UNITED STATES–SECTION 211 OMNIBUS APPROPRIATIONS ACT OF 1998 (“HAVANA CLUB”)

I. Introduction

The European Communities and the United States appeal from certain issues of law and legal interpretations in the Panel Report, United States—Section 211 Omnibus Appropriations Act of 1998 (the “Panel Report”). The Panel was established on 26 September 2000 to consider a complaint by the European Communities with respect to Section 211 of the United States Omnibus Appropriations Act of 1998 (“Section 211”). The European Communities alleged that Section 211 is inconsistent with certain obligations of the United States under the Agreement on Trade-Related Aspects of Intellectual Property Rights (the “TRIPS Agreement”), as read with the relevant provisions of the Paris Convention for the Protection of Industrial Property, as amended by the Stockholm Act of 1967 (the “Paris Convention (1967)”), which are incorporated by reference into the TRIPS Agreement.

The complaint by the European Communities relates to Section 211, which was signed into law on 21 October 1998. Section 211 states as follows:

(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.

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. Section 211(d) states that the term "designated national" as used in Section 211 has the meaning given to that term in Section 515.305 of Title 31, Code of Federal Regulations ("CFR"), and that it includes "a national of any foreign country who is a successor-in-interest to a designated national." The term "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. Under these regulations, "designated national" is defined as Cuba, a national of Cuba or a specially designated national." Confiscated" is defined as nationalized or expropriated by the Cuban Government on or after 1 January 1959 without payment of adequate and effective compensation.

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 Department of the Treasury. Under United States law, all transactions involving property under United States jurisdiction, in which a Cuban national has an interest, require a licence from OFAC. [31 C.F.R. § 515.201]. OFAC has the authority to grant either of two categories of licences, namely general licences and specific licences. A general licence is a general authorization for certain types of transactions set out in OFAC regulations. Such a licence is, in effect, a standing authorization for the types of transactions that are specified in the CACR. A specific licence, by contrast, is one whose precise terms are not set out in the regulations, so that a person wishing to
engage in a transaction for which a general licence is not available must apply to OFAC for a specific licence.

Section 211 refers to Section 515.527 of Title 31 CFR. Prior to the entry into force of Section 211, a general licence was available under Section 515.527 for the registration and renewal of trademarks previously owned by Cuban nationals irrespective of whether such trademarks had been confiscated by the Cuban Government.

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 § 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.

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") stipulates substantive and procedural rights in trademarks as well as trade names and governs unfair competition.

[In the Panel Report circulated on August 6, 2001, the Panel ruled that trade names are not a category of intellectual property covered by the TRIPS Agreement, and accordingly limited its review to an examination of Section 211 as it relates to trademarks. The Panel rejected the European Communities’ challenge on all grounds except that it found that Section 211(a)(2) was inconsistent with Article 42 of TRIPS, and thus it recommended that the Dispute Settlement Body (DSB) request the United States to bring its measures into conformity with its obligations under the TRIPS Agreement. Both the European Communities and the United States filed an appeal.]

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

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.

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

Nationalsof 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.

The Stockholm Act of the Paris Convention, dated 14 July 1967, is but the
most recent version of that important international intellectual property
convention. 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.

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. The most recent did so in 1925—seventy-seven years
ago.

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.

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.

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. And . . . 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. 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 [Dispute Settlement
Understanding (DSU)].

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.

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.

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, so too, has the national treatment obligation long been a cornerstone of the world trading system that is served by the WTO.

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.

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.

We examine first the European Communities’ claims relating to the alleged discrimination among successors-in-interest under Sections 211(a)(2) and (b).

Before the Panel, the European Communities argued that Section 211(a)(2) applies only to Cuban nationals and to other foreign (that is, non-United States) successors-in-interest. The European Communities argued that this violates the

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national treatment obligation in Article 2(1) of the Paris Convention (1967) and Article 3.1 of the TRIPS Agreement because it imposes restrictions on Cubans and other foreign nationals that it does not impose on United States nationals.

