

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

**ORAL STATEMENT OF THE UNITED STATES
SECOND MEETING OF THE PANEL
MARCH 7, 2001**

1. Thank you, Mr. Chairman and members of the Panel.
2. Now that we are at the second meeting of the Panel, and the EC has elaborated somewhat on its arguments, this would be a good time to take stock of where we are, and to identify and address the major issues that have emerged. I will address these issues first. Then, again focusing on the issues that have emerged over the past few weeks, I will consider each of the TRIPs and Paris Convention articles cited by the EC and explain how section 211 does not require any action that is inconsistent with the obligations in those articles. Third, to the extent not already discussed, I will address the EC's speculations concerning the scope and operation of section 211. This discussion, too, will emphasize that section 211 does not require any actions inconsistent with TRIPs. Finally, I will respond briefly to the EC's discussion of the U.S. and international law of recognition of foreign confiscations.
3. What are the significant issues that have emerged? First, the EC purports to embrace the principle that a Member does not have to give effect to foreign confiscations with respect to assets in that Member's territory. But then the EC presents, for purposes of this dispute, an interpretation of TRIPs and the Paris Convention that would nullify this very principle. If TRIPs and the Paris Convention require Members to register and protect all trademarks regardless of the registrant's ownership of the trademark, as the EC argues, then Members are powerless to deny ownership of trademarks in their territory to confiscating entities. It's as simple as that. This means that TRIPs and the Paris Convention require Members to give effect in their territory to foreign confiscations.
4. In fact, however, there is nothing in TRIPs that produces this result. Nothing in TRIPs requires the United States to declare that confiscating entities are the rightful owners of U.S. trademarks and trade names associated with the confiscated assets. While TRIPs imposes numerous substantive and procedural obligations on Members with respect to trademarks, the standards for and means of determining trademark ownership are not among those obligations. This point is confirmed by the materials provided by WIPO last week.
5. Second, the EC is seeking to re-interpret TRIPs and the Paris Convention so that these agreements accommodate only the civil law system of trademark law, and prohibit the U.S. common law system. This is at the bottom of the EC's argument that, under TRIPs, trademarks only come into existence when they are registered, and that whoever registers the trademark "owns" the trademark. These assertions are not consistent with text of the TRIPs Agreement, and are entirely contrary to the U.S. trademark system, in which trademarks are generally created by use and in which registration is not conclusive of ownership. TRIPs and the Paris Convention

were specifically drafted to take into account both the civil law and the common law trademark systems, and cannot now be read to mandate the civil law system. We note that the EC takes a similarly incorrect approach when it suggests that TRIPs determines that the owner of a patent is the first to file (the European system) and not the first to invent (the U.S. system), and when it suggests that TRIPs dictates who the “author” is for copyright purposes. In fact, as is universally acknowledged, TRIPs does neither.

6. Third, the EC mischaracterizes section 211 by suggesting that it targets trademarks and trade names that have nothing whatsoever to do with the confiscated assets. This is apparently with a view to distancing the EC from the (well-founded) criticism that its position would create a requirement under TRIPs to recognize the effects of foreign confiscations. The EC’s complaint appears to be that section 211 targets trademarks that look like trademarks used in connection with confiscated assets, even though the trademarks might not have any legal or factual link to the confiscated assets or to trademarks associated with those assets. But the very fact that section 211 is focusing on purported trademark rights asserted by entities that confiscated certain assets and the original owners of trademarks used in connection with those confiscated assets means that there is a link between the trademarks targeted by section 211 and the confiscated assets.

7. Finally, the EC implies that, by virtue of section 211, U.S. nationals are treated better than foreign nationals, and that some foreign nationals are treated better than others. The EC even cites some so-called “Cuban-origin” trademarks that are owned by U.S. companies. But the fact is that section 211 does not prevent registration or ownership of “Cuban-origin” trademarks; it targets only assertions of ownership by confiscating entities or their successors, of whatever nationality, whether U.S. or not, or whether Cuban or not. Section 211 is not inconsistent with the national treatment or most-favored-nation provisions.

