rules of trademark ownership whenever it addresses registration, as in TRIPs Article 16.1 and 15.1.[2] It is on this basis that the

[2] Further, as described in its First Submission, the United States disagrees with the EC that TRIPs Article 15.1 requires that all signs "capable" of being a trademark be registered as trademarks, regardless of whether the registrant is the true owner. Indeed, Article 15.1 does not contain an affirmative obligation to register all such trademarks, <u>even if</u> protection is sought by the true owner. Examples abound. For example, an applicant might properly be refused registration where the proposed mark is purely ornamental or functional, without source identifying capacity. See *In re Olin Corp.*, 181 USPQ 182 (TTAB 1973) ("SWALLOW YOUR LEADER" used on

EC concludes, "[t]herefore there can be no conflict between a registration owner and another owner of the same trademark."

16. This assertion is wrong because, as the EC itself admitted during the first substantive meeting of the Panel, TRIPs was deliberately crafted to take into account both the civil law "registration" and the common-law "use" trademark systems. In the U.S. common law system, trademarks are generally created by the use of the trademark in commerce to distinguish goods, not by the registration itself. Federal registration creates a presumption of trademark ownership, but that presumption is subject to challenge based on, among other things, who used the trademark first. TRIPs Article 16.1, which describes the rights conferred on the owner of a registered trademark, specifically states that these rights shall not "affect the possibility of Members making rights available on the basis of use." It is simply incorrect to assert, therefore, that under TRIPs, trademarks do not exist until they are registered. In the U.S. system, they can and do exist, and they can and do have owners, without being registered. Nothing in TRIPs overturned this basic premise of U.S. trademark law.

17. In addition, if, as the EC asserts, there can be no conflict between a registrant of a mark and another entity who claims ownership of the mark (because, by definition, these have to be the same entity), it is not clear on what basis the EC can protect "well known" marks, as required by the Paris Convention.

18. Further, the EC's position seems internally inconsistent. In response to the Panel's question 55, the EC concedes that TRIPs does not address the relationship between principals and agents, and that this is a matter left for domestic rules. As noted by the United States in its first submission, rules that determine who -- as between a principal and an agent -- can be the owner of a trademark, are one aspect of the trademark ownership rules left to national law. It is not clear on what basis the EC claims that *this* aspect of ownership is left to national law, whereas *other* aspects of ownership are not.

19. The issue of trademark ownership, and whether TRIPs specifies the identity of the owner, is obviously important. It is because TRIPs does not specify the identity of the trademark owner that Members retain the right to adopt and enforce national rules of trademark ownership. This includes the right not to recognize the ownership of confiscating entities in trademarks used in connection with confiscated assets. The EC view to the contrary appears to be based principally on an assumption that all signatories to the TRIPs Agreement have a trademark system in which registration itself creates both trademark rights and ownership rights, and that, in fact, TRIPs

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a T-shirt has no "meaning" other than as ornamentation) (Exhibit US-48); *In re Tilcon Warren, Inc.,* 221 USPQ 86 (TTAB 1984) ("WATCH THAT CHILD" held not to function as a mark for construction material notwithstanding long use, where the only use was on the bumpers of construction vehicles in which the goods were transported) (Exhibit US-49); *Ex parte Zucker*, 111 USPQ 442 (Comm'r Pats. 1956) ("BOSS SLAVE" refused registration for towels where "BOSS" was embroidered on one towel and "SLAVE" on the other.) (Exhibit US-50).

requires such a system.

20. The United States does not have such a system, and TRIPs does not require such a system.[3] TRIPs leaves decisions of ownership to the Members, and, consistent with this freedom, the United States has many rules pertaining to who can be a trademark owner (including with respect to related parties and agents). TRIPs certainly permits other Members, including EC member States, to choose to equate registration with ownership,[4] but it in no way requires it.

21. The United States repeats in this connection that EC member States such as Denmark and the UK have apparently considered it their right under the Paris Convention to transfer ownership of a trademark registration from a confiscating entity to the prior owners. So, whether registration is completely determinative of trademark ownership, even in the EC, appears questionable.

22. In sum, the EC's position that TRIPs does in fact determine who the owner of a trademark is, and that it prevents Members from determining ownership with respect to confiscated trademarks, has no support in the TRIPs Agreement and is inconsistent with both the EC's own arguments and the practices of its member States.