In response to the claim by the European Communities that Section 211(a)(2) violates the national treatment obligation of the United States with respect to successors-in-interest, the Panel reasoned as follows:

Section 211(a)(2) provides that no US courts are to recognize, enforce or validate any rights by a "designated national" based on registration of trademarks obtained through a licence from OFAC. We note that the term "designated national" is defined in Section 211(d)(1) to include (1) Cuba, (2) any Cuban national, (3) "a specially designated national" or (4) "a national of any foreign country who is a successor-in-interest to a designated national." We consider that the term "designated national" must be read as a whole and cannot be segregated into two tiers. We note that "designated national" is defined to include "[a] national of any foreign country who is a successor-in-interest to a designated national" and does not include US nationals. Thus, it is plausible that while a foreign national who is a successor-in-interest to a designated national may not have its rights to the underlying mark recognized, enforced or validated, a US national who is a successor-in-interest to a designated national can have US courts recognize, enforce or validate rights in respect of the underlying mark that was registered pursuant to a specific licence granted by OFAC. Such differential treatment in respect of intellectual property right protection could be considered to provide a less favourable treatment to nationals of other Members as it denies effective equality of opportunities to non-US nationals in the United States.179 (emphasis added)

Thus, with respect to successors-in-interest, the Panel stated that Section 211(a)(2), in and of itself, "could be considered" to provide less favourable treatment to non-United States nationals than to United States nationals. Yet, the Panel refrained from making, at that stage, findings with respect 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 offset 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:

178. . . Like the Panel, we note that Section 211(d)(1) broadened the definition of "designated national" to include, in addition to Cuba and any Cuban national, nationals of any foreign country (that is, non-United States nationals) who are successors-in-interest to a designated national. . .

179For 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.
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.

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. . . . 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. . . . [But, based on the report of the panel in United States Measures Affecting the Importation, Internal Sale and Use of Tobacco ("US—Tobacco") (1994) and on the Report of the Appellate Body in United States—Anti-Dumping Act of 1916 ("US—1916 Act") (Appellate Body 2000)], the Panel concluded that, where discretionary authority is vested in the executive branch of a WTO Member, it cannot be assumed that that Member will exercise that authority in violation of its obligations under any of the covered agreements.

The Panel found, as a matter of fact, that OFAC has never granted a specific licence to allow any United States national to become a successor-in-interest to a "designated national". Further, the Panel found that the European Communities had not demonstrated that, in exercising its discretionary authority, OFAC had acted in a manner that was inconsistent with the national treatment obligation in Article 2(1) of the Paris Convention (1967) and Article 3.1 of the TRIPS Agreement.

In view of this, the Panel concluded that:

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).
The European Communities appeals these findings [and] 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.

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.

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). 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). 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).

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". In any event, the United States 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."

[The Appellate Body agreed with the Panel that the differential treatment of non-U.S. nationals could be considered less favorable treatment, and then turned to the Panel’s analysis of possible offsets.] 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.

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. Relying on these rulings, and interpreting them correctly, the Panel concluded that it 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.

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.

We note, as did the Panel, the report of the panel in [United States—Section 337 of the Tariff Act of 1930].\(^{188}\) 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." That panel stated further that:

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\text{[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. \text{
\text{Elements of less and more favourable treatment could thus only be offset against each other to the extent that they always would arise in the same cases and necessarily would have an offsetting influence on the other. (emphasis added)}}
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And that panel, importantly for our purposes, concluded that:

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\ldots \text{while the likelihood of having to defend imported products in two fora is small, the existence of the possibility is inherently less favourable than being faced with having to conduct a defence in only one of those fora.}
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\[188\] Panel Report, US—Section 337, [Panel Report Adopted 7 November 1989, BISD 368/345]. Central to that dispute was a situation where the proceedings that were applicable to imported products alleged to infringe United States patents were different in a number of respects from those applicable before a federal district court when a product of foreign origin was challenged on the grounds of patent infringement.
to assert its rights without the express consent of the original owner or its bona
fide successor-in-interest, the United States courts are required not to recognize,
embrace 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.

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.

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 confiscation that is recognized in "virtually every
jurisdiction". Thus, the United States argues that, in the unlikely 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.

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, presumable 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.

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.
For this reason, we reverse the Panel’s conclusion . . . 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)."