8. I would like now to move to a discussion of each of the TRIPs and Paris Convention articles cited by the EC, because, even though the core of our case can be simply stated, the Panel has the task of making a separate determination regarding whether section 211 is inconsistent with each of the TRIPs articles cited by the EC. In its recent submissions, the EC has elaborated on its interpretation of the TRIPs Agreement and on how it believes that section 211 breaches the United States obligations under TRIPs. For the sake of brevity, then, I will not repeat in detail all of the legal arguments that we made in our previous submissions and statements, but will focus on the main issues and on those points raised by the EC in its rebuttal submission.

9. First, Article 6*quinquies* A of the Paris Convention and Article 15.1 of TRIPs limit the ability of Members to deny protection to trademarks on the grounds that the form of the trademark is inconsistent with national rules. Under Article 6*quinquies*, a Member cannot refuse to register or protect a trademark duly registered in its country of origin on the grounds that the trademark does not conform to national rules as to the form of the trademark. In the words of Article 6*quinquies*, such a trademark shall be accepted for filing and protected “*telle quelle*”, which means “as is” or “in its original form”: the trademark, in other words, does not have to be changed to conform to national laws on trademark form. Any interpretation of this obligation extending it to matters beyond the form of the trademark would impermissibly read the key

words “telle quelle” out of this article. Such an interpretation would also ignore the object and purpose of the article — to prevent denials based on the form of the trademark. In sum, an examination of the ordinary meaning of the terms of Article 6*quinquies* A, read in their context, and in light of their object and purpose, establishes that the EC’s interpretation is incorrect. Furthermore, the material provided by WIPO on this provision’s negotiating history confirms this. Under the customary rules of interpretation of international law, as reflected in Article 32 of the Vienna Convention, the WIPO materials may serve this confirmatory role. We believe they do so quite clearly.

10. Likewise, under Article 15.1, entitled “protectable” -- not “protected” -- subject matter”, any sign or combination of signs capable of distinguishing goods is “capable” of constituting a trademark. In other words, a Member cannot reject a registration based on a contention that a qualifying sign or combination of signs is not “capable” of constituting a trademark. Nowhere does Article 15.1 require a Member to register and protect all signs or combinations of signs that are capable of constituting a trademark. And despite the EC’s reference to “indirect guidance”, Article 15.1 says absolutely nothing about who is the proper owner of the trademark. True, Article 15.1 stands for the proposition that the signs must be capable of distinguishing the goods of one undertaking from those of another in order to function as a trademark. But this says nothing whatsoever about whether a particular undertaking must be considered to “own” the trademark. Signs that are capable of distinguishing the goods of one entity from those of another might be claimed by two different entities; Article 15.1 says nothing about which of the two (if either) owns the trademark; it only says that the trademark cannot be rejected on the grounds of its form.

11. And of course, section 211 has nothing to do with the form of the trademark, and everything to do with the owner of the trademark.

12. The EC’s claim that these two provisions strip Members of the ability to make the basic decision as to who owns the trademark at issue is unsupported by the ordinary meaning of these two articles. Further, this interpretation leads to results that neither party would support.

13. The EC claims that Article 6*quinquies* A requires the United States to “accept for filing and protect” a trademark that has been confiscated in the country of origin, so long as it is duly registered there. In other words, if the government of a Member confiscates the business assets of a company, including its duly registered trademarks in that Member (the country of origin), Article 6*quinquies* would, according to the EC, require all other Members to accept for filing and protect that trademark in their territories. This is tantamount to requiring Members to give effect in their own territory to foreign confiscations of trademarks. For example, if Member A confiscates a company in its territory, including its trademarks, and asks Member B to protect an existing trademark in the name of the confiscated company, the EC’s interpretation of Article 6*quinquies* A is that Member A would be required to do so, and thereby to give effect, in its territory, to the confiscation. Yet, the EC concedes that Members are not obligated to give such effect under the TRIPs Agreement or the Paris Convention. In short, the EC’s extraordinarily broad reading of Article 6*quinquies* leads to a result that both parties agree is wrong.