C. That TRIPs Leaves "Ownership" Determinations To National Legislation Does Not Undermine The Disciplines Of The TRIPs Agreement.

23. In considering disciplines imposed by TRIPs and the Paris Convention on Members with respect to trademarks, the role of protections offered by the national treatment and most favored nation provisions, among others, are significant. Given the broad variety of national rules among Members concerning the conditions for filing trademark registrations and rules of trademark ownership, a key safeguard against abuse — created by both TRIPs and the Paris Convention — is that whatever rules are in place, they cannot treat non-nationals worse than nationals, and they cannot treat the nationals of some nations worse than the nationals of others. Professor Bodenhausen called the national treatment principles of the Paris Convention the "very important basic rule of the Convention."[5] These principles act as a powerful discipline on Members, in those areas, such as trademark ownership, that are left to national laws. Generally speaking,

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[3] *E.g.*, TRIPs Article 16.1 specifically states that the rights of owners of registered trademarks "shall not affect the possibility of Members making rights available on the basis of use."

[4] So long as such an equation does not prejudice any existing prior rights and as long as the Members provide TRIPs-level protection for well-known marks.

[5] Bodenhausen, Professor G.H.C., Guide to the Application of the Paris Convention for the Protection of Industrial Property, United International Bureaux for the Protection of Intellectual Property (BIRPI) (1969) (reprinted 1991) (Exhibit US-27), at 12.

therefore, if those laws or rules are acceptable as imposed on the nationals of the Member, they may be imposed on the nationals of other Members. In the absence of specific rules defining who the trademark owner is, the national treatment and most favored nation provisions guard against abuse.

24. Well-established jurisprudence under the GATT and WTO concerning the application of national treatment and most favored nation provisions in the area of goods indicates the breadth of the protections offered by these provisions. *E.g.*, *United States – Measures Affecting Alcoholic and Malt Beverages*, adopted June 19, 1992, DS23/R, BISD 39S/206, para. 5.19 (tax regulation according less favorable treatment to beer based on the size of the producer was contrary to GATT Article III's national treatment requirements); *United States – Standards for Reformulated and Conventional Gasoline*, adopted May 20, 1996, WT/DS2/AB/R, para. 6.11 (citing *Malt Beverages* with approval and finding that differential treatment of gasoline based on the characteristics of the producer was contrary to national treatment); *Malt Beverages*, para. 5.6 (imported products are entitled to treatment as good as the best treatment granted domestic products, even if only a small number of domestic products benefit from the best treatment); *Canada – Certain Measures Affecting the Automotive Industry*, adopted June 19, 2000, WT/DS139/AB/R, WT/DS142/AB/R (Canadian measure found to breach Article I MFN obligations, where duty-free treatment was not explicitly, but was effectively, limited to products from particular countries); *EEC -- Imports of Beef from Canada*, adopted March 10, 1981, L/5099, BISD 28S/92/98, paras. 4.2-4.3 (finding a breach of Article I MFN obligations where a suspension of tariff was granted for imports accompanied by a "certificate of authenticity" and the only authorized certifying entity was a U.S. agency that could only certify U.S. beef). While this jurisprudence has involved MFN and national treatment of goods under Articles I and III of GATT 1994, and not treatment of nationals under TRIPs, this jurisprudence is instructive in showing that national treatment and most favored nation principles discipline Members' measures in areas where the WTO Agreements do not otherwise provide substantive rules.

25. In addition to the most favored nation and national treatment provisions, other TRIPs provisions also offer protections against abuse. For instance, a Member could not decree, in order to avoid protecting a trademark such as Coca Cola, that only national companies can own that trademark. Such a decree would violate the national treatment provision. Nor could the Member avoid the national treatment violation by simply decreeing that no one — national or non-national — may own a trademark beginning with the letter "C" and used in connection with soft-drinks. Such a decree would appear to be contrary to the limits imposed on Members with respect to denying trademark registrations based on the form of the mark (Paris Convention Article 6*quinquies* and TRIPs Article 15.1).

26. Nor could a Member systematically transfer ownership to its own nationals through procedural enforcement devices that favor its own nationals, such as overly burdensome personal appearance requirements or inequitable enforcement procedures. TRIPs Articles 41, 42, and 62, among others, could come into play to prevent this result.

