

WORLD TRADE

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WORLD TRADE ORGANIZATION
APPELLATE BODY

**United States – Section 211 Omnibus
Appropriations Act of 1998**

European Communities, *Appellant*/

(a) (1) 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.

[a] (2) No 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.

(b) 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 consented.

(c) The Secretary of the Treasury shall promulgate such rules and regulations as are necessary to carry out the provisions of this section.

(d) In this section:

(1) The term "designated national" has the meaning given such term in section 515.305 of title 31, Code of Federal Regulations, as in effect on September 9, 1998, and includes a national of any foreign country who is a successor-in-interest to a designated national.

(2) The term "confiscated" has the meaning given such term in section 515.336 of title 31, Code of Federal Regulations, as in effect on September 9, 1998.

4. Section 211 applies to a defined category of trademarks, trade names and commercial names, specifically to those trademarks, trade names and commercial names that are "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" by the Cuban Government on or after 1 January 1959.

"confiscated" is defined as having the meaning given that term in Section 515.336 of Title 31 CFR. Part 515 of Title 31 CFR sets out the Cuban Assets Control Regulations (the "CACR"), which were enacted on 8 July 1963 under the Trading with the Enemy Act of 1917.⁵ Under these regulations, "designated national" is defined as Cuba, a national of Cuba or a specially designated national.⁶ "Confiscated" is defined as nationalized or expropriated by the Cuban Government on or after 1 January 1959 without payment of adequate and effective compensation.⁷

⁵50 U.S.C. App. 1 ff.

⁶See 31 CFR 515.305, which defines the term "designated national" as follows:

5. Section 211(a)(1) relates to licensing regulations contained in the CACR. The CACR are administered by the Office of Foreign Assets Control ("OFAC"), an agency of the United States

Section 515.527 Certain transactions with respect to United States intellectual property.

- (a) Transactions related to the registration and renewal in the United States Patent and Trademark Office or the United States Copyright Office of patents, trademarks, and copyrights in which the Government of Cuba or a Cuban national has an interest are authorized.

7. On 10 May 1999, some six months after the entry into force of Section 211, the CACR were amended by adding a new subparagraph (a)(2) to Section 515.527, which effectively prohibits registration and renewal of trademarks and trade names used in connection with a business or assets that were confiscated without the consent of the original owner or *bona fide* successor-in-interest. This provision reads:

- (a) (2) No transaction or payment is authorized or approved pursuant to paragraph (a)(1) of this section 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, as that term is defined in section 515.336, unless the original owner of the mark, trade name, or commercial name, or the *bona fide* successor-in-interest has expressly consented.

8. The effect of Section 211, as read with the relevant provisions of the CACR, is to make inapplicable to a defined category of trademarks and trade names certain aspects of trademark and trade name protection that are otherwise guaranteed in the trademark and trade name law of the United States. In the United States, trademark and trade name protection is effected through the common law as well as through statutes. The common law provides for trademark and trade name creation through use. The Trademark Act of 1946 (the "Lanham Act")¹¹ stipulates substantive and

¹¹15 U.S.C. §1051 ff. The Lanham Act also defines the scope of a trademark, the process by which a federal registration for a trademark can be obtained from the United States Patent and Trademark Office (the "USPTO"), and prescribes penalties for trademark infringement. Under the law of the United States, trade names do not need to be registered.

procedural rights in trademarks as well as trade names and governs unfair competition. Section 211(b) refers to Sections 44(b) and (e) of the Lanham Act.¹²

9. Before the Panel, the European Communities argued that: Section 211(a)(1) is inconsistent with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 6*quinquies* A(1) of the Paris Convention (1967) and Article 15.1 of the *TRIPS Agreement*; Section 211(a)(2) is inconsistent with Article 2.1 of the *TRIPS Agreement* in conjunction with Articles 2(1), 6*bis* (1) and 8 of the Paris Convention (1967), and Articles 3.1, 4, 16.1 and 42 of the *TRIPS Agreement*; and Section 211(b) is inconsistent with Article 2.1 of the *TRIPS Agreement* in conjunction with Articles 2(1), 6*bis* (1) and 8 of the Paris Convention (1967), and Articles 3.1, 4, 16.1 and 42 of the *TRIPS Agreement*.

10. In the Panel Report circulated on 6 August 2001, the Panel found that:

- (a) Section 211(a)(1) is not inconsistent with Article 15.1 of the TRIPS Agreement;
- (b) Section 211(a)(1) is not inconsistent with Article 2.1 of the TRIPS Agreement in conjunction with Article 6*quinquies*A(1) of the Paris Convention (1967);
- (c) it has not been proved that Section 211(a)(2) is inconsistent with Article 16.1 of the TRIPS Agreement;
- (d) Section 211(a)(2) is inconsistent with Article 42 of the TRIPS Agreement;
- (e) Section 211(a)(2) is not inconsistent with Article 2.1 of the TRIPS Agreement in conjunction with Article 6*bis* of the Paris Convention (1967);

¹²Section 44 of the Lanham Act (15 U.S.C. §1126) states, in relevant part:

(b) Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this chapter.

...

(e) A mark duly registered in the country of origin of the foreign applicant may be registered on the principal register if eligible, otherwise on the supplemental register in this chapter provided. Such applicant shall submit, within such time period as may be prescribed by the Director, a certification or a certified copy of the registration in the country of origin of the applicant. The application must state the applicant's bona fide intention to use the mark in commerce, but use in commerce shall not be required prior to registration.

- (f) Section 211(a)(2) is not inconsistent with Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention (1967);
- (g) Section 211(a)(2) is not inconsistent with Article 3.1 of the TRIPS Agreement and Article 2.1 of the TRIPS Agreement in conjunction with Article 2(1) of the Paris Convention (1967);
- (h) Section 211(a)(2) is not inconsistent with Article 4 of the TRIPS Agreement;
- (i) it has not been proved that Section 211(b) is inconsistent with Article 16.1 of the TRIPS Agreement;
- (j) it has not been proved that Section 211(b) is inconsistent with Article 42 of the TRIPS Agreement;
- (k) it has not been proved that Section 211(b) is inconsistent with Article 2.1 of the TRIPS Agreement in conjunction with Article *bis* of the Paris Convention (1967);
- (l) Section 211(b) is not inconsistent with Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention (1967);
- (m) Section 211(b) is not inconsistent with Article 3.1 of the TRIPS Agreement and Article 2.1 of the TRIPS Agreement in conjunction with Article 2(1) of the Paris Convention (1967); and
- (n) Section 211(b) is not inconsistent with Article 4 of the TRIPS Agreement.¹³

11. The Panel ruled that trade names are not a category of intellectual property covered by the *TRIPS Agreement*. Consequently, the Panel limited its review to an examination of Section 211 as it relates to trademarks.¹⁴ The Panel recommended that the Dispute Settlement Body (the "DSB") request the United States to bring its measures into conformity with its obligations under the *TRIPS Agreement*.¹⁵

12. On 4 October 2001, the European Communities notified the DSB of its intention to appeal certain issues of law covered in the Panel Report and certain legal interpretations developed by the Panel, pursuant to paragraph 4 of Article 16 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes* (the "DSU"), and filed a Notice of Appeal pursuant to Rule 20 of the *Working Procedures for Appellate Review* (the "*Working Procedures*"). On 15 October 2001,

¹³Panel Report, para. 9.1.

¹⁴*Ibid.*, para. 8.41.

¹⁵*Ibid.*, para. 9.3.

the European Communities filed its appellant's submission.¹⁶ On 19 October 2001, the United States filed an other appellant's submission.¹⁷ On 26 October 2001, the European Communities and the United States each filed an appellee's submission.¹⁸

13. On 2 November 2001, pursuant to Rule 28(1) of the *Working Procedures*, the Division hearing the appeal requested that the participants submit additional written memoranda on the interpretation by domestic courts of Article 6*quinquies* of the Paris Convention (1967), or the interpretation by domestic courts of legislation incorporating Article 6*quinquies*. Both participants filed the additional written memoranda on 6 November 2001, and served these memoranda on each other. Pursuant to Rule 28(2) of the *Working Procedures*, the Division gave the participants an opportunity to respond to these memoranda at the oral hearing in this appeal.

14. The oral hearing in this appeal was held on 7, 8 and 9 November 2001. The participants presented oral arguments and responded to questions put to them by the Members of the Division.

II. Arguments of the Participants

A. *Claims of Error by the European Communities – Appellant*

1. Article 6*quinquies* of the Paris Convention (1967)

15. The European Communities argues that the Panel erred in finding that Section 211(a)(1) is not inconsistent with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 6*quinquies* A(1) of the Paris Convention (1967). Contrary to the Panel's conclusion, Article 6*quinquies* A(1) does not address solely the form of the trademark. According to the European Communities, Article 6*quinquies* A(1) addresses all features of a trademark.

16. The European Communities submits that the Panel correctly found that the term "as is" (or "*telle quelle*" in the French version of Article 6*quinquies* A(1)) refers to the trademark. This term encompasses all the features of a trademark, and under no circumstances can the term be understood as being limited to the form of a trademark. This is confirmed by the context of Article 6*quinquies* A(1).

17. The European Communities argues that Article 6*quinquies* of the Paris Convention (1967) facilitates the obtaining of trademark protection in a Paris Union country when a trademark is already

registered in the country of origin.¹⁹ This facilitation is limited to the registration stage of the trademark. Trademarks created by registration in different countries will afterwards be "fully independent".²⁰ Therefore, Article 6*quinquies* limits the discretion of WTO Members with respect to the imposition of conditions for trademark registration. There is thus no apparent conflict between Articles 6 and 6*quinquies*, contrary to what the Panel suggests in paragraph 8.79, second sentence.

18. The European Communities submits that Article 6*quinquies* B provides important contextual guidance. This provision enumerates an exclusive list of exceptions to Article 6*quinquies* A that refer to elements going well beyond form. Article 6*quinquies* B(3) provides, for example, an exception when trademarks are "contrary to morality and public order", requiring an assessment of all the elements of the trademark including, but not limited to, its form.

19. In the view of the European Communities, the Panel's recourse to preparatory work is an erroneous invocation of the supplementary means of interpretation in Article 32 of the *Vienna Convention on the Law of Treaties* ("*Vienna Convention*").²¹ According to the European Communities, none of the conditions which justify recourse to supplementary means of interpretation is present in this dispute. Moreover, the documents related to the history of the Paris Convention (1967) used by the Panel in its analysis, fail to provide a clear indication of the intentions of the negotiators.

20. The European Communities infers, given that Article 6*quinquies* A(1) of the Paris Convention (1967) is not limited to form, the consent of a third party required for registration of a trademark by Section 211(a)(1) must be analyzed with respect to the exceptions provided in Article 6*quinquies* B. As Section 211(a)(1) is not covered by any of the exceptions in Article 6*quinquies* B, it is inconsistent with Article 2.1 the *TRIPS Agreement* together with Article 6*quinquies* A(1) of the Paris Convention (1967).

2. Article 15 of the *TRIPS Agreement*

21. The European Communities claims that the Panel erred in finding that Section 211(a)(1) is not inconsistent with Article 15.1 of the *TRIPS Agreement*. The Panel was incorrect in considering that Section 211(a)(1) is domestic legislation within the meaning of Article 6(1) of the Paris Convention (1967), and that it is covered under "other grounds" as set out in Article 15.2 of the *TRIPS Agreement*.

¹⁹The term "Paris Union" refers to the countries to which the Paris Convention (1967) applies. See Article 1(1) of the Paris Convention (1967).

²⁰European Communities' appellant's submission, para. 53.

²¹Done at Vienna, 23 May 1969, 1155 U.N.T.S. 331; 8 International Legal Materials 679.

22. In the view of the European Communities, Section 211(a)(1) is not a measure related to ownership but a measure that establishes a particular condition, or an additional procedural step, for the registration or renewal of registration of certain trademarks. It is unrelated to the transfer or cessation of an asset. Furthermore, when the provision is applied in the context of a renewal, the registered trademark ceases to exist in the hands of any owner and the signs or combinations of signs that constitute the trademark fall into the public domain. The European Communities notes that Article 18 of the *TRIPS Agreement* provides that trademarks are renewable indefinitely. In sum, the consent for the registration or renewal of trademarks required under Section 211(a)(1) creates a curtailment on the continued enjoyment of an existing trademark and prevents new registrations from being granted.

23. According to the European Communities, the Panel began its assessment by looking at paragraph 1 of Article 15 and then concluded that it had to be considered "in tandem" with paragraph 2. While not precisely clear on the basis for this approach, the European Communities understands that the Panel found Section 211(a)(1) to be inconsistent with Article 15.1 of the *TRIPS Agreement*, but nevertheless not WTO-inconsistent because it is covered by Article 15.2.

24. The European Communities argues that, contrary to the Panel's position, Article 15.2 should be interpreted as allowing only those exceptions that are expressly foreseen in the Paris Convention (1967). This is consistent with the general recognition that exceptions must be interpreted narrowly. There is a relatively small number of express exceptions to Article 15.1 of the *TRIPS Agreement* that are contained in the Paris Convention (1967) or the *TRIPS Agreement*.²² These would make little sense if Article 15.2 of the *TRIPS Agreement* were to allow any exception not expressly prohibited. The broader interpretation given by the Panel to Article 15.2 would also render obsolete the disciplines established by Article 15.1. The Panel recognized this danger but, instead of revisiting its conclusions, it referred to the doctrine of "*abus de droit*", without drawing any conclusions from it for the interpretation of Article 15.

25. The European Communities maintains that no provision exists, either in the *TRIPS Agreement* or in the Paris Convention (1967), that allows WTO Members to require the consent of third parties for the registration or renewal of registration of a trademark. Section 211(a)(1) is therefore incompatible with Article 15 of the *TRIPS Agreement*.

²²The European Communities cites the following provisions as express exceptions to Article 15.1 of the *TRIPS Agreement* contained in the Paris Convention (1967) or the *TRIPS Agreement*: Articles 22.3, 23.2, 24.5, and 62.1 of the *TRIPS Agreement* and Articles 6(2), 6ter, 6quinquies (B), C(2) and D of the Paris Convention (1967). (European Communities' appellant's submission, para. 73; European Communities' responses to questioning at the oral hearing.)

26. The European Communities adds that, even under the Panel's interpretation of Article 15.2, Section 211(a)(1) would still be inconsistent with Article 15 of the *TRIPS Agreement* with respect to trademarks registered under Article 6*quinquies* of the Paris Convention (1967), because it is not covered by any of the exceptions enumerated in subparagraph B's exclusive list.

3. Article 16 of the *TRIPS Agreement*

(a) Section 211(a)(2)

27. The European Communities argues that the Panel erred in finding that it had not proved that Section 211(a)(2) is inconsistent with Article 16.1 of the *TRIPS Agreement*. The Panel incorrectly applied the rules on burden of proof established by the Appellate Body.

28. The European Communities submits that it provided ample evidence on how to interpret Section 211(a)(2), and demonstrated how this provision conflicts with the obligations of the United States under Article 16.1 of the *TRIPS Agreement*. That there has not yet been litigation in the United States giving rise to final judgments interpreting Section 211(a)(2), and that there is no legislative history with respect to this measure, cannot be used against the European Communities.

29. The European Communities submits that the Panel erroneously distinguished between the owner of the registered trademark and the trademark itself, when both are intricately intertwined. Although disputes may arise with respect to who is the lawful owner of a registered trademark, the existence of a registered trademark necessarily implies that there is an owner.

30. According to the European Communities, the Panel did not provide support for its conclusion that "[u]nder the exceptional circumstances dealt with under Section 211(a)(2), there may be a successful challenge concerning the *prima facie* ownership rights in relation to the registration".²³ Section 211(a)(2) does not address the fate of the registered trademark in terms of its status in the register. Nor does the Panel explain the relevance of Section 211(a)(2) for purposes of determining who is the owner of a registered trademark under the relevant provisions of the Lanham Act.

31. The European Communities asserts that Section 211(a)(2) does not address the ownership issue. This is particularly the case when it is invoked by an infringer other than the original owner, when the trademark has been abandoned by the original owner, or when no original owner exists because no United States trademark existed at the time of confiscation or the original owner is no longer alive.

²³Panel Report, para. 8.111; European Communities' appellant's submission, para. 107.

32. The European Communities concludes, therefore, that the owner of a registered trademark under Article 16.1 of the *TRIPS Agreement* is the holder of the registration until such time as it ceases to hold the registration. Further, it makes no sense to consider an original owner who is not in the register as the lawful owner. This conclusion is supported by the fact that under Section 211(a)(2), this original owner has no exclusive rights to prevent others from using the registered trademark.

(b) Section 211(b)

33. The European Communities argues that the Panel erred in finding that it has not been proven that Section 211(b) is inconsistent with Article 16.1 of the *TRIPS Agreement*. The Panel completely disregarded the partial agreement between the parties as to the proper reading of Section 211(b). The burden of proof is relevant only for the elements on which the parties disagree.