14. The EC has suggested that this undeniably incorrect result can be avoided by invoking the “exceptions” provision in paragraph B.1 of Article 6*quinquies*, which permits a Member to invalidate or avoid registering trademarks “when they are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed.”

15. Let me stop here and make a comment. The Panel should understand that Article 6*quinquies* A does not undercut the principle that Members do not have to give effect in their territories to foreign confiscations. This provision deals only with issues of “form” and there is no need, absent the EC’s misreading of this provision, to resort to “exceptions” to preserve this important principle. The WIPO materials provided on Friday show that, in negotiating the original version of Article 6*quinquies*, the delegates specifically rejected the use of the word “property” in this article, because they agreed that the provision did not address the question of trademark ownership. *Actes de Paris*, 1880, pp. 70 - 79 (Annex I of the WIPO materials). Further, even if the Panel were to resort to the Article 6*quinquies* exceptions to preserve this important principle, it is not at all clear why it should resort to the exception for “rights acquired by third parties” under Article 6*quinquies* B.1, rather than the exception for “*ordre public*” under Article 6*quinquies* B.3. The EC has not cited a single situation in which “rights acquired by third parties” have been used to justify the non-recognition of foreign confiscations, whereas the United States has cited scores of decisions in which “*ordre public*” has been cited as the reason for not giving effect to foreign confiscations. It seems apparent that if the Panel has to resort to an exception to Article 6*quinquies* A to preserve this important principle -- and we do not believe that it does -- the exception for “*ordre public*” is the appropriate exception. (I should also add parenthetically that there is no support for the EC’s suggestion that the “*ordre public*” exception is limited to situations in which the trademark deceives the public. It is clear from the text of Article 6*quinquies* that trademarks that deceive the public are just one of the kinds of trademarks included within the morals and “*ordre public*” exception. Moreover, numerous courts throughout the world have found that giving domestic effect to foreign confiscations, including with respect to trademarks, is against “*ordre public*”.)

16. Nevertheless, the EC has offered the Article 6*quinquies* B.1 exception for “rights acquired by third parties” as the sole foundation on which, under Article 6*quinquies*, the entire principle of non-recognition relies for survival. So let’s see how this exception might be invoked to preserve the principle of non-recognition. A Member confiscates the assets of ABC Company, including its trademarks registered in that Member and in the United States. The original owners of ABC Company come to the United States and claim that they, and not the confiscated ABC Company, have the rights to the U.S. trademark. According to the EC, Article 6*quinquies* A requires the United States to protect the ownership interests of the confiscated company in the U.S. trademark. Article 6*quinquies* B.1, however, again according to the EC, permits the United States to decide that the original owners of ABC Company are “third parties” that have acquired rights in the United States that are infringed by confiscated ABC Company’s U.S. trademark. Only by invoking this exception, in the EC’s view, can the United States avoid the requirement under Article 6*quinquies* A that it recognize the confiscated ABC Company as the rightful owner of the U.S. trademark.

17. This approach strains the ordinary meaning of the Article 6quinquies B.1 exception beyond recognition. And it does so without really addressing the ultimate issue of “ownership” in a way different from that presented by the United States. The approach requires the Panel to find that the original owners of ABC Company who have fled to the United States are now “third parties” that “acquired” rights in the United States. But the original owners of the company are not really “third parties”: they are the rightful owners of the ABC mark in the United States. And they did not “acquire” rights in the United States that pre-date and would be infringed by trademarks of the confiscated ABC Company if those trademarks were registered and protected. Rather, the trademarks claimed by the original owners are the same as the trademarks claimed by the confiscated ABC Company. Judging from the text of the Paris Convention, and from Professor Bodenhausen’s explanation of the text, the exception in Article 6quinquies B.1 is aimed at the situation in which true third parties — parties not related to those claiming ownership in the foreign trademark — have pre-existing rights in the United States that would be infringed if a foreign trademark were registered and protected. It is only by virtue of a tortured construction that the EC can conclude that protection of “third party” rights acquired in the United States means recognizing the continued ownership of the original owners.