27. In short, although TRIPs does not itself dictate who is an owner of a trademark under national law — leaving that issue instead to national rules — it does contain numerous disciplines and safeguards that prevent Members from abusing this freedom to benefit their own nationals or to unfairly curtail the trademark rights of others. Of course, as TRIPs Article 1.1 implies, the TRIPs obligations are minimum obligations; Members may, but are not obliged to, implement more extensive protection than is required by TRIPs.

28. One final note is that it is not unusual that TRIPs would leave such a matter as trademark ownership to national legislation. Another obvious example under TRIPs and the Paris Convention relates to patents. Although TRIPs Article 27 describes patentable subject matter, it does not mandate whether the owner of a patent is the person who first made the invention, or the person who first filed a patent application claiming the invention. Under U.S. law, when two people claim the same invention, the person who can prove that he or she made the invention first will be awarded ownership of the patent, assuming that the invention is patentable.[6] By contrast, in most other WTO Members, ownership of a patent belongs to the first person to file a successful patent application. This key difference in determining the ownership of patent rights as between competing claimants is not resolved by the TRIPs Agreement or the Paris Convention;[7] both are silent.[8]

29. It is curious that the EC uses this difference to suggest that the patent provisions of TRIPs on protectable subject matter <u>do</u> dictate this aspect of patent ownership. After noting that one country (*i.e.*, the United States) has a "first to invent system", the EC notes that other countries have a "first to file" system, and that "this means that the first registrant meeting the requirements set out in Article 27(1) TRIPs is the owner of the patent. Nobody else can be the owner of this patent". EC Response to Panel Question 54. While this may be true of "first to file" systems, it is not true of "first to invent" systems, and nothing in Article 27.1 requires that a Member's laws incorporate a "first to file" system. Just as in its description of civil law versus common law trademark registrations, described in section II.B above, the EC seems to believe that the TRIPs Agreement, which was specifically negotiated to accommodate both the U.S. and the EC systems, in fact mandates the EC approach. This example, offered by the EC, directly contradicts the EC's argument.

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6 35 U.S.C. § 102(g) (Exhibit US-51).

7 *E.g.*, Daniel Gervais, *The TRIPs Agreement: Drafting History and Analysis*, 147 (1998) (Exhibit US-52).

8 Another example appears in the area of copyright. It is well accepted that the Berne Convention and the TRIPs Agreement are silent regarding the definition of an "author" and, consequently, regarding the definition of an owner of a copyright. As explained in the WIPO Guide to the Berne Convention, the Berne Convention "does not specifically define the word 'author' because on this point too, national laws diverge widely, some recognizing only natural persons as authors, while others treat certain legal entities as copyright owners, some imposing conditions for the recognition of authorship which others do not accept." WIPO Guide to the Berne Convention, para. 1.16 (1978).

30. That these differences among Members exist with respect to patents and copyrights has not detracted from the disciplines of the TRIPs Agreement with respect to these intellectual property rights. Similarly, in the trademark area, the lack of TRIPs rules concerning whether confiscating entities must be recognized as owners of trademarks in a Member's territory does not take away from the other TRIPs disciplines.

III. Section 211, On Its Face, Does Not Require That Any Actions Be Taken Contrary To TRIPs Obligations.

A. The EC Has Made No Showing, Beyond Pure Speculation, That Section 211 Compels U.S. Decision-Makers To Make Determinations Contrary To TRIPs.

31. The EC's sole claim in this dispute is that section 211, on its face, violates the TRIPs Agreement – that is, that section 211 requires that actions be taken that are inconsistent with the United States' TRIPs obligations. It does not allege, as it cannot, that section 211 has caused any action to be taken that is inconsistent with TRIPs, and no such claims are within the Panel's terms of reference. Despite its claims that "the effects of Section 211 OAA are likely to prejudice a great number of commercial relationships by EC enterprises not only with Cuban entities but other partners that fall within the scope of Section 211 OAA", the EC is unable to point to a single instance in which there has been any such prejudice, let alone whether any such prejudice would violate a TRIPs-protected right.[9]

32. It is telling that, over two years after enactment, and despite the thousands of trademarks the EC claims are potentially in "jeopardy", the EC cannot point to a single action taken in violation of TRIPs under section 211. The EC speculates that section 211 might prejudice the "legitimate economic expectations of EC economic operators" but has not shown that it has or that it will. This is important, because even the EC apparently concedes that the United States would be entitled under TRIPs not to give effect to a confiscatory decree with respect to trademarks located in the United States. *See* EC Response to Panel Question 43. Even the EC would admit, presumably, that EC economic operators purchasing purported rights from the confiscating entity in such U.S. trademarks have no legitimate economic expectation with respect to those U.S. trademarks, or at least no legitimate expectations under the TRIPs Agreement.