The European Communities also raised claims at the level of successors-in-interest against Section 211(b). 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 211(a)(2) and Section 211(b) is that the latter contains the additional term "its successor-in-interest" whereas the former just refers to "a designated national". Moreover, the term "its successor-in-interest" as set out in Section 211(b) is not limited to foreign nationals which means that it includes US nationals. This would mean that any transfer of trademarks used in connection with confiscated assets to any national, including US nationals, would be subject to Section 211(b). For these reasons, Section 211(b) does not accord a treatment less favourable to nationals of other Members than it accords to US nationals. (emphasis in original)

We agree with the Panel that Section 211(b) applies to successors-in-interest of any origin, including United States nationals and that, consequently, Section 211(b) does not accord less favourable treatment to non-United States nationals than to United States nationals.

Therefore, we uphold the Panel’s conclusion . . . that—at the level of successors-in-interest—Section 211(b) is not inconsistent 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.

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.

[On this, the Panel had found that neither Section (a)(2) nor (b) accorded a treatment less favourable to foreign original owners than it accords to original owners who are US nationals.]

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,
The 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 person is acting for or on behalf of the Cuban government. The term "specially designated national" is defined in Section 515.306 of 31 CFR...

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 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.

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.

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.

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". 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).

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200 The 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 person is acting for or on behalf of the Cuban government. The term "specially designated national" is defined in Section 515.306 of 31 CFR...
Thus, in our view, the European Communities is correct on this issue. Sections 211(a)(2) and (b) are discriminatory on their face.

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.

The United States attempts to rebut this argument by the European Communities by maintaining that Sections 211(a)(2) and (b) are not applicable to original owners, regardless of their nationality, because original owners are always in a position to consent expressly to their own assertion of rights under Sections 211(a)(2) and (b). Section 211(a)(2), when read together with Section 211(a)(1), and Section 211(b) do indeed provide an exception for designated nationals who have the express consent of "the original owner of the mark, trade name, or commercial name, or the bona fide successor-in-interest". However, the United States erroneously assumes in its argument on this issue that the Cuban original owner of the United States trademark is necessarily the same person as the original owner of the same or substantially similar Cuban trademark used in connection with a business or assets that were confiscated. This is by no means necessarily the case, as is demonstrated in the specific situation posed by the European Communities. In that situation, the Cuban national who holds the trademark rights in the United States would be unable to use its own consent to avoid the court's denial of any assertion of rights under Sections 211(a)(2) and (b) because it was not the original owner of the same or similar Cuban trademark.

The United States also argues in rebuttal that Section 211(a)(2) does not apply to Cuban nationals in the situation posed by the European Communities because Section 515.527 of the CACR was not in effect when the original owners in this situation obtained their trademark rights in the United States. We note that Section 211(a)(2) refers to the assertion of rights "based on common law rights or registration obtained under such section 515.527". Thus, it is clear from the text of Section 211(a)(2) that the reference to Section 515.527 relates to rights based on registration, and not to common law rights. Indeed, the United States conceded as much in response to our questions at the oral hearing. Thus, this argument may address the discrimination against Cuban nationals who are original owners of trademark rights in the United States based on registration. But it does not address the discrimination against Cuban nationals who are original owners of trademark rights in the United States based on common law.

For trademark rights based on registration, it is true that, in the situation posed by the European Communities, Section 515.527 of the CACR would not have been in effect when the Cuban original owner obtained its trademark rights in the United States, namely before the Cuban confiscation. However, we recall that Section 515.527 of the CACR applies not only to the registration, but
also to the renewal of registered trademarks. 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.

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". 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. We are, therefore, not persuaded by this argument.

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 "unblocked". According to the United States, as an "unblocked national".

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204 Section 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)

207 Section 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.

208 An "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
such a Cuban original owner would have the same status as a United States national. 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.

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. The third involves a Cuban original owner residing in Cuba.