34. According to the European Communities, the United States argued that Section 211(b) is limited to situations covered by Section 44(e) of the Lanham Act, namely, situations where a registered United States trademark is obtained on the basis of a trademark registered in a foreign country or where registration is applied for in a foreign country. The European Communities agrees with the United States that Section 211(b) covers such situations and that it prohibits United States courts from recognizing, enforcing or otherwise validating any rights asserted by a designated national flowing from a United States trademark obtained under Section 44(e) of the Lanham Act, provided that such a trademark was used in connection with a business or assets confiscated in Cuba.

35. However, the European Communities submits that Section 211(b) covers other situations as well. According to the European Communities, Section 211(b) covers all cases in which foreigners, who are nationals of a WTO Member, hold registered trademarks or trade names in the United States. This is because Section 211(b) refers also to Section 44(b) of the Lanham Act, in which no mention is made of a registration or application for a trademark in the country of origin. It refers to benefits to persons whose country of origin is a party to any "convention or treaty relating to trademarks, trade or commercial names", which obviously includes the *TRIPS Agreement*. In addition, the reading suggested by the United States would render the reference to trade names in Section 44(b) redundant because registration is not necessary for such rights.

36. To further support its view, the European Communities cites a decision issued by a United States court in *Havana Club Holding, S.A. v. Galleon S.A.* ("*Havana Club Holding*").²⁴ The European Communities emphasizes that the court decision stems from a final judgment in a case that

²⁴*Havana Club Holding, S.A. v. Galleon S.A.*, 62 F.Supp.2d 1085 (S.D.N.Y. 1999); See also *Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.3d 116 (2d Cir. 2000).

went through the entire United States court system, up to the United States Supreme Court that denied *certiorari*.

37. Given these elements, the European Communities considers that it has met its burden of proof with respect to that part of Section 211(b) for which the parties have a divergent reading. The evidence presented clearly demonstrates that Section 211(b) applies to all United States trademarks

non-United States) successors-in-interest. According to the European Communities, under no circumstances can a United States national be considered a "designated" national. Furthermore, it is logically inconsistent, according to the European Communities, to argue that the CACR regulations as administered by OFAC could counterbalance this discrimination.

43. The European Communities argues that the Panel considered only the discriminatory treatment between United States nationals and foreign nationals at the level of successors-in-interest. It did not consider the discriminatory treatment at the level of original registrants. According to the European Communities, Section 211(a)(2) discriminates at the level of original registrants between

Section 211(b), whether it be the broader scope advanced by the European Communities or narrower one on which the parties at a minimum agree.

7. Article 8 of the Paris Convention (1967) – Trade Names

53. The European Communities argues that the Panel erred in finding that trade names are covered in the *TRIPS Agreement*. The Panel's finding comes "as a surprise"²⁶ because both European Communities and the United States had agreed that trade names were included in the scope of the *TRIPS Agreement*. The issue of coverage of trade names was not raised specifically before the Panel until the interim review stage, when the participants commented on the Panel's finding that trade names were not covered.

54. The European Communities maintains that the Panel erred in its analysis by considering that Article 1.2 of the *TRIPS Agreement* contains an exhaustive definition of intellectual property. The European Communities considers that Article 1.2 is illustrative and is no more than a very general definition of intellectual property rights covered by the *TRIPS Agreement*. Article 1.2 does not define the details of such intellectual property rights with conclusive precision.

55. In the view of the European Communities, a proper analysis should begin with Article 2 of the *TRIPS Agreement*. The Panel's interpretation reduces the express inclusion in Article 2 of Article 8 of the Paris Convention (1967) to inutility. The Panel's interpretation also

Communities submits, therefore, that Sections 211(a)(2) and (b) are inconsistent with Article 8 of the Paris Convention (1967).

58. The European Communities submits that, given that trade names are covered by the *TRIPS Agreement*, Article 42 applies equally to trade names. As Sections 211(a)(2) and (b) deny judicial enforceability to registered trademarks and also to trade names, the Panel's finding of inconsistency of Section 211(a)(2) with Article 42 of the *TRIPS Agreement* applies equally to trade names in respect of Sections 211(a)(2) and (b).

59. Finally, the European Communities submits that, as Sections 211(a)(2) and (b) address trade names in the same manner as trademarks, its arguments with respect to the inconsistency of Sections 211(a)(2) and (b) with Articles 2.1, 3.1 and 4 of the *TRIPS Agreement* apply in respect of both trademarks and trade names.

B. *Arguments of the United States – Appellee*

1. Article 6quinquies of the Paris Convention (1967)

60. The United States argues that the Panel correctly found that Article 6quinquies A(1) does not require Members to accept for filing and protect without question *all* trademarks duly registered in their country of origin. Rather, Article 6quinquies A(1) prevents Members from denying such registration on the basis of the *form* of the trademark. As Section 211(a)(1) does not deal with the form of the trademark, it is not inconsistent with Article 2.1 of the *TRIPS Agreement*, in conjunction with Article 6quinquies of the Paris Convention (1967).

61. The United States submits that the European Communities' arguments with respect to the Panel's sound interpretation of Article 6quinquies A(1) are incorrect. The European Communities makes no serious attempt at a textual analysis to support its position, inaccurately criticizes part of the Panel's analysis of the context of the provision, improperly tries to interpret the exceptions to Article 6quinquies A(1) as overriding the ordinary meaning of Article 6quinquies A(1), and incorrectly argues that the need to resort to supportive historical documents somehow undercuts the Panel's analysis.

62. According to the United States, even if Article 6quinquies A(1) were read to require WTO Members to accept for filing and protect any trademarks duly registered abroad in the country of origin, regardless of whether the registrant is the proper owner under domestic law, Article 6quinquies B would provide exceptions to these obligations. Contrary to the European Communities' arguments, two of these exceptions would cover the situations represented by Section 211.

63. The United States notes that, according to Article *6quinquies* B(1), registration of trademarks may be denied or invalidated when the trademarks are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed. To the extent that the original owner of a confiscated asset, who used a trademark in connection with that asset, has rights that would be impaired if the entity which confiscated the asset could acquire ownership of the mark in the United States, it is consistent with Article *6quinquies* B of the Paris Convention (1967) to deny registration by the confiscating entity, unless the original owner consents.

64. The United States also notes that, according to Article *6quinquies* B(3), registration may be denied if the trademarks are contrary to *ordre public*. Courts have found that giving domestic effect to foreign confiscation with respect to domestic assets is contrary to *ordre public*. Therefore, even if Article *6quinquies* A(1) could be read to extend beyond matters of trademark form, then, in the case of foreign confiscation, the United States is justified in denying registration in the situations covered by Section 211 for reasons of *ordre public*.

2. Article 15 of the TRIPS Agreement

65. The United States argues that the questions raised by the European Communities with respect to Section 211(a)(1) are questions of fact, not law, and are therefore outside the scope of appellate review. Further, neither in its notice of appeal nor in its appellant's submission does the European Communities claim that the Panel did not fulfill its obligation under Article 11 of the DSU.

66. Even assuming that the European Communities had properly raised this issue on appeal, the United States is of the view that such an appeal should fail. Section 211(a)(1) is no less about "ownership" of the trademark simply because it identifies who is *not* the owner, without legally

(b) Section 211(b)

72. The United States argues that Section 211(b) is not inconsistent with Article 16.1 of the *TRIPS Agreement*. In support of its appeal with respect to Section 211(b) and Article 16.1, the European Communities simply cross-references its argument made in relation to Section 211(a)(2). With respect to Section 211(b), the Panel correctly found that the European Communities had not submitted sufficient evidence of a breach of Article 16.1 of the *TRIPS Agreement*.

73. The United States maintains that, even if the European Communities had sustained its burden of proof with respect to the meaning of Section 211(b), the Appellate Body should nevertheless find that the European Communities did not sustain its evidentiary burden with respect to the alleged breach of Article 16.1. Further, if the Appellate Body finds that the European Communities did sustain its burden in both instances, it should nevertheless find that Section 211(b) is not inconsistent with Article 16.1, for the reasons stated above in connection with Section 211(a)(2).

4.

5. Article 2 of the Paris Convention (1967) and Article 3 of the *TRIPS Agreement*

77. The United States argues that the Panel correctly found that Section 211(a)(2) does not provide more favourable treatment to United States nationals than it does to non-United States nationals, and, therefore, is not inconsistent with the national treatment provisions of the *TRIPS Agreement* and the Paris Convention (1967). The European Communities claims that the Panel erred in its assessment of the facts. As the European Communities has not alleged any violations of Article 11 of the DSU, in the view of the United States this claim is outside the scope of appellate review.

78. According to the United States, the European Communities' claim is based on its assumption that OFAC regulations impose a licensing requirement only with respect to United States assets owned by Cuban nationals, such that United States or other nationals are unaffected. This is incorrect. OFAC regulations are very broad, and generally prohibit any transactions involving property in which a designated national has had any interest of any nature whatsoever, direct or indirect. This includes transactions by persons of any nationality with respect to trademarks that are identical or similar to trademarks in which a designated national has had an interest. Moreover, in claiming that there is discrimination with respect to original registrants, the European Communities disregards the fact that, as to original owners, there is no distinction made according to nationality.

79. The United States notes the European Communities' argument that, as the Panel's finding was based on OFAC's discretionary licensing authority, the United States has the burden of demonstrating that this authority would be exercised in an even-handed fashion. In the view of the United States, this is incorrect. It is the European Communities' burden to demonstrate that Section 211(a)(2), on its face, mandates WTO-inconsistent action.

80. The United States argues that Section 211(b) is not inconsistent with the national treatment obligation in the *TRIPS Agreement* and the Paris Convention (1967). The European Communities' sole argument with respect to Section 211(b) and the national treatment obligation is to refer to its arguments under Section 211(a)(2), because the two sections operate in the same manner. However, the European Communities' argument with respect to Section 211(a)(2) is based in significant part on its observation that Section 211(a)(2) does not specifically mention United States nationals as successors-in-interest. Section 211(b), by contrast, specifically includes United States nationals as successors-in-interest. This difference alone undermines the European Communities' assertion that its arguments by cross-reference are supportable and meaningful. In the view of the United States, the European Communities' Section 211(a)(2) argument is largely irrelevant to Section 211(b).

81. If the Appellate Body concludes that the European Communities' arguments regarding Section 211(a)(2) are germane to the analysis of Section 211(b), the United States submits that its own arguments with regard to Section 211(a)(2) demonstrate that Section 211(b) is not inconsistent with the national treatment obligation in the *TRIPS Agreement* and the Paris Convention (1967).

6. Article 4 of the *TRIPS Agreement*

82. In the view of the United States, the Panel correctly found that Section 211(a)(2) is not inconsistent with the most-favoured-nation obligation of the *TRIPS Agreement*. The European Communities' sole argument is that there is discrimination at the level of original owners. This is incorrect. The original owner, of whatever nationality, consents to his own registration, so Section

analysis not undertaken by the Panel. In particular, the United States submits that the Panel examined thoroughly United States law with respect to trademarks and trademark registrations, but made no findings on how trade name ownership is established, or whether the issue of registration or non-registration of trade names affects the rights of the person asserting ownership of a trade name.

86. However, if the Appellate Body decides nevertheless to complete the analysis, the United States submits that the Appellate Body should find that Section 211(a)(2) is not inconsistent with any trade name obligations of the *TRIPS Agreement* and the Paris Convention (1967).

C. *Claims of Error by the United States – Appellant*

1. Article 42 of the *TRIPS Agreement*

87. The United States argues that the Panel erred in finding that Section 211(a)(2) breaches the requirements for fair and equitable procedures detailed in Article 42 of the *TRIPS Agreement*.

88. The Panel found that, inconsistently with this Article, "Section 211(a)(2) limits, under certain circumstances, right holders' effective access to and, hence, the availability of civil judicial procedures".²⁷ However, the United States submits that the Panel erred by overlooking the fact that under Section 211, the "certain circumstances" under which a court will not recognize, enforce, or otherwise validate the assertion of ownership rights are no more than the very "circumstances" in which the claimant is not the legitimate owner (or right holder) according to United States law.

89. The United States contends further that the Panel erroneously concluded that Section 211(a)(2) prevents persons who claim ownership of a trademark on the basis of registration from having the ability to substantiate their claims in a trademark infringement action. According to the United States, the Panel found nothing in Section 211(a)(2) that prevents parties, including trademark registrants, from initiating a judicial proceeding, from presenting all relevant evidence in support of their claims, and, if they are trademark registrants, from enjoying the presumption of validity that registration confers.

D. *Arguments of the European Communities – Appellee*

1. Article 42 of the *TRIPS Agreement*

90. The European Communities argues that the Panel did not err in finding that Section 211(a)(2) is inconsistent with Article 42 of the *TRIPS Agreement*. According to the European Communities, Article 42 requires that, in a civil judicial procedure, a plaintiff must be able to pursue all issues

²⁷Panel Report, para. 8.102.

relevant for the enforcement of an intellectual property right covered by the *TRIPS Agreement* and not just the plaintiff

95. Section 211 makes reference to Section 515.527 of the Cuban Assets Control Regulations (the "CACR").³² The CACR were enacted on 8 July 1963 pursuant to the Trading with the Enemy Act, a statute enacted by the United States Congress on 6 October 1917.³³ After the entry into force of Section 211, the CACR were amended by adding a new subparagraph (a)(2) to Section

person registering a trademark in the United States is not the true owner of the trademark under [United States] law, the registration may be cancelled."³⁹

97. Both the European Communities and the United States agree that, in the United States, the principal federal statute on trademark and trade name protection is the Trademark Act of 1946 (which is commonly referred to as the "Lanham Act").⁴⁰ Both parties to this dispute have also agreed that the Lanham Act also is not part of the measure at issue in this appeal. Thus, we refer to the Lanham Act only to the extent that it is relevant for the interpretation of Section 211.

98. On appeal, the United States submits that the European Communities has not challenged the *application* of Section 211.⁴¹ At the oral hearing in this appeal, the European Communities confirmed that it has not challenged the application of the statute, and clarified that, instead, it is challenging the statute on its face.⁴² The European Communities confirmed as well that, in this dispute, the European Communities is not challenging the WTO-consistency of the decisions in *Havana Club Holding, S.A. v. Galleon S.A.* (the '*Havana Club Holding* decisions').⁴³ Like the Panel, the only applications of Section 211 we are aware of are the two United States court decisions relating to Section 211(b) in 1999 and in 2000 in *Havana Club Holding, S.A. v. Galleon S.A.* The request by the European Communities for the establishment of a panel does not contain any reference to the *Havana Club Holding* decisions. Thus, in this appeal, we examine the WTO-consistency of Section 211 on its face. The question of the WTO-consistency of the *Havana Club Holding* decisions is not before us. However, as the European Communities has argued and as the United States has agreed, the *Havana Club Holding* decisions are relevant as evidence of how Section 211(b), as the European Communities has put it, "operates in practice".⁴⁴ We agree.

³⁹Panel Report, para. 4.240. United States' other appellant's submission, para. 24. European Communities' responses to questioning at the oral hearing. See also McCarthy, J. Thomas, *McCarthy on Trademarks and Unfair Competition*

- (ii) erred in not finding that Sections 211(a)(2) and (b) are inconsistent with Article 4 of the *TRIPS Agreement* in respect of the protection of trade names;
- (iii) erred in not finding that Sections 211(a)(2) and (b) are inconsistent with Article 42 of the *TRIPS Agreement* in respect of the protection of trade names; and
- (iv) erred in finding that Sections 211(a)(2) and (b) are not inconsistent with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 8 of the Paris Convention (1967).

IV. Preliminary Matters

A. The Scope of Appellate Review

100. We begin by addressing a preliminary question that is central to our disposition of the specific issues raised in this appeal. This question is the scope of appellate review in this appeal.

101. With respect to the scope of appellate review, the United States argues that we are bound on appeal by the Panel's conclusions about the meaning of the measure at issue. The United States submits that a panel's review of a Member's domestic law is, in any dispute, a question of fact⁴⁵, and that, therefore, the European Communities' allegations, in this dispute, about the Panel's appreciation of the meaning of the terms of Section 211 are questions of fact. The United States points to our mandate under Article 17.6 of the DSU, which limits appeals to "issues of law covered in the panel report and legal interpretations developed by the panel." The United States reminds us of our observation in our Report in *EC Measures Concerning Meat and Meat Products (Hormones)* ("*EC – Hormones*") that "[f]indings of fact, as distinguished from legal interpretations or legal conclusions, by a panel are, in principle, not subject to review by the Appellate Body."⁴⁶ The United States reminds us as well of Article 11 of the DSU, which obliges a panel to "make an objective assessment of the matter before it, including an objective assessment of the facts of the case". Although the United States acknowledges that the question whether a panel has made such an objective assessment of the facts is indeed a legal question, the United States insists that, for such a question to fall within the scope of appellate review, it must be properly raised on appeal. The United States emphasizes that the European Communities has not made a claim under Article 11 of the DSU

⁴⁵United States'

in this appeal. From this, the United States concludes that the findings of the Panel on the meaning of Section 211 are not within the scope of this appeal.