33. The EC's concern with section 211 is presumably not that it prevents the confiscating

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[9] In response to the Panel's question 63, the EC speculates that the number of enterprises and trademarks that might be affected by section 211 is "likely to be in the thousands", and speculates that any transaction involving such trademarks and an EC economic operator "can be jeopardized by the curtailments flowing from Sec. 211 OAA." The EC concludes that this "has the potential to seriously prejudice the legitimate economic expectations of EC economic operators."

entity from asserting ownership in such a circumstance, which even the EC regards as legitimate, but that it supposedly goes far beyond such "legitimate" actions, into areas that the EC regards as illegitimate. This is where the EC's argument breaks down. Although the EC has speculated in a general way about how section 211 might interfere with unspecified legitimate rights, it has not shown that section 211 mandates that actions be taken that it considers contrary to TRIPs. This is the showing that the EC must be make under the TRIPs Agreement to show that section 211 is, on its face, inconsistent with TRIPs.[10] The EC has failed to make any such showing.

34. For instance, the EC suggested in its oral statement, at paragraphs 48-51, that section 211 is objectionable because, unlike in the jurisprudence on the non-recognition principle, its scope extends "well beyond confiscated assets" and would apply to trademarks that are used in connection with a different class of products than those subject to the confiscation. In fact, however, section 211 is directed at trademarks "used in connection with" the confiscated assets. It is thus simply not possible to conclude from section 211 that trademarks having no relation to the products subject to the confiscation would be within the scope of section 211. And, of course, trade names are associated with the business itself, and not with any class of products.

35. The EC also states in its oral statement, at paragraph 51, that section 211 is objectionable because it is not aimed only at the same trademarks used in connection with confiscated assets, but also at trademarks "substantially similar" to the trademarks used in connection with confiscated assets. Thus, concludes the EC, just as a confiscation of one red Cadillac in Cuba is not the same as the confiscation of another red Cadillac in the United States, section 211 extends its scope from legitimately preventing ownership of the confiscated trademark (the red Cadillac in Cuba) to illegitimately preventing ownership of a completely different trademark (the red Cadillac in the United States). What the EC ignores is that the point of trademark protection is to prevent consumer confusion as to the source of goods; a trademark that is "substantially similar" to another is as capable of creating confusion as a trademark that is "identical". For this reason one trademark can infringe another trademark if they are "substantially similar". Trademarks are not like Cadillacs. It is in the context of trademark law that section 211 focuses on identical or "substantially similar" trademarks. If the confiscated trademark in Cuba is "Cadillac", the confiscating entity should not necessarily be able to claim ownership of the trademark "cadillac" in the United States, simply because "Cadillac" is not identical to "cadillac". To speculate that a court or other decision-maker would use this provision to extend the scope of section 211 to include completely separate and distinct trademarks from those used in connection with the confiscated assets is sheer fantasy.

36. The EC also claims to distinguish section 211 from the jurisprudence on the non-recognition principle, in its oral statement at paragraphs 35-40 and 45, on the grounds that the

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[10] *See* Panel Report on *United States -- Measures Affecting the Importation, Internal Sale and Use of Tobacco*, adopted 4 October 1994, BISD 41S/131 ("*U.S. -- Tobacco*"); Panel Report on *Thailand -- Restrictions on Importation of and Internal Taxes on Cigarettes*, DS10/R, adopted November 7, 1990, BISD 37S/200, 227, para. 84 (*"Thailand -- Cigarettes"*).

jurisprudence allocates trademarks between two or more contenders, whereas under section 211 "the 'original owner' will under no circumstances become the owner of the trademark/trade/commercial names concerned . . . Section 211(a)(2) and (b) OAA will only grant the 'original owner' a negative right to prevent somebody else from enforcing certain rights." Once again, assuming this distinction is relevant[11] it is hard to see how section 211 compels a U.S. court not to find that the original owner is the owner of the trademark or trade name. Indeed, it would appear, to the contrary, that in any court proceeding under section 211, a court will be called upon to determine who is and who is not the owner of the trademark or trade name, and that dispute may well involve the original owner and the confiscating entity. As to the observation that section 211 "only" grants the original owner a negative right to prevent someone else from using the mark, the United States notes that this is precisely the right conferred on the owner of a registered trademark by Article 16.1 of TRIPs.