18. And yet, according to the EC’s view, the very survival of the principle of non-recognition of foreign confiscations under the Paris Convention and TRIPs depends on this tortured construction.

19. Perhaps more significantly, the exception under Article 6quinquies B.1 says nothing about how a Member makes the determination that the “third parties” have acquired rights that would be infringed by the foreign trademark. Even if the Panel were to adopt the EC’s strained reading of Article 6quinquies B.1, that Article says nothing about how a Member is to determine who the true owners of the U.S. trademark are whose “acquired” rights would be infringed. Article 6quinquies B.1 leaves this decision to the national laws of the Members.

20. Therefore, even if the EC’s construction of Article 6quinquies were correct, the Panel is still left with the conclusion that, under Article 6quinquies B.1, it is up to the national laws of the Members to determine who the proper owner of the trademark is, a determination that is not dictated by either the Paris Convention or TRIPs. Thus, the EC ends up where the U.S. began.

21. This point bears emphasizing. The United States does not share the EC’s view that if TRIPs does not dictate trademark ownership rules, the disciplines of TRIPs are worthless (EC Rebuttal Submission at paragraph 55). In our view, TRIPs contains numerous disciplines that prevent arbitrary allocations of trademark ownership, including national treatment, most-favored-nation treatment, and many procedural protections, as discussed in the U.S. second submission at paragraphs 23 - 30. Further, we have noted how Members’ national rules on ownership issues may differ in the context of other intellectual property rights covered by TRIPs, and that these acknowledged differences have not undermined the TRIPs disciplines. Nevertheless, even if the lack of ownership rules were a flaw in the Agreement, the EC’s interpretation of Article 6quinquies B.1 would not address any such flaw in the slightest, because it does not determine how a Member decides that third parties have acquired rights. In other words, it does not result

in the application of any additional disciplines on ownership whatsoever. The EC arrives at the same conclusion as the United States: that Members are entitled to determine who is the proper owner of a trademark in their territory and have the right to prevent confiscating entities from asserting such ownership rights.

22. The EC's interpretation of Articles 15.1 and 15.2 is equally flawed. The EC claims that Article 15.1 requires that any sign or combination of signs "capable" of being a trademark be registered. There is simply no support for this assertion in the text of Article 15.1, which only defines the signs that must be considered eligible subject matter for protection as trademarks. There is similarly no support for the contention (EC Rebuttal Brief at 57 - 59) that registration can only be refused in the "exceptional cases expressly mentioned in TRIPs and the Paris Convention". That is not what Article 15.2 says. Article 15.2 clarifies that Article 15.1 -- defining the form of a trademark -- does not prevent Members from denying registration of a trademark on other grounds ("other", that is, than the form of the trademark). It adds that, of course, those grounds must not derogate from the Paris Convention. This is very different from saying that registration may only be denied on particular specified grounds set forth in particular named sub-articles of the Paris Convention. The Paris Convention does not prescribe any rules that say that Members must give ownership rights to confiscating entities. Therefore, denying a trademark registration on the grounds that the registrant is not the true owner of the trademark is not inconsistent with Article 15.1, and does not derogate from any provision of the Paris Convention under Article 15.2.

23. Notably, the EC offers no "exception" to TRIPs Article 15.1 that would permit a Member to determine that it will not give effect in its territory to a foreign confiscation. Under the EC's interpretation, Article 15.1 does not permit a Member to decide that the confiscating entity is not the owner of the trademark used in connection with the confiscated assets.

24. So, how does section 211(a)(1) require the United States to take any actions inconsistent with its TRIPs obligations? Answer: it doesn't. Section 211(a)(1) makes OFAC general licenses unavailable for certain trademark registrations and renewals. Which trademark registrations and renewals? Those for trademarks that are identical or substantially similar to trademarks used in connection with a business or assets that were confiscated and for which the consent of the original owner of the trademark has not been obtained. This provision does not randomly deny the registration of trademarks. It focuses on those trademarks that were used in connection with an asset confiscated by the Cuban Government, and on the original owners of those trademarks. It protects the original owners of those trademarks by saying that the confiscating entity or its successors must get the consent of those owners before it can take advantage of a general OFAC licence to register or renew the trademark. It does not say those trademarks cannot be registered or renewed: it simply says that the consent of the original owners must be obtained to take advantage of a general licence.