102. The European Communities argues that we are in no way bound on appeal by the Panel's characterization of the meaning of Section 211. The European Communities sees this as a "question of law"⁴⁷ that is fully within the scope of appellate review under the DSU. The European Communities contends that the findings of the Panel in relation to Section 211 are based, *inter alia*, on an erroneous reading of Section 211 itself. The European Communities argues further that these erroneous findings are based on erroneous interpretations of the relevant provisions of the *TRIPS Agreement* and of the relevant provisions of the Paris Convention (1967) that have been incorporated by reference into the *TRIPS Agreement*.⁴⁸ The European Communities insists that the Appellate Body is empowered to review the result of a panel's examination of a WTO Member's domestic law for the purpose of ascertaining its consistency with the *Marrakesh Agreement Establishing the World Trade Organization* (the "*WTO Agreement*"). At the oral hearing, the European Communities explained that understanding what is the measure that is the subject of the dispute is a question of law and, if the subject of a dispute is simply a provision of a domestic law which is being attacked as such, then understanding that measure correctly is a question of law.

103. In addressing the scope of appellate review in this case, we begin by recalling our ruling in *EC – Hormones* that:

The consistency or inconsistency of a given fact or set of facts with the requirements of a given treaty provision is ... a legal characterization issue. It is a legal question.⁴⁹

104. We believe that our ruling in *India – Patent Protection for Pharmaceutical and Agricultural Chemical Products* ("*India – Patents (US)*") is of even greater relevance. We stated there, in relevant part, that:

In public international law, an international tribunal may treat municipal law in several ways. Municipal law may serve as evidence of facts and may provide evidence of state practice. However, municipal law may also constitute evidence of compliance or non-compliance with international obligations. ... (footnote omitted)

⁴⁷European Communities' responses to questioning at the oral hearing.

⁴⁸European Communities' appellant's submission, paras. 80-81.

⁴⁹Appellate Body Report, *EC – Hormones, supra*, footnote 46, para. 132.

It is clear that an examination of the relevant aspects of Indian municipal law and, in particular, the relevant provisions of the Patents Act as they relate to the "administrative instructions", is essential to determining whether India has complied with its obligations under Article 70.8(a). There was simply no way for the Panel to make this determination without engaging in an examination of Indian law. But, as in the case cited above before the Permanent Court of International Justice, in this case, the Panel was not interpreting Indian law "as such"; rather, the Panel was examining Indian law solely for the purpose of determining whether India had met its obligations under the *TRIPS Agreement*. ...

And, just as it was necessary for the Panel in this case to seek a detailed understanding of the operation of the Patents Act as it relates to the "administrative instructions" in order to assess whether India had complied with Article 70.8(a), *so, too, is it necessary for us in this appeal to review the Panel's examination of the same Indian domestic law.*⁵⁰ (emphasis added)

105. Our rulings in these previous appeals are clear: the municipal law of WTO Members may serve not only as evidence of facts, but also as evidence of compliance or non-compliance with

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The language of Section 211(a)(1) *addresses* the rights of a person registering a trademark to assert an

this basis, the European Communities argues that Section 211 does not in any way establish ownership of trademarks and that, therefore, Section 211 is not, by nature, an ownership measure.⁵⁸

111. The United States sees Section 211 differently. The United States, like the Panel, sees Section 211 as a measure that "deals with" and "regulates" ownership. The United States explains that Section 211 "deals with" and "regulates" ownership in a limited and specific set of circumstances – those that are described in the measure relating to confiscation.⁵⁹ The United States contends that Section 211 is an expression of the longstanding doctrine⁶⁰ of the United States that those whose claim to ownership of a trademark is based on an uncompensated confiscation of assets cannot claim rights of ownership in the United States, absent the consent of the owners whose assets were confiscated.⁶¹ The United States asserts that whether Section 211 affirmatively attributes ownership of the trademark to someone else is irrelevant.⁶² As the United States sees it, the measure is no less an ownership measure because it identifies only who is *not* the owner and does not establish who *is* the owner of a particular trademark in the circumstances in which Section 211 applies.⁶³

112. With these arguments of the parties in mind, we examine the measure at issue in this appeal. In doing so, we observe, like the European Communities, that Section 211(a)(1) does not positively "allocate" – that is, it does not attribute or establish – trademark ownership for one person or another. Yet, we disagree with the European Communities that the "consent requirement introduced by Section 211(a)(1) has nothing to do with an ownership related measure such as a transfer or cessation of an asset."⁶⁴

113. In our view, a measure such as the one before us that conditions rights on obtaining the express consent of the original owner *is*, unquestionably, a measure that deals with ownership. We do not agree with the European Communities that a measure must *establish* ownership in order to be one that is, in its nature, an ownership measure. A measure need not deal exhaustively with a particular subject in order to be considered as a measure dealing with that subject.

⁵⁸European Communities' responses to questioning at the oral hearing. At the oral hearing, in response to one question, the European Communities confirmed that, by "allocate", in this context, the European Communities means "attribute".

⁵⁹We refer here and throughout this Report to the term "confiscated" as it is defined in Section 515.336 of Title 31 CFR. See *supra*, footnote 7.

⁶⁰United States' appellee's submission, para. 1.

⁶¹*Ibid.*, para. 16; Panel Report, para. 4.14.

⁶²United States' appellee's submission, para. 23.

⁶³*Ibid.*

⁶⁴European Communities' appellant's submission, para. 64.

114. Therefore, we agree instead with the United States that the mere fact that Section 211(a)(1) does *not* affirmatively establish ownership⁶⁵ does not, in and of itself, render that measure one that does not deal with ownership. Further, we agree with the United States that, although Section 211(a)(1) does not determine who *does* own a trademark, it can, in the particular circumstances in which it applies, determine who *does not*. To us, this alone is sufficient to make Section 211(a)(1) a measure that, in its nature, relates to the *ownership* of trademarks and trade names.

115. The text of the measure supports this interpretation. As we have observed, the text of Section 211(a)(1) contains a phrase that specifically refers to ownership, namely: "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."⁶⁶ Section 211(a)(2) does not contain this phrase. Rather, Section 211(a)(2) reads:

No 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. (emphasis added)

116. This raises the issue of the import of the word "such" in the phrase "such a confiscated mark, trade name, or commercial name." Although it is clear that the "such" in Section 211(a)(2) refers back to Section 211(a)(1), the question is: to what part of paragraph (a)(1) does paragraph (a)(2) refer? On the one hand, "such a confiscated mark, trade name, or commercial name" could conceivably refer *only* to the phrase "mark, trade name, or commercial name that is the same as or

117. The Panel interpreted Section 211(a)(2) to refer back to both phrases; that is, the Panel

V. Article 6quinquies of the Paris Convention (1967)

122. We turn now to the claims of the European Communities as they relate to Article 6quinquies of the Paris Convention (1967). Article 6quinquies A(1) reads:

Every trademark duly registered in the country of origin shall be accepted for filing and protected *as is* in the other countries of the Union, subject to the reservations indicated in this Article. Such countries may, before proceeding to final registration, require the production of a certificate of registration in the country of origin, issued by the competent authority. No authentication shall be required for this certificate. (emphasis added)

123. Article 6quinquies forms part of the Stockholm Act of the Paris Convention, dated 14 July 1967. The Stockholm Act is a revision of the original *Paris Convention for the Protection of Industrial Property*, which entered into force on 7 July 1884.⁶⁹ The parties to the Paris Convention, who are commonly described as the "countries of the Paris Union", are obliged to implement the provisions of that Convention.

124. Article 2.1 of the *TRIPS Agreement* provides that: "[i]n respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967)." Thus, Article 6quinquies of the Paris Convention (1967), as well as certain other specified provisions of the Paris Convention (1967), have been incorporated by reference into the *TRIPS Agreement* and, thus, the *WTO Agreement*.

125. Consequently, WTO Members, whether they are countries of the Paris Union or not, are obliged, under the *WTO Agreement*, to implement those provisions of the Paris Convention (1967) that are incorporated into the *TRIPS Agreement*. As we have already stated, Article 6quinquies of the Paris Convention (1967) is one such provision.

126. Before the Panel, the European Communities claimed that Section 211(a)(1) is inconsistent with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 6quinquies A(1) of the Paris Convention (1967), an allegation contested by the United States.⁷⁰

⁶⁹The original Paris Convention was concluded in 1883.

⁷⁰Panel Report, paras. 8.71-8.73.

Section 211(a)(1) does not address the form of the trademark. As the United States sees it, nothing in Article 6*quinquies* obliges the United States to accept the registration or renewal of a trademark if the person registering or renewing it is not the true owner of the trademark under United States law. The United States portrays Section 211(a)(1) as dealing with ownership of trademarks. The United States does not see anything in Article 6*quinquies* or in any other provision of the Paris Convention (1967) that specifies how trademark ownership is to be determined. Instead, the United States interprets the Paris Convention (1967) and, now, the *TRIPS Agreement*, as leaving the determination of trademark ownership to the national laws of each WTO Member, subject only to the requirements against discrimination that are found in that Convention and in that Agreement.

130. Before examining the text of Article 6*quinquies*, we note that the Paris Convention (1967) provides two ways in which a national of a country of the Paris Union may obtain registration of a trademark in a country of that Union other than the country of the applicant's origin: one way is by registration under Article 6 of the Paris Convention (1967); the other is by registration under Article 6*quinquies* of that same Convention.

131. Article 6(1) of the Paris Convention (1967) provides:

The conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation.

132. Article 6(1) states the general rule, namely, that each country of the Paris Union has the right to determine the *conditions* for filing and registration of trademarks in its domestic legislation. This is a reservation of considerable discretion to the countries of the Paris Union – and now, by incorporation, the Members of the WTO – to continue, in principle, to determine for themselves the conditions for filing and registration of trademarks. Thus, in our view, the general rule under the Paris Convention (1967) is that national laws apply with respect to trademark registrations within the *territory* of each country of the Paris Union, subject to the requirements of other provisions of that Convention.⁷² And, likewise, through incorporation, this is also now the general rule for all WTO Members under the *TRIPS Agreement*.

133. Therefore, an applicant who chooses to seek registration of a trademark in a particular foreign country under Article 6 must comply with the conditions for filing and registration specified in that country's legislation. Such an applicant is *not* obliged to register a trademark first in its country of

⁷²The discretion of countries of the Paris Union to legislate conditions for filing and registration is not unlimited. It is subject to the international minimum standard of trademark disciplines provided for in other Articles of the Paris Convention (1967). These include, for example, national treatment, as well as internationally agreed reasons for denying trademark registration, such as those provided for in Article 6*ter*. The Paris Convention (1967) limits also the legislative discretion of countries of the Union under Article 6(1) by setting out reasons that countries cannot invoke to deny trademark registration, for example in Article 6(2).

origin in order to register that trademark in another country of the Paris Union.⁷³ However, that applicant must comply with the conditions of that other country where registration is sought.⁷⁴

134. As we have stated, Article 6 is not the only way to register a trademark in another country. If an applicant *has* duly registered a trademark in its country of origin, Article 6*quinquies* A(1) provides an alternative way of obtaining protection of that trademark in other countries of the Paris Union.

135. This alternative way of seeking acceptance in another country of the Paris Union of a trademark registered in the applicant's country of origin, afforded by Article 6*quinquies* A(1), is subject to two prerequisites. First, that trademark must be *duly registered* according to the domestic legislation of the country of origin, and, second, it must be registered in the applicant's *country of origin*, as defined in Article 6*quinquies* A(2).⁷⁵ Article 6*quinquies* D confirms that the recognition of a trademark in another country of the Paris Union under Article 6*quinquies* is dependent on registration in the country of origin.⁷⁶ These two prerequisites though are not at issue in this appeal. The issue in this appeal relates to the extent of the obligations established by Article 6*quinquies* A(1), assuming that these two prerequisites have been met.

136. By virtue of Article 6*quinquies* A(1), WTO Members are obliged to confer an exceptional right on an applicant in a Paris Union country other than its country of origin, one that is over and above whatever rights the other country grants to its own nationals in its domestic law. A national who files for registration of a trademark in his own country must comply *fully* with the conditions for filing and registration as determined by the national legislation of that country. But, if that country is a Member of the Paris Union – and, now, of the WTO – then an applicant from another WTO

⁷³Article 6(2) of the Paris Convention (1967) provides:

However, an application for the registration of a mark filed by a national of a country of the Union in any country of the Union may not be refused, nor may a registration be invalidated, on the ground that filing, registration, or renewal, has not been effected in the [national's] country of origin.

⁷⁴Article 6(3) of the Paris Convention (1967) further states:

A mark duly registered in a country of the Union shall be regarded as *independent* of marks registered in the other countries of the Union, including the country of origin. (emphasis added)

⁷⁵Article 6*quinquies* A(2) of the Paris Convention (1967) reads:

Shall be considered the country of origin the country of the Union where the applicant has a real and effective industrial or commercial establishment, or, if he has no such establishment within the Union, the country of the Union where he has his domicile, or, if he has no domicile within the Union but is a national of a country of the Union, the country of which he is a national.

⁷⁶Article 6*quinquies* D of the Paris Convention (1967) states:

No person may benefit from the provisions of this Article if the mark for which he claims protection is not registered in the country of origin.

Member who seeks registration in that country of a trademark duly registered in its country of origin has the *additional rights* that WTO Members are obliged to confer on that applicant under Article 6*quinquies* A(1).

137. The participants to this dispute disagree on the scope of the requirement imposed by Article 6*quinquies* A(1) to accept for filing and protect trademarks duly registered in the country of origin "as is". Looking first to the text of Article 6*quinquies* A(1), we see that the words "as is" (or, in French, "telle quelle"⁷⁷) relate to the trademark to be "accepted for filing and protected" in another

Article 6*quinquies* A(1) does *not* encompass all the features and aspects of that trademark. As we have stressed, Article 6(1) of the Paris Convention (1967) reserves to the countries of the Paris Union the right to determine the *conditions* for filing and registration of trademarks by their domestic legislation.⁸² Article 6(1) confirms that the countries of the Paris Union did not relinquish their right to determine the conditions for filing and registration of trademarks by entering into the Paris Convention (1967) – subject, of course, to the other obligations of Paris Union countries under the Paris Convention (1967).⁸³ Clearly, if Article 6*quinquies* A(1) were interpreted too broadly, the legislative discretion reserved for Members under Article 6(1) would be significantly undermined.

140. To illustrate this point, we will assume for the moment, and solely for the sake of argument, that, as the European Communities argues, Article 6*quinquies* A(1) does require other countries to accept for filing and to protect duly registered trademarks in respect of *all their aspects*, including those other than the form of a trademark. If this were so, an applicant who is a national of a country of the Paris Union would have two choices: that applicant could request trademark registration under Article 6 in another country of the Paris Union – in which case, that registration would be subject to the trademark law of that other country. Or, that applicant could register the trademark in its country of origin and then invoke the right, pursuant to Article 6*quinquies* A(1), to request acceptance of that trademark for filing and protection in another country. In the latter case, that registration would be governed by the trademark law, not of the country in which the applicant sought registration under Article 6*quinquies* A(1), but of the applicant's country of origin. The "conditions" for registration imposed in the law of the other country of the Paris Union where registration was sought under Article 6*quinquies* A(1) would be irrelevant. If this were so, any such applicant would be able to choose between trademark registration under Article 6 and trademark registration under Article 6*quinquies*, depending on which *conditions* for filing and registration were viewed by the applicant as more favourable to the applicant's interests.⁸⁴ Consequently, within the territory of any country of the Paris Union other than the applicant's country of origin, a national of a country of that Union could ensure that it would be subject to *either* the domestic trademark registration requirements of the country of origin (through recourse to Article 6*quinquies*) *or* the domestic trademark registration requirements of the other country where trademark registration is sought (through recourse to Article 6) – *whichever it preferred*. In other words, a national of a Paris Union

⁸²We note that prior to the Revision Conference of Lisbon (1958), the requirements now found in Articles 6 and 6*quinquies* were contained in a single (original) Article 6. At the Revision Conference, it was decided to split the original Article in order to make clear the difference between the two alternative ways to obtain trademark registration explained above.

⁸³See *supra*, footnote 72.

⁸⁴As far as trademark protection within the territory of the Paris Union national's country of origin is concerned, such national could not avoid being subject to national trademark law.

country could circumvent the "use" requirements of a particular regime by registering in the jurisdiction that does not impose "use" requirements.