37. In short, the EC offers only vague speculation as to what section 211 might mean for EC operators who have engaged in transactions related to confiscated assets. Even the EC would admit that some of those operators can make no legitimate claim to U.S. trademarks that were used in connection with the confiscated assets. Whether other such economic operators would come within the scope of section 211 is an issue that would have to be decided upon by the courts based on the facts of the case.

B. Any Decision Made Under Section 211 Will Depend On The Particular Facts Presented To The Decision-Maker: Section 211 Does Not Mandate Particular Results.

38. As the U.S. responses to the Panel's questions made clear, section 211 reflects the principle that U.S. courts will not give effect to foreign confiscations with respect to assets in the United States, and will not recognize the ownership of confiscating entities in trademarks used in connection with assets they have confiscated (absent the permission of the original owners). Whether the court will recognize the ownership of one entity or another in a particular case will depend on the particular facts presented to it. All of the factual variations proposed by the Panel in its questions to the United States would raise different issues that would be taken into consideration by the court in determining the ownership of the trademark or trade name concerned. The United States does not believe that it is possible to credibly assert that, presented with a particular set of facts, a court or other decision-maker will believe itself compelled by section 211 to make a particular decision that is contrary to TRIPs. Certainly, the EC has not presented any evidence that this is so.

39. In its oral statement, the EC repeatedly argued, without any basis, that the object of section 211 is to "curtail the exercise of legally undisputed ownership rights held by Cuba or Cuban nationals in relation to assets situated in the US." *E.g.*, EC Oral Statement, at paragraph 43. The EC argues that ownership of the asset (*i.e.*, the trademark or trade name) is assumed by

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[11] Which the United States does not believe it is. *See* section II.A, above.

the U.S. law, and that what section 211 does is prevent the legitimate owner from enforcing his rights.

40. In light of the detailed description of U.S. and European jurisprudence on the subject of recognition of foreign confiscations, it is incorrect that it is "legally undisputed" that confiscating entities have ownership rights in the United States with respect to trademarks used in connection with confiscated assets. It is <u>precisely</u> this ownership that <u>is</u> disputed under U.S. law, both in the jurisprudence and in section 211.

41. Section 211 requires a decision-maker to consider, based on the particular facts at issue, numerous "ownership" issues. Among others, it appears that the decision-maker must determine that a business or assets existed and that it was owned by someone; that the business or asset was taken away from that owner without the payment of just and adequate compensation; that there were trademarks, trade names or commercial names used in connection with that business or assets (the Panel should recall that, under U.S. law, "use" in connection with a business or assets may create ownership rights in the trademark, trade name or commercial name); that there is an "original owner" of the trademark trade name or commercial name; that the trademark, trade name or commercial name disputed under section 211 is identical to, or substantially similar to the trademark, trade name or commercial name used in connection with the confiscated assets (which addresses in part who the owner of that trademark, trade name or commercial name is); and whether the original owner of the trademark, trade name, or commercial name has consented to its registration and/or use by someone else.

42. All of these questions raise "ownership" issues: they address the issue of who is, and who is not, the owner of the trademark, trade name or commercial name in the United States. Each of these questions must be resolved by the decision-maker on the basis of the particular facts before him or her, in order to decide whether section 211 applies. If the answers to these questions establish that the confiscating entity is not the true owner of the trademark, trade name or commercial name (and does not have the consent of the original owner), then section 211 directs the court not to "recognize, enforce or otherwise validate" any assertion of rights by that person.

43. The outcome of the court's determination under section 211 – that the assertion of rights by the confiscating entity not be recognized, enforced, or otherwise validated – cannot be read, as the EC apparently does, as a decision not to recognize, enforce or otherwise validate <u>legitimate</u> ownership rights. To the contrary, this outcome is the necessary result of the conclusion that the person asserting the rights has <u>no</u> such ownership rights.