25. As an illustration of the effect of section 211(a)(1), the EC complains that Cubaexport, which they claim has registered and renewed various Havana Club trademarks in the past, may now be precluded from doing so in the future by section 211(a)(1). We have two responses.

First, the EC did not ask this Panel to review the application of section 211 in any specific case; the EC has only challenged section 211 on its face. Second, any application of section 211 to future trademark renewals is pure speculation.

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

27. The EC’s interpretation is that Article 16.1 confers exclusive rights on whoever registers the trademark. Article 16.1 might have been drafted to confer exclusive rights on the trademark registrant, but it was not. Instead, it specifically states that its presumptions and entitlements accrue to “[t]he owner of a registered trademark . . .” In fact, Article 16.1 could not be clearer that there is a distinction between the owner of the trademark and the trademark registrant: it specifically says that nothing in that Article prevents Members from making rights available based on use. In other words, a Member does not breach Article 16.1 by determining that the true owner of a trademark is the person who first used the mark, and not the person who registered the mark. If the EC’s interpretation were accurate, Article 16.1 would require Members to give exclusive rights to the registrant, even if the rights based on use were conferred under national law on someone else. This position is directly contradicted by Article 16.1 itself. It therefore simply cannot be accurate that Article 16.1 imposes an obligation to confer rights on whoever registers the trademark.

28. Nor is it credible to argue, as the EC does, that there is one class of federal trademarks which are “owned” by whoever registers them and another class of trademarks whose ownership is based on use. The very fact that a person can establish his ownership of a trademark based on prior use, and can disprove the ownership of the federal trademark registrant, demonstrates that there are not two distinct “classes” of trademarks. This is a situation specifically anticipated by Article 16.1. The EC’s interpretation of Article 16.1 -- as requiring Members to confer exclusive rights on whoever registers the trademark -- is simply unsupported by the text of that Article. This interpretation is particularly extreme and troublesome, when the Panel considers that the EC also believes that Article 15.1 requires Members to register without question any trademark that consists of qualifying signs, regardless of whether the registrant qualifies as an owner or not under national law, and regardless of whether the registrant claims to own the trademark in the United States on the basis of its ownership of confiscated assets abroad.

29. Given that the obligation imposed by TRIPs Article 16.1 is to confer rights on the “owner” of a trademark that is registered, the Panel must therefore determine whether sections 211(a)(2) and 211(b) require actions that are inconsistent with this obligation. They do not. Sections 211(a)(2) and 211(b) do not deny exclusive rights to the true owners of registered trademarks. Rather, they reflect that courts are not obligated to find the trademark registrant to be the “owner” of the trademark where the registrant claims ownership by virtue of a

confiscation and the original owner does not consent. Sections 211(a)(2) and 211(b) do not curtail recognized ownership rights in the United States. To the contrary, they exercise the recognized sovereign right of the United States to determine the criteria for trademark ownership in the United States, and to deny ownership, where appropriate, to those who derive their claim from an uncompensated confiscation.

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

31. The Panel should note that the EC has presented no argument whatsoever that Articles *6bis* and 8 require Members to recognize the trademark or trade name ownership of particular entities. In fact, those articles say nothing about who owns the trademark or trade name. Article 8 is silent on the subject, while Article *6bis* specifically reserves to “the competent authority” of the Member the determination of whether a trademark is well known as the mark of a particular person. The WIPO communication acknowledges that this decision by the competent authorities relates to ownership, but specifies that “no provision [of the Paris Convention] addresses the question how the owner of a trademark has to be determined under the domestic law of [Members].” By contrast, while the EC does present an argument that Articles 15.1 and 16.1 “implicitly” define the owner of a trademark as the person who registers it, this argument is, as I've already discussed, based on an incorrect and internally inconsistent interpretation of these articles.