141.

beyond form.⁸⁶ In contrast, the United States contends that these exceptions relate only to the form of the trademark.⁸⁷

144. We note that the *form* of a trademark may be of such a nature as to infringe rights acquired by third parties within the meaning of paragraph 1 of Article 6*quinquies* B. The *form* of a trademark may be devoid of distinctive character within the meaning of paragraph 2 of that Article.

not alter the intended sense of 'telle quelle' as it was made explicit in 1883."⁹²

... Section 211(a)(1) is not inconsistent with Article 15.1 of the TRIPS Agreement because the term "other grounds" as used in Article 15.2 of the TRIPS Agreement may include a measure that denies trademark registration on the basis that the applicant is not the owner under national, in this case, US law and Section 211(a)(1) is a measure that deals with the ownership of trademarks used in connection with confiscated assets.⁹⁶

151. The European Communities appeals this finding. According to the European Communities, WTO Members must register trademarks that meet the requirements of Article 15.1. The European Communities argues that Section 211(a)(1) violates Article 15.1 by creating, in the form of a consent requirement, a "curtailment" that prevents both the continued enjoyment of existing trademarks and the registration of new trademarks.⁹⁷

152. In reply, the United States submits that Article 15.1 is a more limited provision than envisioned by the European Communities. The United States sees Article 15.1 as simply describing what "subject matter" is "protectable" as a trademark. As the United States sees it, Article 15.1 does not establish an affirmative obligation to register *every* trademark that is "eligible for registration". Accordingly, the United States concludes that Section 211(a)(1) is not inconsistent with Article 15.1 because Section 211(a)(1) has nothing to do with whether certain signs are capable of constituting a trademark.⁹⁸

153. Article 15.1 of the *TRIPS Agreement* provides:

Protectable Subject Matter

Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, *shall be capable of constituting a trademark*. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, *shall be eligible for registration as trademarks*. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible. (emphasis added)

154. Article 15.1 defines which signs or combinations of signs are *capable of* constituting a trademark. These signs include words such as personal names, letters, numerals, figurative elements and combinations of colours, as well as any combination of such signs. This definition is based on the

⁹⁶Panel Report, para. 8.70.

⁹⁷European Communities' appellant's submission, para. 67.

⁹⁸United States' opening statement at the oral hearing.

distinctiveness of signs as such, or on their distinctiveness as acquired through use. If such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings, then they become *eligible for* registration as trademarks.⁹⁹ To us, the title of Article 15.1 –

158. To us, the reference in Article 15.2 to Article 15.1 makes it clear that "other grounds" for denial of trademark registration are grounds *different from* those already mentioned in Article 15.1, such as lack of inherent distinctiveness of signs, lack of distinctiveness acquired through use, or lack of visual perceptibility. We agree with the Panel that:

Such interpretation is borne out contextually by Article 15.2 of the TRIPS Agreement which provides that "paragraph 1 shall not be understood to prevent a Member from denying registration on other grounds".¹⁰⁰

159. The right of Members under Article 15.2 to deny registration of trademarks on grounds other than the failure to meet the distinctiveness requirements set forth in Article 15.1 implies that Members are not obliged to register any and every sign or combination of signs that meet those distinctiveness requirements.

160. Additionally, Article 15.4 of the *TRIPS Agreement* states:

The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.

161. If Article 15.1 were to be interpreted to *require* registration of all signs or combinations of signs meeting the distinctiveness criteria set forth in that Article, it would not have been necessary to establish *positively* in the *TRIPS Agreement* that "[t]he nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark".¹⁰¹ Such an interpretation of Article 15.1 would reduce Article 15.4 to redundancy and inutility.¹⁰²

162. Furthermore, we note that Article 15.3 of the *TRIPS Agreement* provides:

¹⁰⁰Panel Report, para. 8.49. We address the meaning of the latter part of Article 15.2 below, when we discuss the relevant provisions of the Paris Convention (1967).

¹⁰¹Article 7 of the Paris Convention (1967) provides for a similar obligation, which is limited, however, to the nature of *goods*. Article 7 states:

The nature of the goods to which a trademark is to be applied shall in no case form an obstacle to the registration of the mark.

Our considerations with respect to Article 15.4 of the *TRIPS Agreement* apply *mutatis mutandis* to Article 7 of the Paris Convention (1967).

¹⁰²Appellate Body Report, *United States – Standards for Reformulated and Conventional Gasoline* ("US – Gasoline"), WT/DS2/AB/R, adopted 20 May 1996, DSR 1996:I, 3, at 21. See also, Appellate Body Report, *Japan – Taxes on Alcoholic Beverages* ("Japan – Alcoholic Beverages II"), WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, adopted 1 November 1996, DSR 1996:I, 97, at 106.

Members may make registrability depend on use. However, actual use of a trademark shall not be a condition for filing an application for registration. An application shall not be refused solely on the ground that intended use has not taken place before the expiry of a period of three years from the date of application.

163. In establishing explicitly that Members may make registrability depend on use, Article 15.3, first sentence, addresses an element of registration other than "protectable subject matter". In other words, Article 15.1 refers to "use" as a basis for signs which are not inherently distinctive to acquire distinctiveness and thus qualifying as "protectable subject matter". Article 15.3 relates to "use" as a basis for registrability of a trademark by a particular applicant. At first sight, Article 15.3, first sentence, might seem to suggest that, implicitly, Article 15.1 goes beyond the definition of what constitutes a trademark. However, we do not believe that the presence of Article 15.3, first sentence, obliges us to interpret Article 15.1 as having a meaning inconsistent with its actual wording.

164. Article 15.3, first sentence, makes explicit one of the "other grounds" mentioned generally in Article 15.2, and the two sentences that follow limit this one ground. In other words, we see the significance of Article 15.3 less in its first sentence than in the two sentences that follow that circumscribe, in other respects, the condition of use for registrability.

165. As with our interpretation of Article *6quinquies*, here, too, we recall that Article 6(1) of the Paris Convention (1967), which has become a WTO provision by incorporation through Article 2.1 of the *TRIPS Agreement*, reserves to each country of the Paris Union the right to determine the "conditions" for filing and registration of trademarks in its domestic legislation.¹⁰³ If Article 15.1 required the registration of any and every sign or combination of signs that meets the distinctiveness criteria specified in that Article, then WTO Members would be deprived of the legislative discretion they enjoy under Article 6(1) of the Paris Convention (1967). In our view, Article 15.1 of the *TRIPS Agreement* limits the right of Members to determine the "conditions" for filing and registration of trademarks under their domestic legislation pursuant to Article 6(1) *only* as it relates to the distinctiveness requirements enunciated in Article 15.1.

166. With all this in mind, we consider the consistency of Section 211(a)(1) with the requirements of Article 15.1. Section 211(a)(1) prohibits any transaction or payment with respect to a defined category of marks, trade names or commercial names unless the original owner of the mark, trade name or commercial name (or the *bona fide* successor-in-interest) has expressly consented. We have

¹⁰³The reservation of legislative discretion to Paris Union countries that are also WTO Members is limited by commonly agreed grounds for denying trademark registration (for example, Article *6ter*), commonly agreed grounds for *not* denying trademark registration (for example Article 6(2)) and subject to, *inter alia*, the

concluded already that Section 211(a)(1) is a measure that relates to ownership in that, in certain circumstances, it determines who is *not* the owner of a defined category of trademarks and trade names under United States trademark law.¹⁰⁴ Therefore, Section 211(a)(1) does not in any way

permissible."¹⁰⁶

the meaning of Article 15.2 of the *TRIPS Agreement*.¹⁰⁸ The participants agree, for example, that the exceptions stated in Article 6*quinquies* B(1) through (3) of the Paris Convention (1967) qualify as such "other grounds", within the meaning of Article 15.2. What is more, we note that the European Communities does not question that exceptions explicitly mentioned in the *TRIPS Agreement* may be "other grounds" for the denial of trademark registration which "do not derogate from" the Paris Convention (1967).¹⁰⁹

174. Rather, the question before us with respect to Article 15.2 is the extent to which, if at all, Members are permitted to deny trademark registration on grounds *other than those expressly provided for* in the *TRIPS Agreement* and the Paris Convention (1967).

175. In this respect, we recall, once again, that Article 6(1) of the Paris Convention (1967) reserves to each country of the Paris Union the right to determine *conditions for the filing and registration* of trademarks by its domestic legislation. The authority to determine such conditions by domestic legislation must, however, be exercised consistently with the obligations that countries of the Paris Union have under the Paris Convention (1967). These obligations include internationally agreed grounds for *refusing* registration, as stipulated in the Paris Convention (1967).¹¹⁰

176. The right of each country of the Paris Union to determine conditions for filing and registration of trademarks by its domestic legislation is also constrained by internationally agreed grounds for *not* denying trademark registration.¹¹¹ This means, by implication, that the right reserved to each country of the Paris Union to determine, under Article 6(1), conditions for the filing and registration of trademarks includes the right to determine by domestic legislation conditions to *refuse* acceptance of

¹⁰⁸European Communities' and United States' responses to questioning at the oral hearing.

¹⁰⁹The European Communities refers, *inter alia*, to Articles 22.3 and 23.2 of the *TRIPS Agreement*, which ensure that the protection of geographical indications is not undermined through the use of trademarks that contain or consist of geographical indications. The European Communities also mentions Article 24.5 of the *TRIPS Agreement* (concerning rights to trademarks – acquired through registration or use in good faith – which are identical or similar to geographical indications) and Article 62.1 of the *TRIPS Agreement* (concerning compliance with reasonable procedures and formalities as a condition for acquisition and maintenance of intellectual property rights and related *inter partes* procedures). European Communities' appellant's submission, para. 73.

¹¹⁰For example, Article 6*bis* (denial of registration of well-known marks) and Article 6*ter* (prohibition of trademarks including state emblems) contain express exceptions from the regulatory discretion conferred on Members by virtue of Article 6(1).

¹¹¹For example, Article 6(2) limits the legislative discretion of countries of the Paris Union by providing that an application for registration by a national of a country of the Paris Union may not be refused on the ground that the national has not filed for registration or renewal in its country of origin. This exception does not concern a particular ground for *refusing* trademark registration. Rather, it stipulates when – despite the legislative discretion granted to countries of the Union by Article 6(1) – trademark registration must *not* be refused.

filing and registration on grounds other than those explicitly prohibited by the Paris Convention (1967).¹¹²

177. Therefore, a condition need not be expressly mentioned in the Paris Convention (1967) in order not to "derogate" from it. Denial of registration on "other grounds" would derogate from the Paris Convention (1967) only if the denial were on grounds that are inconsistent with the provisions of that Convention.

178. For all these reasons, we conclude that Section 211(a)(1) is not inconsistent with the definition of "protectable subject matter" in Article 15.1 of the *TRIPS Agreement*, and conclude also that "other grounds" for the denial of registration within the meaning of Article 15.2 of the *TRIPS Agreement* are not limited to grounds expressly provided for in the exceptions contained in the Paris Convention (1967) or the *TRIPS Agreement*. Hence, we uphold the Panel's finding in paragraph 8.70 of the Panel Report.

VII. Article 16 of the *TRIPS Agreement*

179. Before the Panel, the European Communities claimed that the denial of access to United States courts for designated nationals (or their successors-in-interest) under Sections 211(a)(2) and (b) deprives certain trademark owners of the exclusive rights conferred by Article 16.1 of the *TRIPS Agreement*

181. Similarly, with respect to the alleged inconsistency of Section 211(b) with Article 16.1, the Panel found that:

... the European Communities, as the complaining party, has not presented evidence and legal arguments sufficient to demonstrate the violation it alleges. Therefore, it has not been proved that Section 211(b) is inconsistent with Article 16.1 of the TRIPS Agreement.¹¹⁵

182. According to the Panel, "[n]either Article 16.1 nor other provisions contained in the TRIPS Agreement define how the owner of a trademark is determined."¹¹⁶ The Panel reasoned, instead, that "[t]o determine who the owner of a registered trademark is, it is necessary to have recourse to the national law of the Members. ... the TRIPS Agreement does not contain a regime of ownership of trademarks that is valid for and applicable to all Members."¹¹⁷

183. The European Communities appeals these findings and alleges that the Panel erroneously distinguished between the owner of a registered trademark and the trademark itself, which are in reality "intertwined".¹¹⁸ The European Communities maintains that, although disputes may arise with respect to who is the lawful owner of a registered trademark, the very existence of a registered trademark implies that there must be an owner. And, in the view of the European Communities, the holder of a registration must, under Article 16.1, be considered the owner of the trademark until such time as it ceases to hold the registration.¹¹⁹

184. The United States asks us to uphold the findings of the Panel and argues that the Panel correctly concluded that, under a system such as that of the United States in which trademark registration does not confer trademark ownership, the status of the trademark registration itself is not dispositive of the issue of ownership.¹²⁰ The United States submits that Article 16.1 specifically anticipates that the owner of a trademark – the person in a position to assert exclusive rights under domestic law – may be someone other than the person who has registered the trademark. The United States emphasizes that, under the federal trademark law of the United States, if a person other than the registrant can show a superior claim to the trademark based, for example, on previous use, then that person can be adjudged the true "owner" of the trademark.¹²¹ The United States stresses that such a

¹¹⁵Panel Report, para. 8.159.

¹¹⁶*Ibid.*, para. 8.108.

¹¹⁷*Ibid.*

¹¹⁸European Communities' appellant's submission, para. 106.

¹¹⁹*Ibid.*, para. 109.

¹²⁰Panel Report, footnote 116 to para. 8.64 and para. 8.109.

¹²¹*Ibid.*, para. 8.104; United States' appellee's submission, para. 60.

system of making trademark rights available "on the basis of use" is specifically permitted under the last sentence of Article 16.1.

185. Article 16 of the *TRIPS Agreement* is entitled "Rights Conferred". Article 16.1 provides:

The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

186. As we read it, Article 16 confers on the *owner* of a registered trademark an internationally agreed minimum level of "exclusive rights" that all WTO Members must guarantee in their domestic legislation. These exclusive rights protect the owner against infringement of the registered trademark by unauthorized third parties.¹²²

187. We underscore that Article 16.1 confers these exclusive rights on the "owner" of a registered trademark. As used in this treaty provision, the ordinary meaning of "owner" can be defined as the proprietor or the person who holds the title or dominion of the property constituted by the trademark.¹²³ We agree with the Panel that this ordinary meaning does not clarify how the ownership of a trademark is to be determined.¹²⁴ Also, we agree with the Panel that Article 16.1 does not, in express terms, define how ownership of a registered trademark is to be determined. Article 16.1 confers exclusive rights on the "owner", but Article 16.1 does not tell us who the "owner" *is*.

188. As the United States reminds us, and as the European Communities concedes, the last sentence of Article 16.1 acknowledges that WTO Members may make the rights available "on the basis of use" of the trademark. We read this to permit WTO Members to make the "exclusive rights" contemplated by Article 16.1 available within their respective jurisdictions on the basis of registration or use. The Panel concluded that Article 16.1 contemplates that different forms of entitlement may

¹²²We note that, prior to the entry into force of the *TRIPS Agreement*, only Article 10bis

exist under the laws of different Members, and we agree.¹²⁵ However, the *TRIPS Agreement* does

192. The European Communities likewise submits that there is an equation in Article 16.1 of the *TRIPS Agreement* between the owner of the trademark and the "undertakings" whose goods or services are distinguished by the trademark. On this, we note only that Article 16.1 of the *TRIPS Agreement* refers to the "owner of a registered trademark" and to the "goods or services" in respect of which trademarks are used. Unlike Article 15.1, Article 16.1 does not include the word "undertakings". Nor does it mention the owner of the goods or services for which the trademark is used. So, unlike the European Communities, we fail to see any basis in Article 16.1 for the assertion that this provision equates the owner of a trademark with the undertaking whose goods or services are distinguished by the trademark.

193. Lastly, the European Communities argues that Article 19.1 of the *TRIPS Agreement* seems also to equate the owner of the trademark with the undertaking using the trademark for its goods or services. Here, we note that Article 19.1 addresses the situation where a Member's domestic legislation requires use of the trademark for the purposes of maintaining its registration and those circumstances when use by a person other than the owner of the trademark is recognized as use for the purposes of maintaining a registration. Here, as well, there is no mention of the "undertaking" that uses the trademark for its goods or services. Thus, here, too, unlike the European Communities, we find no basis for viewing this provision as relevant to the argument the European Communities is making.

194. Accordingly, we do not agree with the argument of the European Communities that, under the *TRIPS Agreement*, the "undertaking" that uses the trademark to distinguish its goods or services must be regarded as the owner of the trademark.

195. For all these reasons, we conclude that neither Article 16.1 of the *TRIPS Agreement*, nor any other provision of either the *TRIPS Agreement* and the Paris Convention (1967), determines who owns or who does not own a trademark.

196. With this conclusion in mind, we consider next whether Sections 211(a)(2) and (b) are inconsistent with Article 16.1.

197. The Panel stated that:

[u]nder the exceptional circumstances dealt with under Section 211(a)(2), there may be a successful challenge concerning the *prima facie* ownership rights in relation to the registration, obtained by a designated national pursuant to a general OFAC licence without the consent of the original owner, of a trademark used in connection with confiscated assets. In circumstances where the presumptive ownership would be successfully challenged within effective civil judicial procedures, the provisions of Section 211(a)(2) would not stand in the way of the person whom the court would deem to be the proper owner of the trademark under US law from asserting its rights. In this way, Section 211(a)(2) allows for the person whom the court considers to be the proper owner of the registered trademark under US law to be granted exclusive rights.¹²⁹

198. Based on this view of Section 211(a)(2), the Panel concluded that the European Communities had not provided "any evidence" for concluding that United States courts would interpret Section 211(a)(2) in a manner that would deprive a person who had been determined by the court to be the owner of a registered trademark of that person's exclusive rights.¹³⁰

199. We recall that the European Communities contends that the Panel created an artificial distinction between the owner of a registered trademark and the trademark itself.¹³¹ We disagree with the apparent equation by the European Communities of trademark registration with trademark ownership.¹³² Here, again, the European Communities appears to us to overlook the necessary legal distinction between a trademark system in which ownership is based on registration and a trademark system in which ownership is based on use. As we have noted more than once, United States law confers exclusive trademark rights, not on the basis of registration, but on the basis of use. There is nothing in Article 16.1 that compels the United States to base the protection of exclusive rights on registration. Indeed, as we have also observed more than once, the last sentence of Article 16.1 confirms that WTO Members may make such rights available on the basis of use. The United States has done so. Therefore, it necessarily follows that, under United States law, registration is *not* conclusive of ownership of a trademark. Granted, under United States law, the registration of a trademark does confer a *prima facie* presumption of the registrant's ownership of the registered trademark and of the registrant's exclusive right to use that trademark in commerce.¹³³ But, while we

¹²⁹Panel Report, para. 8.111.