44. With respect to TRIPs enforcement obligations, it is not the U.S. position that the TRIPs Article 42 obligation is limited to "open[ing] the doors of the courthouse", as claimed by the EC in its oral statement at paragraph 73. As detailed in the First Submission of the United States, at paragraphs 84 - 86, TRIPs requires the availability of civil enforcement procedures only to remedy violations of rights "covered by this Agreement". Where there is no right, there is no

remedy. This is entirely consistent with the U.S. requests for consultations with respect to remedies under Part III of TRIPs, cited by the EC at paragraph 74 of its oral statement. In the situations giving rise to those consultation requests, there was no question that the entities seeking enforcement were rightholders under TRIPs; the only issue was whether the member State was providing TRIPs-consistent enforcement rights to that rightholder. In the case of section 211, by contrast, the issue is whether the confiscating entity or his successor in interest has any rights in the trademark in the first place.

45. In sum, there is nothing in section 211 that mandates any particular result that is contrary to TRIPs. Its application under any particular set of facts can vary and will depend on numerous decisions made by the decision-maker relating to who is the true owner of the trademark, trade name or commercial name at issue. Further, these decisions are subject to administrative and judicial review. Consequently, it cannot be said that section 211 is contrary to any provision of TRIPs.

IV. Section 211 Is Not Contrary To The National Treatment and Most Favored Nation Provisions Of The TRIPs Agreement.

46. The United States presented its views on why section 211 is not contrary to the national treatment and most favored nation provisions in its first submission and in its oral statement, and will not repeat those arguments here. Rather, this section will comment on several issues raised in the EC's first submission and at the meeting of the Panel.

A. Section 211 Must Be Considered As A Whole: It Does Not Consist Of "Tiers".

47. As the First Submission of the United States noted, Sections 211(a)(2) and 211(b) are not contrary to the national treatment and most favored nation provisions of TRIPs because there is no discrimination among U.S. nationals, Cuban nationals, and other non-U.S. nationals: none of these nationals can assert ownership rights to U.S. trademarks, trade names or commercial names if they derive those rights from a covered confiscation. Further, the principle of non-recognition of foreign confiscations applies to all confiscations, not just those that take place in Cuba.

48. The EC faults this conclusion, claiming that it confuses the various section 211 "tiers", *i.e.*, with respect to Cuba and Cuban nationals, on the one hand, and with respect to "successors in interest", on the other. But section 211 has to be read as a whole, and not split into small "national treatment/MFN" pieces. As the U.S. First Submission stated, if section 211 were limited to Cuba and Cuban nationals, this might be a different case. But it is not. Section 211 is directed at Cuba and Cuban nationals who trace their ownership claim to a confiscation and at any other nationals -- Cuban or not, U.S. or not -- who trace their ownership claim to that confiscation. One cannot assess consistency with national treatment and MFN by focusing on only one part of the law. The law has to be considered as a whole. If a provision of U.S. law

stated that a certain treatment would be provided to (1) domestic products and (2) imported products, it would be nonsensical to analyze a "first tier" (domestic products) in isolation, and conclude that the law violates national treatment. Similarly, in section 211, there are no separate "tiers"; the law, read as a whole, does not violate the national treatment or most favored nation provisions of TRIPs.

B. Section 211 Does Not Require That U.S. Nationals Be Treated More Favorably than Non-U.S. Nationals.

49. In assessing whether section 211 on its face, and not as applied, breaches the national treatment provisions of TRIPs, the Panel should examine whether section 211 requires that U.S. nationals be treated more favorably than non-U.S. nationals. Although section 211(a)(2) itself is directed at confiscating entities and "foreign" successors in interest, the omission of U.S. successors in interest is without practical effect. Under OFAC regulations, U.S. nationals are generally prohibited from becoming successors in interest to a confiscating entity. So the issue of whether, as a successor in interest, U.S. nationals can assert ownership rights in confiscated trademarks under section 211(a)(2) is academic. The issue would not even arise unless OFAC made an exception to the general prohibition and decided to grant a specific licence to allow a U.S. national to become a successor in interest in the first place.