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

A Cuban original owner residing in a country other than the United States or Cuba, for example, in the European Communities, could apply to OFAC to be "specifically licensed as [an] unblocked national[]." This is pursuant to Section 515.505(b) of the CACR, because the United States does not impose sanctions on the European Communities and, therefore, the European Communities would be considered part of the "authorized trade territory" described in Section 515.322 of the CACR.\footnote{See Panel Report, US—Section 337, supra, footnote [188], paras. 5.11-5.14.} This could eliminate less favourable treatment in practice. Yet, the very existence of the additional "hurdle" that is imposed by requiring application to OFAC is, in itself, inherently less favourable. Sections 211(a)(2) and (b) do not apply to United States original owners; no application to OFAC is required. But Cuban original owners residing in the "authorized trade territory" must apply to OFAC. Thus, such Cuban original owners must comply with an administrative requirement that does not apply to United States original owners.\footnote{Section 515.322 of 31 CFR provides:} By virtue alone of having to apply to OFAC, even Cuban original owners that reside in the "authorized trade territory" described in Section 515.332 are treated less favourably than United States original owners. So, in this second situation, the discrimination remains.

A Cuban original owner residing in Cuba is discriminated against as well. Cuba is not part of the "authorized trade territory" because it is subject to
sanctions administered by OFAC under the CACR. From our reading of the regulations, it seems to us that a Cuban national who resides in Cuba could not, under any circumstances, be "unblocked" under Sections 515.505(a) or (b) of Title 31 CFR. Nor has the United States suggested otherwise. Thus, in this third situation, the discrimination remains as well.

[The Appellate Body also rejected the United States' argument that Section 515.201 of the CACR offsets any discrimination implicit in Sections 211(a)(2) and (b). Section 515.201 of the CACR sets out a list of transactions with property in which a designated country has an interest that are prohibited, except as specifically authorized by the Secretary of the Treasury, and the United States argued (unsuccessfully) that these included dealings by U.S. nationals with trademarks covered by Section 211. Looking at the language of Section 515.201, the Appellate Body concluded that it would not in every case offset the discriminatory treatment imposed by Sections 211(a)(2) and (b).]

Thus, we conclude that Sections 211(a)(2) and (b) are inconsistent with the national treatment obligation of the United States under the Paris Convention (1967) and the TRIPS Agreement at the level of original owners. And, therefore, we reverse the Panel's findings . . .

X. Article 4 of the TRIPS Agreement

Like the national treatment obligation, the obligation to provide most-favoured-nation treatment has long been one of the cornerstones of the world trading system. For more than fifty years, the obligation to provide most-favoured-nation treatment in Article I of the GATT 1994 has been both central and essential to assuring the success of a global rules-based system for trade in goods. Unlike the national treatment principle, there is no provision in the Paris Convention (1967) that establishes a most-favoured-nation obligation with respect to rights in trademarks or other industrial property. However, the framers of the TRIPS Agreement decided to extend the most-favoured-nation obligation to the protection of intellectual property rights covered by that Agreement. As a cornerstone of the world trading system, the most-favoured-nation obligation must be accorded 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.

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.

. . . .
The European Communities claimed before the Panel that Sections 211(a)(2) and (b) are inconsistent with Article 4 of the TRIPS Agreement.

[The Panel had found that neither Section 211(a)(2) nor Section 211(b) denied Cuban nationals any advantage, favour, privilege or immunity that it accords to other foreign nationals, and thus neither section was inconsistent with Article 4 of the TRIPS Agreement. The European Communities appealed both of these findings of the Panel].

Before proceeding with our analysis, we find it necessary to address the scope of our examination of this issue. In the light of the claim raised by the European Communities, the Panel limited its examination and findings to the particular situation of Cuban confiscations. Neither the European Communities nor the United States has disputed this point on appeal. Therefore, we also restrict our analysis to that particular situation.

We note also that, with respect to the most-favoured-nation obligation, the European Communities has not presented arguments on appeal addressing the Panel's findings with respect to the level of successors-in-interest. Thus, we do not consider this to be before us on appeal, and, therefore, we will limit our discussion to the Panel's findings with respect to the alleged discrimination involving original owners.

The allegations submitted by the European Communities on most-favoured-nation treatment of original owners are similar to those described in the previous section on national treatment. As it did with respect to national treatment, the European Communities supports its claim under Article 4 of the TRIPS Agreement by focusing on a particular set of circumstances that exists under the statute, on its face, involving original owners.