¹³⁰*Ibid.*

¹³¹European Communities' appellant's submission, para. 106.

¹³²"Common sense would suggest that a registered trademark can only exist if there is a registration. In turn a registration must be for the benefit of an owner. Therefore the owner of the registered trademark under Article 16(1) is the holder of the registration until such time as when he ceases to hold the registration. It would make no sense to consider an ill-defined 'original owner' who is not in the register to be the lawful owner of the registered trademark in the sense of Article 16(1) [of the] TRIPS [Agreement]." European Communities' appellant's submission, para. 109.

¹³³Panel Report, para. 8.109.

agree with the Panel that the presumptive owner of the *registered* trademark must be entitled, under United States law, to the exclusive rights flowing from Article 16.1 unless and until the presumption arising from registration is successfully challenged through court or administrative proceedings, we do not agree with the European Communities' evident equation of registration with ownership.¹³⁴

200. As we have concluded earlier, Section 211(a)(2) is related to ownership of a defined category of trademarks.¹³⁵ As such, Section 211(a)(2) can be invoked against the presumptive ownership of a registered trademark. If successfully invoked, Section 211(a)(2) will eviscerate the presumption of ownership flowing under United States' law from registration of a trademark. But Section 211(a)(2) is not inconsistent with Article 16.1. For neither Article 16 nor any other Article of the *TRIPS Agreement* determines who owns or does not own a trademark.

201. Turning to the alleged inconsistency of Section 211(b) with Article 16.1, we recall that we concluded earlier that, like Section 211(a)(2), Section 211(b) is related to ownership of a defined category of trademarks.¹³⁶ Like Section 211(a)(2), Section 211(b) can be invoked against the presumptive ownership of a registered trademark. Like Section 211(a)(2), Section 211(b), if successfully invoked, will eviscerate the presumption of ownership flowing under United States' law from registration of a trademark. Therefore, we conclude that, like Section 211(a)(2), Section 211(b) is not inconsistent with Article 16, as neither this Article nor any other Article of the *TRIPS Agreement* determines who owns or does not own a trademark. Therefore, in our view, it has not only "not been proved that Section 211(b) is inconsistent with Article 16.1"¹³⁷, but, we conclude also that Section 211(b) is not inconsistent with that Article.

202. For all these reasons, we find that Sections 211(a)(2) and (b) are not inconsistent with Article 16.1 of the *TRIPS Agreement*.

VIII. Article 42 of the *TRIPS Agreement*

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203. Both the United States and the European Communities appeal the Panel's findings on Article 42 of the *TRIPS Agreement*. The United States appeals the conclusion of the Panel that ent

appeals the Panel's finding that "it has not been proved that Section 211(b) is inconsistent with Article 42 of the TRIPS Agreement".¹³⁹

204. We begin our analysis with the text of Article 42 of the *TRIPS Agreement*, which provides:

Fair and Equitable Procedures

Members shall make available to the right holders [footnote 11] 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. (emphasis added)

Footnote 11: For the purpose of this Part, the term "right holder" includes federations and associations having legal standing to assert such rights.

205. Article 42 forms part of Part III on "Enforcement of Intellectual Property Rights". Part III has broad coverage. It applies to all intellectual property rights covered by the *TRIPS Agreement*. According to Article 1.2 of the *TRIPS Agreement*, the term "intellectual property" refers to "all categories of intellectual property that are the subject of Sections 1 through 7 of Part II" of that Agreement.

206. Section 1 of Part III lays out "General Obligations" of Members. According to Article 41.1 of Section 1, Members are required to ensure that enforcement procedures as specified in Part III are available under their domestic law "so as to permit effective action against any act of infringement of intellectual property rights covered by [the

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Section 2 introduces an international minimum standard which Members are bound to implement in their domestic legislation.

208. Before the Panel, the European Communities claimed that Sections

We note that it is plausible that similar concerns mentioned in respect of Section 211(a)(2) might arise in connection with Section 211(b). However, as we noted above, the European Communities did not explain the meaning of various terms contained in Sections 44(b) and (e) even though Article 211(b) explicitly refers to "treaty rights...under sections 44(b) or (e)". Therefore, for the reasons set out in paragraphs 8.157 and 8.158, it has not been proved that Section 211(b) is inconsistent with Article 42 of the TRIPS Agreement.¹⁴⁴

212. On appeal, the United States submits that a court would refuse to recognize, enforce or otherwise validate a designated national's assertion of rights under Sections 211(a)(2) or (b) only *after* making a number of findings.¹⁴⁵ According to the United States, these provisions do not constitute legislation that *a priori* pre-empts a positive outcome of an assertion of rights by a designated national. Rather, the United States maintains that it is only *after* effective civil judicial procedures have been made available that a court would refuse to recognize, enforce or validate an assertion of rights by a designated national. The United States emphasizes that, in any event, Article 42 does not create obligations with respect to a person who is not the holder of an intellectual property right covered by the *TRIPS Agreement*. On this basis, the United States argues that Article 42 does not require judicial authorities to provide enforcement procedures once a finding is made that the claimant does not hold any intellectual property right to enforce. Accordingly, the United States concludes that Sections 211(a)(2) and (b) cannot possibly deny enforcement rights guaranteed under Article 42 to a person who is not the legitimate owner of a trademark under United States law.¹⁴⁶

213. In contrast, the European Communities emphasizes on appeal that Article 42 entitles parties to more than mere access to civil judicial procedures, which it concedes the United States courts would provide when applying Sections 211(a)(2) and (b). For the European Communities, Article 42 is violated unless domestic civil judicial procedures enable a plaintiff to pursue *all* issues or claims that arise and to present *all* relevant evidence in the context of the enforcement of an intellectual property right covered by the *TRIPS Agreement*. In the view of the European Communities, Sections 211(a)(2) and (b) each limit the issues of possible litigation to the elements referred to in

¹⁴⁴Panel Report, para. 8.162.

¹⁴⁵The United States mentions, for example, the following: whether the trademark at issue was used in connection with a certain business or assets; whether the business or assets were confiscated; whether adequate and effective compensation was paid to the original owner; whether the person claiming ownership is a designated national or a successor-in-interest; whether the original owner expressly consents to the use of that trademark by the claimant. See United States' other appellant's submission, para. 18.

¹⁴⁶United States' other appellant's submission, para. 13.

those Sections¹⁴⁷, while excluding from judicial inquiry other issues that are typically relevant in trademark-related litigation and regulated by, *inter alia*, the Lanham Act.¹⁴⁸ On this reasoning, the European Communities alleges that both Sections 211(a)(2) and (b) are inconsistent with Article 42.

214. In making their respective arguments about the consistency or inconsistency of Sections 211(a)(2) and (b) with Article 42, the participants referred mainly to the first and fourth sentences of that provision. The first sentence of Article 42 requires "Members [to] make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right covered by [the TRIPS] Agreement." The fourth sentence of Article 42 provides that "[a]ll parties to such procedures shall be duly entitled to substantiate their claims and to present all relevant evidence."

215. The first sentence of Article 42 requires Members to make certain civil judicial procedures "available" to right holders. Making something *available* means making it "obtainable", putting it "within one's reach" and "at one's disposal" in a way that has sufficient force or efficacy.¹⁴⁹ We agree with the Panel that the ordinary meaning of the term "make available" suggests that "right holders" are entitled under Article 42 to have *access* to civil judicial procedures that are effective in bringing about the enforcement of their rights covered by the Agreement.¹⁵⁰

216. Article 42, first sentence, does not define what the term "civil judicial procedures" in that sentence encompasses. The *TRIPS Agreement* thus reserves, subject to the procedural minimum standards set out in that Agreement, a degree of discretion to Members on this, taking into account "differences in national legal systems".¹⁵¹ Indeed, no Member's national system of civil judicial procedures will be identical to that of another Member.

217. Pursuant to the first sentence of Article 42, civil judicial procedures must be made available to "right holders" of intellectual property rights covered by the *TRIPS Agreement* so as to enable them to protect those rights against infringement. The United States seems to suggest that access to those rights may be limited to the *owner* of a trademark under United States law.¹⁵² The Panel

¹⁴⁷These issues include: whether the original owner or *bona fide* successor-in-interest has expressly consented; whether a trademark which is composed of the same or substantially similar signs as a trademark which was used in connection with a business or assets that were confiscated; whether an uncompensated confiscation of a business or asset took place in Cuba. United States' other appellant's submission, para. 18.

¹⁴⁸These are issues such as use of the trademark; alleged deficiency of a registration; identity or similarity of signs in general; class of goods or services covered by the trademark; existence and scope of a licence. European Communities' appellee's submission, para. 22.

¹⁴⁹*The New Shorter Oxford English Dictionary, supra*, footnote 78, Vol. I, p. 154.

¹⁵⁰Panel Report, para. 8.95.

¹⁵¹Recital 2(c) of the Preamble to the *TRIPS Agreement*.

¹⁵²United States' other appellant's submission, para. 4.

defined the term "right holders" as persons who have the legal capacity to assert rights.¹⁵³ We agree with the Panel that the term "right holders" as used in Article 42 is not limited to persons who have been established as owners of trademarks. Where the *TRIPS Agreement* confers rights exclusively on "owners" of a right, it does so in express terms, such as in Article 16.1, which refers to the "owner of a registered trademark". By contrast, the term "right holders" within the meaning of Article 42 also includes persons who claim to have legal standing to assert rights. This interpretation is also borne out by the fourth sentence of Article 42, which refers to "parties". Civil judicial procedures would not be fair and equitable if access to courts were not given to both complainants and defendants who purport to be owners of an intellectual property right.

218. In this respect, the Panel stated:

As we have already noted, in the United States, the registration of a trademark confers a *prima facie* presumption of the registrant's ownership of the registered trademark. This means that, in the United States, the holder of a registration is deemed to be the owner unless otherwise proven. A person who enjoys the presumption of being the owner of a trademark under US law must be entitled to a level of protection of its rights that meets the US obligations under the TRIPS Agreement, including Article 42. Consequently, in our interpretation, this presumptive owner must have access to civil judicial procedures that are effective in terms of bringing about the enforcement of its rights *until the moment that there is a determination by the court that it is, in fact, not the owner of the trademark that it has registered* or that there is some other disqualifying ground which is compatible with international obligations.¹⁵⁴ (emphasis added)

For the reasons we have stated, we agree with the Panel that the "right holders" to whom Members must make the procedural rights of Article 42 available include trademark registrants who are presumptive owners under United States law. In our view, these procedural rights extend as well to all other "right holders".

219. WTO Members must also guarantee to all "parties" the right to "substantiate their claims", as required by the fourth sentence of Article 42. The use of the words "their claims" suggests that, under Article 42, the choice of which claims or how many issues to raise in civil judicial procedures is left to each party. The use of the word "substantiate" implies that litigants have the right to do more than simply initiate claims; Members must duly entitle all litigants to "give substance" to, or "give good

¹⁵³Panel Report, para. 8.98. In its reasoning, the Panel relied on footnote 11 to Article 42. The footnote states that "the term 'right holder' includes federations and associations having legal standing to assert such rights." At the oral hearing, both participants submitted that footnote 11 does not resnat tro9 issued os 4,s and submittedfourters that, in thuir view, that footnot w as

¹⁵⁴Panel Report, para. 8.19.

grounds" for, their claims in order to prove the truth of a charge, and to demonstrate or verify it by evidence.¹⁵⁵

220. Litigants are also entitled under the fourth sentence of Article 42 to "present all relevant evidence" in such procedures. These words indicate that parties have the right to file "all relevant evidence" in support of their claims with the courts.

221. From all this, we understand that the rights which Article 42 obliges Members to make available to right holders are *procedural* in nature. These *procedural*

in Sections 211(a)(2) and (b). We also understand both participants to agree that Sections 211(a)(2) and (b) do not require or authorize a United States court to reject a claim by a designated national or successor-in-interest as inadmissible or unfounded without having applied fully the Federal Rules of Civil Procedure and the Federal Rules of Evidence. The European Communities has not claimed that either the Federal Rules of Civil Procedure or the Federal Rules of Evidence do not comply with the obligation in Article 42.

224. We further understand the European Communities to acknowledge that, in a situation where the recognition of an intellectual property right depends on the fulfilment of cumulative substantive conditions, the failure to meet a single one of those substantive conditions (such as ownership of a disputed trademark) would prevent a court from recognizing that right. At the oral hearing, the European Communities also conceded that a court may, in such a situation, abstain from ruling on all the other substantive conditions that may be relevant (for example, on the distinctiveness of the trademark, or on the existence of an infringement).

225. However, unlike the United States, the European Communities believes that, under Article 42, the decision whether or not to abstain from ruling on substantive conditions or requirements other than those mentioned in Sections 211(a)(2) and (b) must be left to the discretion of the courts. According to the European Communities, a statute must not limit the discretion of the courts by directing the courts to examine certain substantive requirements before, and to the exclusion of, other substantive requirements.¹⁶⁰ As we understand it, the European Communities argues that, in requiring the courts to examine the circumstances they address as a matter of priority, and to the exclusion of other issues typically arising in trademark-related litigation, Sections 211(a)(2) and (b) interfere with the discretion of the courts.

226. In our view, a conclusion by a court on the basis of Section 211, after applying the Federal Rules of Civil Procedure and the Federal Rules of Evidence, that an enforcement proceeding has failed to establish ownership – a requirement of substantive law – with the result that it is impossible for the court to rule in favour of that claimant's or that defendant's claim to a trademark right, does not constitute a violation of Article 42. There is nothing in the *procedural* obligations of Article 42 that prevents a Member, in such a situation, from legislating whether or not its courts must examine *each and every* requirement of substantive law at issue before making a ruling.

227. With this in mind, we turn to the alleged inconsistency of Section 211(a)(2) with Article 42. Section 211(a)(2) does not prohibit courts from giving right holders access to fair and equitable civil judicial procedures and the opportunity to substantiate their claims and to present all relevant

¹⁶⁰European Communities' responses to questioning at the oral hearing.

evidence. Rather, Section 211(a)(2) only requires the United States courts not recognize, enforce or otherwise validate any assertion of rights by designated nationals or successors-in-interest who have been determined, after applying United States Federal Rules of Civil Procedure and Federal Rules of Evidence, not to own the trademarks referred to in Section 211(a)(2). As we have said, Section 211(a)(2) deals with the substance of ownership. Therefore, we do not believe that Section 211(a)(2) denies the *procedural* rights that are guaranteed by Article 42.

228. For this reason, we conclude that Section 211(a)(2) *on its face* is not inconsistent with the requirements of Article 42 of the *TRIPS Agreement*.

229. Turning next to Section 211(b), we recall that the Panel concluded that "it has not been proved that Section 211(b) is inconsistent with Article 42."¹⁶¹ We further recall our conclusion that, like Section 211(a)(2), Section 211(b) is related to ownership of a defined category of trademarks.¹⁶² Like Section 211(a)(2), Section 211(b) can be invoked against the presumptive ownership of a registered trademark. Like Section 211(a)(2), Section 211(b), if successfully invoked, will eviscerate the presumption of ownership flowing under United States' law from registration of a trademark. Like Section 211(a)(2), Section 211(b) does not prohibit courts from giving right holders access to civil judicial procedures and the opportunity to substantiate their claims and to present all relevant evidence. Like Section 211(a)(2), Section 211(b) only requires the United States courts not recognize, enforce or otherwise validate any assertion of rights by designated nationals or successors-in-interest who have been determined, after applying United States Federal Rules of Civil Procedure and Federal Rules of Evidence, not to own the trademarks referred to in Section 211. As we have said, Section 211(b) deals with the substance of ownership. Therefore, we do not believe that Section 211(b) denies the *procedural* rights that are guaranteed by Article 42.

230. For this reason, we conclude that Section 211(b) *on its face* is not inconsistent with the requirements of Article 42 of the *TRIPS Agreement*.

231. And, for all these reasons, we find that Sections 211(a)(2) and (b) *on their face* are not inconsistent with the requirements of Article 42 of the *TRIPS Agreement*. Therefore, we reverse the Panel's finding on Section 211(a)(2) in paragraph 8.102 of the Panel Report and uphold its finding on Section 211(b) in paragraph 8.103 of the Panel Report.

conclusions that Sections 211(a)(2) and (b) are not inconsistent with Article 42 relate to that measure *on its face*. We do not rule on whether a particular United States court has, or has not, violated the requirements of Article 42 in applying Sections 211(a)(2) and (b) in any particular case.