50. There is no reason to believe that OFAC would ever issue such a licence, and the Panel should not, as a matter of law, assume that OFAC, an executive branch office, would take an action that might put the United States in violation of its international obligations. A law is only WTO-inconsistent on its face if it mandates WTO-inconsistent actions.[12] If the law permits the national authority to act in a manner consistent with the WTO Agreement, panels should not assume that a Member will use its discretion to act in a manner contrary to its international obligations.[13]

51. Panels have, on numerous occasions, recognized this distinction between laws that mandate WTO-inconsistent action and those that do not. In *United States - Tobacco,* the panel found that a law did not mandate GATT-inconsistent action, and was therefore not GATT-inconsistent, where the language of that law was susceptible of a range of meanings, including ones permitting GATT-consistent action. In *United States -- Taxes on Petroleum and Certain*

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[12] Panel Report on *United States -- Measures Affecting the Importation, Internal Sale and Use of Tobacco*, adopted 4 October 1994, BISD 41S/131 ("*U.S. -- Tobacco*");

[13] *Id;* Panel Report on *Thailand -- Restrictions on Importation of and Internal Taxes on Cigarettes*, DS10/R, adopted November 7, 1990, BISD 37S/200, 227, para. 84 ("*Thailand -- Cigarettes*"); *see also Chile – Taxes on Alcoholic Beverages*, adopted January 12, 2000, WT/DS87/AB/R, WT/DS110/AB/R, para. 74 (Panels may not presume that Members will act inconsistently with their WTO obligations. "This would come close to a presumption of bad faith.")

Imported Substances,[14] the U.S. Superfund Act explicitly directed the U.S. tax authorities to impose a penalty tax on imports that was inconsistent with national treatment, but permitted the U.S. Treasury Department to avoid the imposition of the penalty by issuing a regulation. No regulation had issued at the time of the panel report. Because the U.S. authorities had the "possibility" of avoiding the GATT-inconsistent penalty in that dispute, the panel found that the law itself was not GATT-inconsistent. Indeed, a law that does not mandate WTO-inconsistent action is not, on its face, WTO-inconsistent, even if actions taken under that law are WTO-inconsistent. For example, the panel in *EEC -- Regulation on Imports of Parts and Components*[15] found that "the mere existence" of the anti-circumvention provision of the EC's antidumping legislation was not inconsistent with the EC's GATT obligations, even though the EC had taken GATT-inconsistent measures under that provision.[16] The panel based its finding on its conclusion that the anti-circumvention provision "does not mandate the imposition of duties or other measures by the EEC Commission and Council; it merely authorizes the Commission and the Council to take certain actions."[17]

52. In this case, there is no indication whatsoever that OFAC would license a U.S. national to become a successor in interest to a confiscating entity. To the contrary, OFAC regulations generally prohibit such a transaction. Further, even if a U.S. national were in the position of claiming trademark ownership rights derived from a foreign confiscation in a U.S. court, the U.S. principle against the extraterritorial application of foreign confiscations would be applied to such a claim.

53. In short, there is nothing to suggest that, because of section 211(a)(2), the United States is according more favorable treatment to U.S. nationals than to other nationals. Section 211(a)(2), therefore, does not violate the TRIPs national treatment provisions.

V. Conclusion.

54. For the reasons set forth in this submission and in the First Submission of the United States, 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.

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[14] L/6175, adopted June 17, 1987, BISD 34S/136, 160, paras 5.2.1 - 5.2.2.

[15] Panel Report on *EEC -- Regulation on Imports of Parts and Components,* adopted 16 May 1990, BISD 37S/132 ("*EEC -- Parts*").

[16] *Id.*, paras. 5.9, 5.21, 5.25-5.26.

[17] *Id.*, para. 5.25.

Exhibit List

Exhibit US-47	Declaration of Dissent of Members of the European Parliament Regarding the Panel Request at the WTO against the USA Regarding the "Section 211" Law of 1998, dated February 1, 2001
Exhibit US-48	*In re Olin Corp.*, 181 USPQ 182 (TTAB 1973)
Exhibit US-49	*In re Tilcon Warren, Inc.,* 221 USPQ 86 (TTAB 1984)
Exhibit US-50	*Ex parte Zucker*, 111 USPQ 442 (Comm'r Pats. 1956)
Exhibit US-51	U.S. Patent Law (excerpt): 35 U.S.C. § 102(g)
Exhibit US-52	Daniel Gervais, *The TRIPs Agreement: Drafting History and Analysis*, 147 (1998)