32. Moving on to the final TRIPs and Paris Convention provisions cited by the EC — those related to national treatment and most favored nation treatment — TRIPs requires that nationals of Members be treated no less favorably than one's own nationals, and requires that any advantage, favor, privilege or immunity granted to the nationals of any country be accorded to

nationals of all Members. Sections 211(a)(2) and 211(b) are not inconsistent with either of these principles. Those sections apply to any person, regardless of nationality, that attempts to assert ownership rights in a trademark, trade name or commercial name that are derived from a confiscation in Cuba. And of course, courts would also apply the principle of non-recognition of foreign confiscations to any confiscations outside of Cuba.

33. The EC notes that section 211(a)(2) appears to apply only to ownership by confiscating entities and their “foreign” successors in interest, implying that U.S. successors in interest are being accorded more favorable treatment. U.S. nationals, however, can only become successors in interest in the first place if OFAC grants them a specific license to do so. Therefore, the only way that this Panel could find that the U.S. is according more favorable treatment to U.S. nationals under section 211(a)(2) is if the Panel found that OFAC itself accords more favorable treatment to U.S. nationals, because it is required to license U.S. nationals to become “successors in interest”. Far from this being the case, there is a general prohibition on U.S. persons becoming successors in interest. For this reason, the United States is not, by virtue of section 211(a)(2), according more favorable treatment to U.S. nationals than non-U.S. nationals. For this reason, there is no violation of the national treatment obligation. This Panel should not, as a matter of law, determine that OFAC would use its discretion to accord more favorable treatment to U.S. nationals than is accorded to foreign nationals. Such a determination would amount to an adverse assumption about the treatment that might be accorded U.S. nationals versus foreign nationals, not a finding that the U.S. accords less favorable treatment to foreign nationals.

34. The EC seems to believe it has proved something of relevance when it cites three U.S. trademarks of apparent Cuban origin that are registered by U.S. companies. EC Rebuttal Submission at paragraph 47. But there is no reason to believe that those registrants are successors in interest to any confiscating entity. So the EC’s observation simply has no relevance to this dispute.

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

36. I would like to turn briefly now to the EC’s speculations on the scope and operation of section 211. This is potentially important because, as our second submission explained, section 211 can only be inconsistent with TRIPs if it requires actions that are inconsistent with TRIPs. In this case, however, the EC does not show either how section 211 would require the actions claimed, or, indeed, how any actions required by section 211 would result in a TRIPs inconsistency.

37. On the scope of section 211, the EC makes several assertions:

38. First, the EC maintains that section 211 requires no factual or legal link between the trademark for which enforcement is being sought and a trademark or trade name that existed in the United States at the time of confiscation. It is not clear why it matters from a TRIPs point of view whether a trademark existed in the United States at the time of the confiscation. Whether it did or did not exist at the time of the confiscation is irrelevant to whether the United States has

the right to determine whether the confiscating entity owns or does not own the trademark. Further, however, section 211 only refers to the “original owner” of the trademark used in connection with the confiscated asset. Section 211 does not specify the location of the “use”, but the Panel should note that use of a trademark — even outside of the United States — can give rise to ownership of that trademark in the United States under U.S. law. Therefore, a court might or might not find that the original owner owned a trademark in the United States at the time of the confiscation, and the court might or might not find that this is relevant. It is simply unclear how a court would resolve this ownership issue. We note that the one case which the EC has repeatedly brought up as an illustration of how section 211 might work — Havana Club — involved a trademark that did exist in the United States at the time of the confiscation.

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

40. Third, the EC says that section 211 may be applied to prevent the assertion of ownership by confiscating entities in cases where the original owner has legally abandoned the U.S. trademark. Again, it is not clear what significance this assertion has in terms of consistency with TRIPs. TRIPs does not require an abandonment policy at all, so the fact that it might not be applicable in certain circumstances would not violate TRIPs. The EC cites once again the judicial decision in the Havana Club case. The court in that case declined to find that, simply because the original owner had ceased to use that trade name, the original owner had lost his right to prevent the use of his trade name by someone else. The court also noted, by way of explanation of its decision, that “[i]t is not likely that Congress wished to disadvantage a company that understandably ceased to use its trade name after the confiscation of its business.”¹ In other words, the court specifically recognized that, in the context of the forced confiscation of the Havana Club distillery, it may be appropriate to conclude that the original owners did not voluntarily cease use of the trade name with the intent not to resume use.