IX. Article 2(1) of the Paris Convention (1967) and Article 3.1 of the *TRIPS Agreement*

233. We turn now to the issue of national treatment. In this appeal we have been asked to address, for the first time, this fundamental principle of the world trading system as it relates to intellectual property. There are two separate national treatment provisions that cover trademarks as well as other intellectual property rights covered by the *TRIPS Agreement*. The European Communities claims, on appeal, that Sections 211(a)(2) and (b) violate both.

234. One national treatment provision at issue in this appeal is Article 2(1) of the Paris Convention (1967), which states:

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 respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specially provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.

235. As we have already explained, the Stockholm Act of the Paris Convention, dated 14 July 1967, is but the most recent version of that important international intellectual property convention.¹⁶³ Article 2(1) was part of the Paris Convention in 1883. Since that time, it has remained a treaty obligation of all the countries that have been party to the Paris Convention.

236. The parties to this dispute are not unacquainted with the national treatment obligation and other protections for trademarks and other forms of industrial property provided by the Paris Convention. Every one of the fifteen Member States of the European Union has long been a country of the Paris Union. Most of the current Member States of the European Union became party to the Paris Convention in the 1880's.¹⁶⁴ The most recent did so in 1925 – seventy-seven years ago.

¹⁶³See *supra*, para. 123.

¹⁶⁴The dates on which adhesion of the current Member States of the European Union to the Paris Union took effect, are as follows: Austria, 1 January 1909; Belgium, 7 July 1884; Denmark, 1 October 1894; Finland, 20 September 1921; France, 7 July 1884; Germany, 1 May 1903; Greece, 2 October 1924; Ireland, 4 December 1925; Italy, 7 July 1884; Luxembourg, 30 June 1922; the Netherlands, 7 July 1884; Portugal, 7 July 1884; Spain, 7 July 1884; Sweden, 1 July 1885; and, the United Kingdom, 7 July 1884.

Likewise, the United States has, from almost the very beginning, been a country of the Paris Union. The United States became a country of the Paris Union on 30 May 1887 – one hundred and fifteen years ago.

237. Thus, the national treatment obligation is a longstanding obligation under international law for all the countries directly involved in this dispute, as well as for many more countries of the Paris Union that, like the parties to this dispute, are also Members of the WTO. If there were no *TRIPS Agreement*, if there were no WTO, the parties to this dispute would be bound, nevertheless, under Article 2(1) of the Paris Convention (1967), to accord national treatment to other countries of the Paris Union.

238. As we have explained, what is new is that, as a consequence of the Uruguay Round, Article 2(1) of the Paris Convention (1967) was made part of the *WTO Agreement*.¹⁶⁵ And, as we have previously explained, by virtue of Article 2.1 of the *TRIPS Agreement*, Article 2(1) of the Paris Convention (1967), as well as certain other specified provisions of the Paris Convention (1967), have been incorporated into the *TRIPS Agreement* and, thus, the *WTO Agreement*.¹⁶⁶ Consequently, these obligations of countries of the Paris Union under the Paris Convention (1967) are also now obligations of all WTO Members, whether they are countries of the Paris Union or not, under the *WTO Agreement*, and, thus, are enforceable under the DSU.¹⁶⁷

239. In addition to Article 2(1) of the Paris Convention (1967), there is also another national treatment provision in the *TRIPS Agreement*. The other national treatment provision at issue in this appeal is Article 3.1 of the *TRIPS Agreement*, which states in relevant part:

Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection [footnote 3] of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits.

Footnote 3: For the purposes of Articles 3 and 4, "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.

¹⁶⁵See *supra*, para. 124.

¹⁶⁶*Ibid.*

¹⁶⁷See *supra*, para. 125.

240. Thus, in drafting the *TRIPS Agreement*, the framers of the *WTO Agreement* saw fit to include an additional provision on national treatment. Clearly, this emphasizes the fundamental significance of the obligation of national treatment to their purposes in the *TRIPS Agreement*.

241. Indeed, the significance of the national treatment obligation can hardly be overstated. Not only has the national treatment obligation long been a cornerstone of the Paris Convention and other international intellectual property conventions.¹⁶⁸ So, too, has the national treatment obligation long been a cornerstone of the world trading system that is served by the WTO.

242. As we see it, the national treatment obligation is a fundamental principle underlying the *TRIPS Agreement*, just as it has been in what is now the GATT 1994. The Panel was correct in concluding that, as the language of Article 3.1 of the *TRIPS Agreement*, in particular, is similar to that of Article III:4 of the GATT 1994, the jurisprudence on Article III:4 of the GATT 1994 may be useful in interpreting the national treatment obligation in the *TRIPS Agreement*.

243. As articulated in Article 3.1 of the *TRIPS Agreement*, the national treatment principle calls on WTO Members to accord no less favourable treatment to non-nationals than to nationals in the "protection" of trade-related intellectual property rights. The footnote to Article 3.1 clarifies that this "protection" extends to "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 the *TRIPS Agreement*. As we have previously concluded, neither the *TRIPS Agreement* nor the Paris Convention (1967) requires WTO Members to adopt any particular "ownership regime".¹⁶⁹

244. The European Communities claims that Sections 211(a)(2) and (b) violate the national treatment obligation in both Article 2(1) of the Paris Convention (1967) and Article 3.1 of the *TRIPS Agreement* by treating non-United States nationals less favourably than United States nationals in two different situations to which the measure applies: first, that of successors-in-interest or *bona fide* successors-in-interest to original owners; and, second, that of original owners. The European Communities contends that this discrimination occurs in different ways in these two different situations, but, in each situation, they see a violation of the fundamental obligation of national treatment.

¹⁶⁸For example, see Article 2 of the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations ("Rome Convention (1961)"), adopted at Rome on 26 October 1961; and also Article 5 of the Treaty on Intellectual Property in Respect of Integrated Circuits ("IPIC Treaty"), adopted at Washington on 26 May 1989.

¹⁶⁹See *supra*, para. 195.

245.

to Article 2(1) of the Paris Convention (1967) and Article 3.1 of the *TRIPS Agreement*. Instead, the Panel went on to examine the argument of the United States that any more favourable treatment that might arise under Section 211(a)(2) for United States nationals was offset¹⁷¹ by OFAC's practice under Section 515.201 of the CACR of not issuing specific licences to United States nationals to become successors-in-interest to "designated nationals". As the Panel summarized it, the United States argued that:

... Section 211(a)(2) is not inconsistent with Article 3.1 on the basis that US nationals, although not specifically set out in the measure, cannot become successors-in-interest to designated nationals because Section 515.201 of 31 CFR prohibits US nationals from becoming successors-in-interest without obtaining a specific licence from OFAC. The United States submitted that OFAC has never issued a specific licence to a US national for the purpose of becoming a successor-in-interest to trademarks that were used in connection with confiscated assets. The United States asserted that a law is only WTO-inconsistent on its face if it mandates WTO-inconsistent actions and that if the law allows the national authority to act in [*sic*] manner consistent with the WTO Agreement, panels should not assume that a Member will use its discretion in a manner contrary to its international obligations.¹⁷²

249. Thus, before the Panel, the United States argued that Section 211(a)(2) does not apply to United States nationals because, under the CACR, United States nationals are prohibited from owning or having an interest in property that was confiscated by the Cuban Government and, therefore, cannot become successors-in-interest. The United States acknowledged that OFAC has the discretion administratively to authorize specific licences with respect to certain transactions that would enable United States nationals to deal with such property. The United States asserted, however, that this discretion has little practical effect because OFAC has never issued such a licence to a United States national for purposes of becoming a successor-in-interest to a confiscating entity.¹⁷³ The United States submitted further to the Panel that there is no reason to believe that OFAC would ever issue such a licence, and that, therefore, as a matter of law, the Panel should not assume that OFAC, an agency of the executive branch, would take an action that might put the United States in violation of its international obligations.¹⁷⁴ For these reasons, the United States maintained that it does not provide more favourable treatment to United States nationals than to Cubans and other non-nationals.

¹⁷¹For purposes of this appeal, we use the term "offset" to describe a situation in which an action counterbalances, counteracts or neutralizes the effect of a contrary action. See *infra*, paras. 259-269.

¹⁷²Panel Report, para. 8.134.

¹⁷³*Ibid.*

¹⁷⁴*Ibid.*, para. 4.126.

250. The Panel accepted this argument by the United States with respect to successors-in-interest and went on to state that:

Although the term "designated national" is defined to include a national of any foreign country who is a successor-in-interest, we note that Section

Because US nationals are unable to obtain licences so as to become a successor-in-interest and OFAC has not granted any such licence for such purpose and in light of our conclusion that Section 211(a)(2) does not accord a treatment less favourable to foreign original owners than it accords to original owners who are US nationals, we find that Section 211(a)(2) is not inconsistent with Article 3.1 of the TRIPS Agreement and Article 2.1 of the TRIPS Agreement in conjunction with Article 2(1) of the Paris Convention (1967).¹⁸⁰

254. The European Communities appeals these findings. The European Communities does not dispute that OFAC can deny United States nationals the specific licences required under the CACR to become successors-in-interest to "designated nationals". Nor does the European Communities dispute that, to date, OFAC has never granted such a specific licence to United States nationals. Rather, the European Communities argues that the offsetting effect of this admittedly longstanding OFAC practice does not cure the discrimination in Section 211(a)(2) with respect to successors-in-interest who are *not* United States nationals.

255. According to the European Communities, the discriminatory treatment in favour of successors-in-interest who are United States nationals and against successors-in-interest who are *not* United States nationals continues to exist because of what the European Communities sees as an "extra hurdle" that non-United States nationals face procedurally under United States law.

256. That "extra hurdle" is this. United States nationals who are successors-in-interest must go successfully only through the OFAC procedure. In the circumstances addressed by Section 211, they are not subject to the constraints imposed by Section 211(a)(2).¹⁸¹ In contrast, non-United States successors-in-interest not only must go successfully through the OFAC procedure, but also find themselves *additionally* exposed to the "extra hurdle" of an additional proceeding under Section 211(a)(2).¹⁸² In sum, United States nationals face only *one* proceeding, while non-United States nationals face *two*. It is on this basis that the European Communities claims on appeal that Section 211(a)(2), as it relates to successors-in-interest, violates the national treatment obligation in the *TRIPS Agreement* and the Paris Convention (1967).

257. At the oral hearing in this appeal, the United States reiterated that it is very unlikely that a United States national would ever be licensed to become a successor-in-interest to a "designated national"; therefore, the United States argues that it does not matter "what happens to such a successor-in-interest when he gets to the enforcement level".¹⁸³ In any event, the United States

¹⁸⁰Panel Report, para. 8.140.

¹⁸¹European Communities' appellant's submission, para. 124.

¹⁸²*Ibid.*

¹⁸³United States' responses to questioning at the oral hearing.

continues, if a United States national were ever granted a specific licence, the United States courts would apply the "longstanding principle against the recognition of foreign confiscations."¹⁸⁴

258. In considering the European Communities' appeal, we look first at the reasoning and the conclusions of the Panel. As we have noted, initially, the Panel concluded, on a plain reading of the statute, that Section 211(a)(2) affords "differential treatment" between United States and non-United States nationals, and that such treatment "could be considered to provide a less favourable treatment to nationals of other Members as it denies effective equality of opportunities" to non-United States nationals in the United States.¹⁸⁵ We agree.

259. Next, the Panel considered the supposed offsetting effect of the consistent practice of OFAC. Here, as we have also noted, the Panel relied on previous rulings addressing the issue of legislation that gives discretionary authority to the executive branch of a Member's government. As the Panel rightly noted, in *US – 1916 Act*, we stated that a distinction should be made between legislation that mandates WTO-inconsistent behaviour, and legislation that gives rise to executive authority that can be exercised with discretion. We quoted with approval there the following statement of the panel in *US – Tobacco*:

... panels had consistently ruled that legislation which mandated action inconsistent with the General Agreement could be challenged as such, whereas legislation which merely gave the discretion to the *executive authority* of a contracting party to act inconsistently with the General Agreement could not be challenged as such; only the actual application of such legislation inconsistent with the General Agreement could be subject to challenge.¹⁸⁶

Thus, where discretionary authority is vested in the executive branch of a WTO Member, it cannot be assumed that the WTO Member will fail to implement its obligations under the *WTO Agreement* in good faith.¹⁸⁷ Relying on these rulings, and interpreting them correctly, the Panel concluded that it

¹⁸⁴United States' responses to questioning at the oral hearing.

¹⁸⁵Panel Report, para. 8.133.

¹⁸⁶Appellate Body Report, *US – 1916 Act*, *supra*, footnote 177, para. 88, quoting from Panel Report, *US – Tobacco*, *supra*, footnote 176, para. 118.

¹⁸⁷We made a similar observation in a somewhat different context in *Chile – Taxes on Alcoholic Beverages*, where we stated:

[M]embers of the WTO should not be assumed, in any way, to have *continued* previous protection or discrimination through the adoption of a new measure. This would come close to a presumption of bad faith. Accordingly, we hold that the Panel committed legal error in taking this factor into account in examining the issue of "so as to afford protection". (footnote omitted)

See, Appellate Body Report, WT/DS87/AB/R, WT/DS110/AB/R, adopted 12 January 2000, para. 74.

could not assume that OFAC would exercise its discretionary executive authority inconsistently with the obligations of the United States under the *WTO Agreement*. Here, too, we agree.

260. But here, the Panel stopped. We are of the view that, having reached the conclusion it did with respect to the offsetting effect of OFAC practice, the Panel should not have stopped but should have gone on and considered the argument made by the European Communities about the "extra hurdle" faced by non-United States successors-in-interest. For this reason, we do so now.

261. We note, as did the Panel, the report of the panel in *US – Section 337*.¹⁸⁸ That panel reasoned that "the mere fact that imported products are subject under Section 337 to legal provisions that are different from those applying to products of national origin is in itself not conclusive in establishing inconsistency with Article III:4."¹⁸⁹

262. That panel stated further that:

[I]t would follow ... that any unfavourable elements of treatment of imported products could be offset by more favourable elements of treatment, provided that the results, as shown in past cases, have not been less favourable. *[E]lements of less and 5 0 TD /F3 11pslt4xements of le8S.0.1427 thto y alwaysI]t wouarercisn to tsassust caess anesuccareentl should*

or its *bona fide* successor-in-interest, the United States courts are required not to recognize, enforce or otherwise validate any assertion of rights. We emphasize that this situation exists under the statute *on its face*, and that, therefore, unlike the situation with respect to the granting of a special licence to United States successors-in-interest by OFAC, this situation assumes no action by OFAC or by any other agency of the United States Government.

265. The United States may be right that the likelihood of having to overcome the hurdles of both Section 515.201 of Title 31 CFR and Section 211(a)(2) may, echoing the panel in *US – Section 337*, be *small*. But, again echoing that panel, even the *possibility* that non-United States successors-in-interest face two hurdles is *inherently less favourable* than the undisputed fact that United States successors-in-interest face only one.

266. Both before the Panel and before us, the United States has submitted that Section 211 is a statutory articulation of the longstanding doctrine of non-recognition of foreign confiscation¹⁹² that is recognized in "virtually every jurisdiction".¹⁹³ Thus, the United States argues that, in the unlikely¹⁹⁴ event that a United States national did somehow succeed in getting a specific licence from OFAC, this longstanding doctrine would be applied by United States courts to prevent such a national from enforcing its rights as a successor-in-interest. The United States argues, therefore, that the prohibition imposed by Section 211(a)(2) with respect to non-United States successors-in-interest would also be applied to United States successors-in-interest. We are not persuaded by this argument.

267. The United States has not shown, as required under the national treatment obligation, that, in every individual case, the courts of the United States would not validate the assertion of rights by a United States successor-in-interest. Moreover, even if there is, as the United States argues, a *likelihood* that United States courts would not enforce rights asserted by a United States successor-in-interest, the fact remains, nevertheless, that non-United States successors-in-interest are placed by the measure, *on its face*, in an inherently less favourable situation than that faced by United States successors-in-interest. And, even if we were to accept the United States argument about the doctrine of non-recognition of foreign confiscation, presumably that doctrine would apply to those who are not nationals of the United States as well as to those who are. Any application of this doctrine would therefore not offset the discrimination in Section 211(a)(2), because it would constitute yet another, separate obstacle faced by nationals and non-nationals alike. Hence, it would not offset the effect of Section 211(a)(2), which applies only to successors-in-interest who are not United States nationals.

¹⁹²We recall that the term "confiscated" is defined in the CACR. See *supra*, footnote 7.

¹⁹³United States' appellee's submission, para. 16.

¹⁹⁴United States' responses to questioning at the oral hearing.

268. Accordingly, we conclude that Section 211(a)(2) imposes an additional obstacle on successors-in-interest who are not nationals of the United States that is not faced by United States successors-in-interest. And, therefore, we conclude that, by applying the "extra hurdle" imposed by Section 211(a)(2) only to non-United States successors-in-interest, the United States violates the national treatment obligation in Article 2(1) of the Paris Convention (1967) and Article 3.1 of the *TRIPS Agreement*.