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

¹ 203 F.3d 116, 128 (Exhibit EC-16)

derive their ownership from the confiscated business. If the claimant has no relationship whatsoever to the confiscated business, it is hard to see how section 211 could be applied to that claimant. Further, if the trademarks were only created after the Cuban revolution, a court could well find that there is no “original owner” of the trademark other than the confiscating entity itself, and therefore, no room for the application of section 211. The distinctions drawn by the EC are simply not there, and even if they were, they do not make out a case that section 211 is inconsistent with TRIPs.

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

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

44. The EC first states that federally registered trademarks become “incontestable” after 5 years, and implies that the purpose and effect of section 211 was to make Cubaexport’s Havana Club “incontestable registration” contestable. This is incorrect. First of all, "incontestable" does not mean "unchallengeable": federal trademark registrations, no matter how old, are subject to challenge on bases that go to the ownership of the trademark. Second, I have to emphasize that, although the specific situation of "Havana Club" is not within the Panel’s terms of reference, we note that no one has made the statutory filing required for "incontestability", so "incontestability" is simply not an issue with respect to that trademark.

45. Second, the EC complains that section 211 does not give any rights to the owner of the confiscated business — the EC appears even to allege, bizarrely, that the owner cannot be a party in an action in which section 211 is involved — but only curtails the rights of certain right-holders. The EC says this demonstrates the “punitive” nature of section 211. This is an odd assertion, because there appears to be little question but that section 211, where it applies, would give the original owner of a trademark used in connection with confiscated assets — or his or her successor — the right to exclude the confiscating entity or its successor from using the mark or from asserting ownership in the mark. This is a significant right for the original owner. It may be true that a third party who is sued for infringement by the confiscating entity in the United States might be able to defend himself by saying that the confiscating entity cannot assert rights in a trademark that he does not own. But this is not unusual, and this is not “punitive”. The defendant in a trademark action can always defend himself by saying that the plaintiff does not own the trademark that is allegedly infringed. If the plaintiff does not own the trademark, he cannot maintain a suit for infringement, even against a third party. So, section 211 does not propose anything unusual in this respect.

46. In short, section 211 does not mandate the kinds of decisions that the EC speculates might result from section 211. The exact operation of section 211 will depend on the facts before the decision-maker, but the core issue to be addressed is the identity of the owner of the

trademark at issue. Further, even if the EC's speculations were accurate, they do not amount to a violation of TRIPs.

47. Before closing, I want to briefly address my fourth and final topic, which is the EC's analysis of the public international law and U.S. jurisprudence with respect to giving effect to foreign confiscations. I realize that the EC placed this topic first in its rebuttal brief, but I do not believe that, at this stage of the proceedings, a detailed discussion of this subject would help the Panel in reaching its findings. The real issue that the Panel has to consider is not how section 211 might be applied compared to U.S. jurisprudence, or whether special facts have influenced the outcome of various judicial determinations, as interesting as that topic might be. The Panel's task is to consider whether section 211 is inconsistent with TRIPs obligations, a subject that we have already addressed at length.

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

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

50. Third, the EC engages in some interesting legerdemain on a Member's right to regulate property on its territory. It even characterizes the United States as mixing up questions of ownership of trademarks in the United States and ownership of trademarks in Cuba. The position of the United States is clear: confiscating entities abroad may be able to assert ownership of assets in their own territory, but they cannot, by virtue of that confiscation, lay claim to assets in the United States.

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

results in the United States not being able to regulate the ownership of trademarks in its territory under TRIPs.

52. This concludes my oral statement this morning. Thank you very much for your attention. We will be happy to address any questions that you may have.