269. For this reason, we reverse the Panel's conclusion in paragraph 8.140 of the Panel Report that "[b]ecause US nationals are unable to obtain licences so as to become a successor-in-interest and OFAC has not granted any such licence for such purpose ... Section 211(a)(2) is not inconsistent with Article 3.1 of the TRIPS Agreement and Article 2.1 of the TRIPS Agreement in conjunction with Article 2(1) of the Paris Convention (1967)."

270. The European Communities also raised claims at the level of successors-in-interest against Section 211(b).¹⁹⁵ With respect to these claims, the Panel concluded that:

Section 211(b) states that US courts shall not recognize, enforce or validate any assertion of treaty rights by a "designated national or *its successor-in-interest*". The difference between Section validate462. enforce or

273. We turn now to the European Communities' claims relating to Sections 211(a)(2) and (b) with respect to the other form of discrimination alleged by the European Communities – that of discrimination among *original owners*.

274. On this, the Panel found with respect to Sections 211(a)(2) and (b):

In respect of original owners, Section 211(a)(2) does not accord a treatment less favourable to foreign original owners than it accords to original owners who are US nationals with respect to protection of intellectual property rights.¹⁹⁷

...

Similarly, in respect of original owners, Section 211(b) does not accord a treatment less favourable to foreign original owners than it accords to original owners who are US nationals.¹⁹⁸

In contrast to its reasoned explanation on alleged discrimination relating to successors-in-interest, the Panel gave no further explanation for its conclusion on alleged discrimination among original owners.

275. On appeal, the European Communities argues that the Panel erred in its conclusion about discrimination among original owners. The European Communities maintains that, on their face, both Sections 211(a)(2) and 211(b) violate the national treatment obligation under the *TRIPS Agreement* and the Paris Convention (1967) because they provide less favourable treatment to Cuban nationals who are original owners than to United States nationals who are original owners. The European Communities supports this position by relying on a particular set of circumstances that exists under the statute that, according to the European Communities, illustrates how Sections 211(a)(2) and (b), on their face, discriminate in favour of United States nationals who are original owners and against Cuban nationals who are original owners. The European Communities believes this situation demonstrates the discriminatory treatment implicit in Sections 211(a)(2) and (b).¹⁹⁹

276. Specifically, the European Communities asks us to consider the following particular set of circumstances that exists under the statute. There are two separate owners who acquired rights, either at common law or based on registration, in two separate United States trademarks, before the Cuban confiscation occurred. Each of these two United States trademarks is the same, or substantially similar to, the signs or combination of signs of which a trademark registered in Cuba is composed. That same or similar Cuban trademark was used in connection with a business or assets that were confiscated in Cuba. Neither of the two original owners of the two United States trademarks was the
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owner of that same or similar trademark that was registered in Cuba. Those two original owners each seek to assert rights in the United States in their two respective United States trademarks. The situation of these two original owners of these two United States trademarks is identical in every relevant respect, but one. That one difference is this: one original owner is a national of Cuba, and the other original owner is a national of the United States.

277. The European Communities asks us to consider this specific situation involving these two original owners, one from Cuba and one from the United States. The European Communities argues that, on the face of the statute, in this situation, the original owner who is a Cuban national is subject to Sections 211(a)(2) and (b), and the original owner who is a United States national is not. This alone, as the European Communities sees it, is sufficient for us to find that Sections 211(a)(2) and (b) violate the national treatment obligation of the United States.

278. Like the European Communities, we see this situation as critical to our determination of whether the treatment of original owners under Section 211 is consistent with the national treatment obligation of the United States under Article 2(1) of the Paris Convention (1967) and Article 3.1 of the *TRIPS Agreement*.

279. The situation highlighted by the European Communities on appeal exists because Sections 211(a)(2) and (b) apply to "designated nationals". A "designated national" is defined in Section 515.305 of Title 31 CFR as "Cuba and any national thereof including any person who is a specially designated national."²⁰⁰ Thus, Sections 211(a)(2) and (b) apply to original owners that are Cuban nationals. Original owners that are United States nationals are not covered by the definition of "designated national" and, thus, are not subject to the limitations of Sections 211(a)(2) and (b).

280. Thus, in our view, the European Communities is correct on this issue. Sections 211(a)(2) and (b) are discriminatory *on their face*.

281. We conclude, therefore, that the European Communities has established a *prima facie* case that Sections 211(a)(2) and (b) discriminate between Cuban nationals and United States nationals, both of whom are original owners of trademarks registered in the United States which are composed of the same or substantially similar signs as a Cuban trademark used in connection with a business or assets that were confiscated in Cuba.

²⁰⁰The definition also includes successors-in-interest, but the situation discussed here does not involve successors-in-interest. Nor does it involve "specially designated nationals", given that there is no claim that a

registration, but also to the *renewal* of registered trademarks.²⁰⁴ Although the Cuban national's initial registration, carried out before the Cuban confiscation, would not have been obtained pursuant to Section 515.527, a renewal of such registration would come within the purview of that provision. Hence, Section 211(a)(2) could apply to a Cuban national who registered a United States trademark before confiscation *and renewed it after that date*.

285. For trademark rights based on common law, the United States contends that the Cuban original owner could not have maintained its rights in the United States trademark because it would not have been able to import the trademarked goods from Cuba and, thus, would not have been able to continue using the trademark "in commerce".²⁰⁵ Yet, this argument assumes that the Cuban national who owns the trademark in the United States could have imported the trademarked goods *only from Cuba*. We understand that from the European Communities' responses to questioning at the oral hearing, the Cuban holder of common law trademark rights in the United States could import the trademarked goods from a country other than Cuba. The United States did not deny this at the oral hearing.²⁰⁶ We are, therefore, not persuaded by this argument.

286. On this point, the United States replied as well that the Cuban original owner could be "unblocked" under the OFAC regulations, an argument that the United States did not make before the Panel or in its written submissions in this appeal. The relevant regulation is Section 515.505 of the CACR, which lists those persons that are "licensed as unblocked nationals" or who may apply to be

²⁰⁴Section 515.527(a)(1) of 31 CFR provides:

Transactions related to the registration and *renewal* in the United States Patent and Trademark Office or the United States Copyright Office of patents, trademarks, and copyrights in which the Government of Cuba or a Cuban national has an interest are authorized. (emphasis added)

²⁰⁵Section 1 of the Lanham Act, 15 U.S.C. §1051. United States' responses to questioning at the oral hearing.

²⁰⁶European Communities' responses to questioning at the oral hearing. We note also the following excerpt from a judgment by the United States District Court, Southern District New York:

In 1995, Bacardi-Martini began to distribute rum in the United States which was produced in the Bahamas under the authority of Galleon, Bacardi & Co.'s predecessor-in-interest, bearing the trademark Havana Club.

Havana Club Holding, S.A. v. Galleon S.A., 62 F.Supp.2d 1085, 1090.

United States' responses to questioning at the oral hearing.

"unblocked".²⁰⁷ According to the United States, as an "unblocked national"²⁰⁸, such a Cuban original owner would have the same status as a United States national.²⁰⁹ Yet, to fulfill the national treatment obligation, less favourable treatment must be offset, and thereby eliminated, in *every* individual situation that exists under a measure. Therefore, for this argument by the United States to succeed, it must hold true for *all* Cuban original owners of United States trademarks, and not merely for *some* of them.

287. Accordingly, we examine three possible situations to determine whether the discrimination is eliminated in every individual instance that might arise under Section 515.505. The first example involves a Cuban original owner residing in the United States. The second involves a Cuban original owner residing in a country other than the United States or Cuba.²¹⁰ The third involves a Cuban original owner residing in Cuba.

288. According to the United States, a Cuban original owner residing in the United States is, in fact, "unblocked" by Section 515.505(a)(2) of the CACR.²¹¹ We agree with this reading of

²⁰⁷Section 515.505 of 31 CFR provides:

- (a) The following persons are hereby licensed as unblocked nationals.
 - (1) Any person resident in, or organized under the laws of a jurisdiction in, the United States or the authorized trade territory who or which has never been a designated national;
 - (2) Any individual resident in the United States who is not a specially designated national; and
 - (3) Any corporation, partnership or association that would be a designated national solely because of the interest therein of an individual licensed in paragraph (a) or (b) of this section as an unblocked national.
- (b) Individual nationals of a designated country who have taken up residence in the authorized trade territory may apply to the Office of Foreign Assets Control to be specifically licensed as unblocked nationals.
- (c) The licensing of any person as an unblocked national shall not suspend the requirements of any section of this chapter relating to the maintenance or production of records.

²⁰⁸An "unblocked national" is defined in Section 515.307 of 31 CFR as:

Any person licensed pursuant to §515.505 licensed as an *unblocked national* shall, while so licensed, be regarded as a person within the United States who is not a national of any designated foreign country: *Provided, however*, That the licensing of any person as an *unblocked national* shall not be deemed to suspend in any way the requirements of any section of this chapter relating to reports, or the production of books, documents, and records specified therein.

²⁰⁹Tc 2.1273 Tw1531 Tc -0.333s"w/F3 9.ng tts FsTc 2.1273 Tw1531 Tc -0.333s"w/F3 9.ng tts Fs

Section 515.505(a)(2). This eliminates the less favourable treatment of this Cuban original owner. The other examples, however, yield a different result.

289. A Cuban original owner residing in a country other than the United States or Cuba, for

§515.201 Transactions involving designated foreign countries or their nationals; effective date.

(a) All of the following transactions are prohibited, except as specifically authorized by the Secretary of the Treasury (or any person, agency, or instrumentality designated by him) by means of regulations, rulings, instructions, licenses, or otherwise, if either such transactions are by, or on behalf of, or pursuant to the direction of a foreign country designated under this part, or any national thereof, or such transactions involve property in which a foreign country designated under this part, or any national thereof, has at any time on or since the effective date of this section had any interest of any nature whatsoever, direct or indirect ...

(b) All of the following transactions are prohibited, except as specifically authorized by the Secretary of the Treasury (or any person, agency, or instrumentality designated by him) by means of regulations, rulings, instructions, licenses, or otherwise, if such transactions involve property in which any foreign country designated under this part, or any national thereof, has at any time on or since the effective date of this section had any interest of any nature whatsoever, direct or indirect ...

292. The United States argues that Section 515.201 of the CACR could apply to a United States original owner in the situation described above, thereby offsetting the less favourable treatment of the Cuban national that otherwise occurs under Sections 211(a)(2) and (b).²¹⁴ The United States asserts that, in this way, the United States original owner would be barred from asserting rights in the trademark pursuant to Section 515.201 of the CACR, just as a Cuban original owner would be barred from doing so under Sections 211(a)(2) and (b).

293. In making this argument, the United States maintains that Section 515.201 of the CACR has a very broad reach – so far that it reaches United States nationals who are pre-confiscation original owners of a United States trademark that is the same or substantially similar to a Cuban trademark used in connection with a Cuban business or assets that were confiscated. We understand the United States to argue that, because the United States trademark is the same or similar to a trademark used in connection with a business or assets confiscated in Cuba, it would be considered as "involv[ing] property in which a foreign country designated under this part, or any national thereof, has at any time on or since the effective date of this section had any interest of any nature whatsoever, direct or indirect", and hence a transaction that is prohibited under Section 515.201 of the CACR.²¹⁵

294. We disagree. We do not believe that Section 515.201 of the CACR would *in every case* offset the discriminatory treatment imposed by Sections 211(a)(2) and (b). For this argument by the

²¹⁴United States' responses to questioning at the oral hearing.

²¹⁵United States' appellee's submission, para. 72.

United States to hold true in each and every situation, the scope of the phrase "having an interest in"

the same significance with respect to intellectual property rights under the *TRIPS Agreement* that it has long been accorded with respect to trade in goods under the GATT. It is, in a word, fundamental.

298. Article 4 of the *TRIPS Agreement* provides, in relevant part:

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. [footnote 3]

Footnote 3: For the purposes of Articles 3 and 4, 'protection' shall include

the

limited its examination and findings to the particular situation of Cuban confiscations.²²⁰ Neither the European Communities nor the United States has disputed this point on appeal. Therefore, we

That one difference is this: one original owner is a national of Cuba, and the other original owner is a national of a country other than Cuba or the United States. We will refer, for the sake of convenience, to this other original owner as "a non-Cuban foreign national".

307.

necessarily the case where a Cuban original owner of a trademark in the United States is not the same person as the original owner of the same or substantially similar Cuban trademark.²²⁴

312. The United States also argues that Section 211(a)(2) does not apply to the Cuban nationals in the situation posed by the European Communities because Section 515.527 of Title 31 CFR was not in effect when the original owners in this situation obtained their trademark rights in the United States. Previously, we explained that this argument does not apply to common law rights and that registered trademarks eventually would become subject to the application of Section 515.527 of Title 31 CFR upon renewal of the registration after entry into force of that Section.²²⁵

313. In addition, the United States alleges that the Cuban original owner could not have maintained its common law rights in the United States trademark because it would have been unable to import the trademarked goods from Cuba. Previously, we stated that this argument is not persuasive because the Cuban holder of common law trademark rights in the United States could import the trademarked goods from a country other than Cuba.²²⁶

314. The United States further asserts that the Cuban original owner could be "unblocked" by OFAC under Section 515.505. As we explained in our analysis of the national treatment claim, using three distinct situations as examples, only Cuban nationals that reside in the United States are automatically licensed as "unblocked".²²⁷ Cuban nationals that reside in a country that is part of the "authorized trade territory"²²⁸, such as the Members States of the European Communities, can apply to OFAC to be "unblocked". This implies that Cuban nationals that reside in the "authorized trade territory" face an additional administrative procedure that does not apply to non-Cuban foreign nationals who are original owners, because the latter are not "designated nationals".²²⁹ Therefore, as we stated earlier, treatment that is inherently less favourable persists. Those Cuban nationals that reside in countries not part of the "authorized trade territory", such as Cuba, are not licensed as "unblocked" nor can they apply to be "unblocked". Thus, discrimination remains in this third situation as well.²³⁰

315. The United States also argues that any discrimination found in Sections 211(a)(2) and (b) would be offset by Section 515.201 of Title 31 CFR. In the context of the national treatment claim,

²²⁴See *supra*, para. 282.

²²⁵See *supra*, paras. 283 and 284.

²²⁶See *supra*, para. 285 and footnote 206.

²²⁷See *supra*, para. 288.

²²⁸The term "authorized trade territory" essentially includes countries that are not subject to OFAC sanctions. See *supra*, footnote 212.

²²⁹See *supra*, para. 289.

²³⁰See *supra*, para. 290.

we analyzed this argument in relation to United States nationals. In the context of the claim under Article 4 at issue here, we must examine whether Section 515.201 of Title 31 CFR also applies to non-Cuban foreign nationals.

316. Section 515.201 of Title 31 CFR essentially applies to transactions carried out by persons in the United States or subject to United States jurisdiction. In this regard, Section 515.201 of Title 31 CFR does not apply exclusively to United States nationals. It could apply to a non-Cuban foreign national as well.

317. The fact that Section 515.201 of Title 31 CFR *could* also apply to a non-Cuban foreign national does not mean, however, that it would offset *in each and every case* the discriminatory treatment imposed by Sections 211(a)(2) and (b) on Cuban original owners. As we explained before, for the United States argument to hold true in each and every situation, the scope of "having an interest in" that is found in Section 515.201 would necessarily have to overlap in coverage with the scope of the "used in connection with" criterion found in Sections 211(a)(2) and (b). The United States was unable to point to evidence substantiating that these two standards overlap completely.²³¹ We are, therefore, not satisfied that Section 515.201 would offset the inherently less favourable treatment present in Sections 211(a)(2) and (b) in each and every case.²³²

318. Finally, the United States referred to its longstanding doctrine of non-recognition of foreign confiscations.²³³ Earlier, we concluded that this policy could not possibly apply to trademarks that existed *in the United States* at the time when a business or assets were confiscated *in Cuba* in connection with which a trademark composed of the same or substantially similar signs was used.²³⁴

319. We, therefore, reverse the Panel's findings in paragraphs 8.148 and 8.176 of the Panel Report, to the extent that they concern the treatment of original owners, and find, in this respect, that Section 211(a)(2) and Section 211(b) are inconsistent with Article 4 of the *TRIPS Agreement*.

XI. Article 8 of the Paris Convention (1967) – Trade Names

320. We turn, lastly, to the issue of whether trade names are covered by the *TRIPS Agreement*.

321. Article 8 of the Paris Convention (1967) provides:

²³¹United States' responses to questioning at the oral hearing.

²³²See *supra*, para. 294.

²³³United States' appellee's submission, para. 16.

²³⁴See *supra*, para. 295.

A trade name shall be protected in all the countries of the Union

- (d) find that Sections 211(a)(2) and (b) are inconsistent with Article 4 of the *TRIPS Agreement* with regard to trade names.

325. The United States agrees with the European Communities that the Panel erred in finding that the *TRIPS Agreement* contains no obligations with respect to trade names.

326. On this issue, we begin with a review of the Panel's analysis of whether trade names are covered by the *TRIPS Agreement*. The Panel looked first to Article 1.2 of the *TRIPS Agreement*, which provides:

For the purposes of this Agreement, the term "intellectual property" refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II.

327. The Panel reasoned that:

Sections 1 through 7 of Part II of the TRIPS Agreement deal with *the following categories of intellectual property*: copyright and related rights; trademarks; geographical indications; industrial designs; patents; layout-designs (topographies) of integrated circuits; and protection of undisclosed information. The categories of related rights covered by Article 14 are protection of performers, producers of phonograms and broadcasting organizations.²³⁸ (emphasis added)

328. The Panel assumed that "[c]ategories of protectable subject matters not dealt within Sections 1 to 7 of Part II of the TRIPS Agreement are not included in the definition of 'intellectual property' in Article 1.2" and observed that "Sections 1 to 7 of Part II do not contain any reference to trade names".²³⁹ The Panel referred to the interpretive principles found in Article 31 of the *Vienna Convention*, and drew the following conclusion:

We interpret the terms "intellectual property" and "intellectual property rights" with reference to the definition of "intellectual property" in Article 1.2

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In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).

330. As we pointed out earlier, Article 8 of the Paris Convention (1967) specifically requires trade name protection.

331. However, the Panel interpreted the words "in respect of" in Article 2.1 as limiting the incorporation of the provisions of the Paris Convention (1967), including Article 8, to Parts II, III and IV of the *TRIPS Agreement*. The Panel reasoned as follows:

The second subclause of Article 2.1 obliges Members to comply with the provisions of the Paris Convention (1967) which are identified in that provision. However, the second subclause is conditioned by the first subclause: Members shall comply with the obligations "[i]n respect of Parts II, III and IV of this Agreement". As the ordinary meaning of the term "in respect of" is in "relation [to], connection [with], reference [to]" and it refers to Parts II, III and IV explicitly, we consider that Members have to comply with Articles 1 through 12 and 19 of the Paris Convention (1967) "in respect" of what is covered by those parts of the TRIPS Agreement identified therein, namely copyright and related rights; trademarks; geographical indications; industrial designs; patents; layout-designs (topographies) of integrated circuits; and protection of undisclosed information.²⁴¹ (underlining added, footnotes omitted)

332. Relying on Article 32 of the *Vienna Convention*, the Panel also reviewed the negotiating history of Articles 1.2 and 2.1 of the *TRIPS Agreement* and concluded that this history confirmed its interpretation of the scope of the *TRIPS Agreement*.²⁴²

333. We disagree with the Panel's reasoning and with the Panel's conclusion on the scope of the *TRIPS Agreement* as it relates to trade names.

334. To explain, we turn first to the Panel's interpretation of Article 1.2 of the *TRIPS Agreement*, which, we recall, provides:

For the purposes of this Agreement, the term "intellectual property" refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II.

335. The Panel interpreted the phrase "'intellectual property' refers to all categories of intellectual property that are the *subject* of Sections 1 through 7 of Part II" (emphasis added) as if that phrase read "intellectual property means those categories of intellectual property appearing in the *titles* of

²⁴¹Panel Report, para. 8.30.

²⁴²*Ibid.*, paras. 8.31-8.40.

Sections 1 through 7 of Part II." To our mind, the Panel's interpretation ignores the plain words of Article 1.2, for it fails to take into account that the phrase "the subject of Sections 1 through 7 of Part II" deals not only with the categories of intellectual property indicated in each section *title*, but with other *subjects* as well. For example, in Section 5 of Part II, entitled "Patents", Article 27(3)(b) provides that Members have the option of protecting inventions of plant varieties by *sui generis* rights (such as breeder's rights) instead of through patents.²⁴³ Under the Panel's theory, such *sui generis* rights would not be covered by the *TRIPS Agreement*. The option provided by Article 27(3)(b) would be read out of the *TRIPS Agreement*.

336. Moreover, we do not believe that the Panel's interpretation of Article 1.2 can be reconciled with the plain words of Article 2.1. Article 2.1 explicitly incorporates Article 8 of the Paris Convention (1967) into the *TRIPS Agreement*.

337. The Panel was of the view that the words "in respect of" in Article 2.1 have the effect of "conditioning" Members' obligations under the Articles of the Paris Convention (1967) incorporated into the *TRIPS Agreement*, with the result that trade names are not covered. We disagree.

338. Article 8 of the Paris Convention (1967) covers only the protection of trade names; Article 8 has no other subject. If the intention of the negotiators had been to exclude trade names from protection, there would have been no purpose whatsoever in including Article 8 in the list of Paris Convention (1967) provisions that were specifically incorporated into the *TRIPS Agreement*. To adopt the Panel's approach would be to deprive Article 8 of the Paris Convention (1967), as incorporated into the *TRIPS Agreement* by virtue of Article 2.1 of that Agreement, of any and all meaning and effect. As we have stated previously:

²⁴³Article 27.3(b) of the *TRIPS Agreement* provides:

Members may also exclude from patentability:

...

- (b) plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective *sui generis* system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement.

One of the corollaries of the "general rule of interpretation" in the *Vienna Convention* is that interpretation must give meaning and effect to all the terms of a treaty. An interpreter is not free to adopt a reading that would result in reducing whole clauses or paragraphs of a treaty to redundancy or inutility.²⁴⁴

339. As for the import of the negotiating history, we do not see it as in any way decisive to the issue before us. The documents on which the Panel relied are not conclusive of whether the *TRIPS Agreement* covers trade names. The passages quoted by the Panel from the negotiating history of Article 1.2 do not even refer to trade names. There is nothing at all in those passages to suggest that Members were either for or against their inclusion. Indeed, the only reference to a debate about the categories for coverage in the *TRIPS Agreement* relates, not to trade names, but to trade secrets.²⁴⁵ The Panel itself acknowledged that "[t]he records do not contain information on the purpose of the addition"²⁴⁶ of the words "in respect of" at the beginning of Article 2.1. Therefore, we do not consider that any conclusions may be drawn from these records about the interpretation of the words "in respect of" in Article 2.1 as regards trade names.

340. Thus, in our view, the Panel's interpretation of Articles 1.2 and 2.1 of the *TRIPS Agreement* is contrary to the ordinary meaning of the terms of those provisions and is, therefore, not in accordance with the customary rules of interpretation prescribed in Article 31 of the *Vienna Convention*.²⁴⁷ Moreover, we do not believe that the negotiating history confirms, within the meaning of Article 32 of the *Vienna Convention*, the Panel's interpretation of Articles 1.2 and 2.1.

341. For all these reasons, we reverse the Panel's finding in paragraph 8.41 of the Panel Report that trade names are not covered under the *TRIPS Agreement* and find that WTO Members do have an obligation under the *TRIPS Agreement* to provide protection to trade names.

342. Having reversed the Panel's finding, we consider next whether we should complete the legal analysis with respect to the application of Section 211 to trade names and to the consistency of Section 211 with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 8 of the Paris Convention (1967), with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 2(1) of the Paris Convention (1967) and Article 3.1 of the *TRIPS Agreement*, with Article 4 of the *TRIPS Agreement*, and with Article 42 of the *TRIPS Agreement*.

²⁴⁴Appellate Body Report, *US – Gasoline*, *supra*, footnote 102, at 21. See also, Appellate Body Report, *Japan – Alcoholic Beverages II*, *supra*, footnote 102, at 106.

²⁴⁵Panel Report, para. 8.34.

²⁴⁶*Ibid.*, para. 8.39.

²⁴⁷See Article 3.2 of the DSU.

343. In the past, we have completed the analysis where there were sufficient factual findings in the panel report or undisputed facts in the panel record to enable us to do so²⁴⁸, and we have not completed the analysis where there were not.²⁴⁹ In one instance, we declined to complete the analysis with respect to a "novel" issue that had not been argued in sufficient detail before the panel.²⁵⁰

344. In this appeal, the European Communities argues that we should complete the analysis, while the United States contends that we should not do so because, in its view, there are insufficient factual findings by the Panel about trade name protection under United States law for us to do so. The United States argues further that should we decide to complete the analysis, we should find that Sections 211(a)(2) and (b) are not inconsistent with any trade name obligations under either the *TRIPS Agreement* or the Paris Convention (1967).

345. We believe that there are sufficient undisputed facts in the Panel record regarding trade name protection to enable us to complete the analysis dealing with the alleged inconsistency of Sections 211(a)(2) and (b) with Articles 3.1, 4, and 42 of the *TRIPS Agreement*, and with Article 2.1 of that Agreement in conjunction with Articles 2(1) and 8 of the Paris Convention (1967).

²⁴⁸See Appellate Body Report, *US – Gasoline*, *supra*, footnote 102, at 18 ff; Appellate Body Report, *Canada – Certain Measures Concerning Periodicals*, WT/DS31/AB/R, adopted 30 July 1997, DSR 1997:I, 449, at 469 ff; Appellate Body Report, *EC – Hormones*, *supra*, footnote 46, paras. 222 ff; Appellate Body Report, *European Communities – Measures Affecting the Importation of Certain Poultry Products*, WT/DS69/AB/R, adopted 23 July 1998, paras. 156 ff; Appellate Body Report, *Australia – Measures Affecting Importation of Salmon* ("Australia – Salmon"), WT/DS18/AB/R, adopted 6 November 1998, paras. 117 ff, 193 ff and 227 ff; Appellate Body Report, *United States – Import Prohibition of Certain Shrimp and Shrimp Products*, WT/DS58/AB/R, adopted 6 November 1998, paras. 123 ff; Appellate Body Report, *Japan – Measures Affecting Agricultural Products*, WT/DS76/AB/R ("Japan – Agricultural Products II"), *supra*, footnote 102, paras. 112 ff; Appellate Body Report, *United States – Tax Treatment for "Foreign Sales Corporations"*, WT/DS108/AB/R, adopted 20 March 2000. See also Appellate Body Report, *US – Tuna*, WT/DS282/AB/R, adopted 17 April 2001, paras. 110-111.

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

...

Article 8 does not impose any requirements on the scope of protection, other than, through Article 2 [of the Paris Convention], the requirement of national treatment.²⁵³

349. The European Communities also submitted that the scope of protection under Article 8 was not precise. It said:

The European Communities argues that Article 8 of the Paris Convention (1967) requires that WTO Members extend protection to trade names independently from whether they form part of a trademark. While Article 8 does not precisely stipulate the way in which this protection for trade/commercial names has to be granted, one of the leading commentators writes that "[t]he protection will generally be given against unlawful acts of third parties consisting, for example, of use of the same or a confusingly similar trade name [...], if such use is liable to cause confusion among the public".²⁵⁴ (footnote and underlining omitted)

350. Moreover, in their submissions before the Panel on the consistency of Sections 211(a)(2) and (b) with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 2(1) of the Paris Convention (1967), Articles 3.1, 4 and 42 of the *TRIPS Agreement*, both participants put forward the same arguments on trade names that they did with respect to trademarks. The United States also argued before the Panel that:

... it cannot be asserted that the protections given trade names must be more stringent than

trademarks."²⁵⁶ This argument by the United States was quoted in this appeal by the European Communities without objection by the United States.

352. On the basis of:

- the fact that Sections 211(a)(2) and (b) do not distinguish on their face between trade marks and trade names;
- the participants' approach in submitting the same arguments and using the same analyses regarding trade name and trademark protection, suggesting that the obligations regarding protection of one are no different from those regarding protection of the other;
- the information in the Panel record about the participants' interpretation of Article 8 of the Paris Convention (1967); and
- the information in the Panel record about trade name protection under United States law;

we conclude that the Panel record contains sufficient factual findings and facts undisputed between the participants to permit us to complete the analysis regarding the consistency of Sections 211(a)(2) and (b) – in respect of trade names – with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 2(1) of the Paris Convention (1967) and Article 3.1 of the *TRIPS Agreement*, with Article 4 of the *TRIPS Agreement*, with Article 42 of the *TRIPS Agreement*, and with Article 2.1 of that Agreement in conjunction with Article 8 of the Paris Convention (1967).

353. In respect of the alleged inconsistency of Sections 211(a)(2) and (b) with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 2(1) of the Paris Convention (1967) and Article 3.1 of the *TRIPS Agreement*, and with Article 4 of the *TRIPS Agreement*, we recall our conclusions above that these Sections impose on designated nationals and their successors-in-interest the requirement to obtain the express consent of the original owners or their *bona fide* successors-in-interest.²⁵⁷ We note that the requirement to obtain express consent applies not only to the defined category of *trademarks* referred to in those Sections. It applies also to the defined category of *trade names* referred to in those Sections.²⁵⁸ We also recall that Section 211(a)(2), read in conjunction with

²⁵⁶European Communities' appellant's submission, footnote 7 to para. 21, quoting the United States' request to the Panel to review precise aspects of the interim report.

²⁵⁷See *supra*, paras. 120 and 121.

²⁵⁸See *supra*, para. 2.

Section 211(d), applies only to successors-in-interest of non-United States origin, whereas Section 211(b) applies to successors-in-interest of any origin.²⁵⁹

354. Therefore, we find that our conclusion in paragraph 268 above that, by applying the "extra hurdle" imposed by Section 211(a)(2) only to non-United States successors-in-interest to trademark rights referred to in that Section, the United States violates the national treatment obligation in Article 2.1 of the 2.1 of the 2.1 of the

359. We recall further our conclusion in paragraph 195 above of the section addressing Article 16.1 of the *TRIPS Agreement* that neither the Paris Convention (1967) nor the *TRIPS Agreement* determines who owns or who does not own a trademark. We believe that the Paris Convention (1967) and the *TRIPS Agreement* also do not determine who owns or does not own a trade name. Given our view that Sections 211(a)(2) and (b) relate to ownership²⁶⁰, we conclude that these Sections are not inconsistent with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 8 of the Paris Convention (1967).

XII. Findings and Conclusions

360. For the reasons set out in this Report, the Appellate Body:

- (a) upholds the Panel's finding in paragraph 8.89 of the Panel Report that Section 211(a)(1) is not inconsistent with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 6quinquies A(1) of the Paris Convention (1967);
- (b) upholds the Panel's finding in paragraph 8.70 of the Panel Report that Section 211(a)(1) is not inconsistent with Article 15.1 of the *TRIPS Agreement*;
- (c) upholds the Panel's findings in paragraphs 8.112 and 8.159 of the Panel Report and finds that Sections 211(a)(2) and (b) are not inconsistent with Article 16.1 of the *TRIPS Agreement*;
- (d) with respect to Article 42 of the *TRIPS Agreement*, and in relation to trademarks:
 - (i) reverses the Panel's finding in paragraph 8.102 of the Panel Report and finds that Section 211(a)(2) is not inconsistent with this Article; and
 - (ii) upholds the Panel's finding in paragraph 8.162 of the Panel Report and finds that Section 211(b) is not inconsistent with this Article;
- (e) with respect to Article 2.1 of the *TRIPS Agreement* in conjunction with Article 2(1) of the Paris Convention (1967) and Article 3.1 of the *TRIPS Agreement*, and in relation to trademarks:
 - (i) regarding successors-in-interest:

²⁶⁰See *supra*, para. 121.

- (a) reverses the Panel's finding in paragraph 8.140 of the Panel Report and finds that Section 211(a)(2) is inconsistent with these Articles;
 - (b) upholds the Panel's finding in paragraph 8.173 of the Panel Report and finds that Section 211(b) is not inconsistent with these Articles;
- (ii) regarding original owners, reverses the Panel's findings in paragraphs 8.140 and 8.173 of the Panel Report and finds that Section 211(a)(2) and Section 211(b) are inconsistent with these Articles;
- (f) reverses the Panel's findings in paragraphs 8.148 and 8.176 of the Panel Report regarding original owners and finds that, in this respect, and in relation to trademarks, Sections 211(a)(2) and (b) are inconsistent with Article 4 of the *TRIPS Agreement*.
- (g) reverses the Panel's finding in paragraph 8.41 of the Panel Report that trade names are not covered under the *TRIPS Agreement*, and finds that WTO Members do have an obligation under the *TRIPS Agreement* to provide protection to trade names, and accordingly:
 - (i) with respect to Article 2.1 of the *TRIPS Agreement* in conjunction with Article 2(1) of the Paris Convention (1967) and Article 3.1 of the *TRIPS Agreement*, and in relation to trade names:
 - (a) regarding successors-in-interest, finds that Section 211(a)(2) is inconsistent with these Articles;
 - (b) regarding successors-in-interest, finds that Section 211(b) is not inconsistent with these Articles;
 - (c) regarding original owners, finds that Section 211(a)(2) and Section 211(b) are inconsistent with these Articles;
 - (ii) finds that, in relation to trade names, Sections 211(a)(2) and (b) are inconsistent with Article 4 of the *TRIPS Agreement*;
 - (iii) finds that, in relation to trade names, Sections 211(a)(2) and (b) are not inconsistent with Article 42 of the *TRIPS Agreement*; and

Signed in the original at Geneva this 19th day of December 2001 by:

Claus-Dieter Ehlermann
Presiding Member

James Bacchus
Member

Julio Lacarte-Muró
Member