Like the situation posed by the European Communities earlier, the one set forth in the most-favoured-nation treatment involves 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, signs or a 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 owner of that same or

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In para. 8.143, the Panel explained the parties' position on this issue as follows:

In response to the question as to whether Article 4 of the TRIPS Agreement allows a Member to have a certain policy applicable to confiscations of trademarks in one Member on the condition that all WTO Member nationals are treated similarly or whether Article 4 requires that a similar policy be applied to confiscations of trademarks in all other Members, the European Communities states that the most-favoured-nation treatment flowing from Article 4 attaches to persons and not to situations. The European Communities argues, therefore, that Article 4 requires that all nationals of other Members be treated similarly in respect of a certain event. In response to the same question, the United States submitted that because the European Communities is alleging a violation of the most-favoured-nation principle based on the first situation described by the Panel, there is no need to examine the question of whether Article 4 applies to the second situation.
similar trademark that was registered in Cuba. Those two original owners each now 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 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".

Pointing to this particular situation, the European Communities argues that, on the face of the statute, the original owner who is a Cuban national is subject to Sections 211(a)(2) and (b), and the original owner who is a non-Cuban foreign 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 most-favoured-nation obligation of the United States.

We agree with the European Communities that the situation it describes on appeal is within the scope of the statute on its face. As we explained earlier, the term "designated national" as defined in Section 515.305 of 31 CFR and Section 211(d)(1) includes non-Cuban foreign nationals only when they are successors-in-interest to Cuba or a Cuban national. Non-Cuban foreign nationals who are original owners are not covered by the definition of "designated national" and are thereby not subject to Sections 211(a)(2) and (b).

Therefore, here too, as with national treatment, the European Communities has established a prima facie case that Sections 211(a)(2) and (b) are discriminatory on their face, as between a Cuban national and a non-Cuban foreign national both of whom are original owners of United States trademarks composed of the same or substantially similar signs as a trademark used in connection with a business or assets that were confiscated in Cuba.

As it did in respect of the national treatment claim, the United States attempts to rebut the European Communities' most-favoured-nation claim with arguments intended to demonstrate that Sections 211(a)(2) and (b) do not apply to a Cuban national who is an original owner of a United States trademark. The United States arguments on this claim are the same as their arguments on national treatment. We have already addressed these arguments. And, as these United States arguments have not changed, our conclusions have not changed either. . . .

. . . .

We, therefore, reverse the Panel's findings . . . 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

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

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222The situation discussed here does not involve successors-in-interest.
Article 8 of the Paris Convention (1967) provides:

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

There is no question that trade names are covered by the Paris Convention (1967). The question before us is whether trade names are also covered by the TRIPS Agreement. On this, the Panel found:

*We conclude that the categories of intellectual property covered by the TRIPS Agreement are those referred to in Article 1.2. Article 8 of the Paris Convention (1967) is relevant as part of the TRIPS Agreement to the extent that it may affect the protection of the categories of intellectual property covered by the Agreement. As trade names are not a category of intellectual property covered by the TRIPS Agreement, Members do not have obligations under the TRIPS Agreement to provide protection to trade names.* (emphasis added)

As a consequence of this conclusion, the Panel limited its finding on the inconsistency of Section 211(a)(2) with Article 42 of the TRIPS Agreement to trademarks. Also as a consequence of this conclusion, the Panel found 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). However, we do not find a similarly clear limitation in the Panel's findings with respect to Articles 3.1 and 4 of the TRIPS Agreement.

The European Communities asks us to reverse the Panel's finding that trade names are not covered in the TRIPS Agreement. . . .

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.

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.

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. (emphasis added).

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". 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 of the TRIPS Agreement. The textual reading of Article 1.2 is that it establishes an inclusive definition and this is confirmed by the words "all categories"; the word "all" indicates that this is an exhaustive list.

Having thus determined provisionally that trade names are not covered in the TRIPS Agreement, the Panel then addressed the meaning to be given to Article 2.1 of the TRIPS Agreement, which provides as follows:

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).

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

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 "in 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.

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.

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.

To explain, we turn first to the Panel's interpretation of Article 1.2 of the TRIPS Agreement. . . .

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 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. 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.

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.

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.

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:

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.\textsuperscript{244}

\ldots

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.\textsuperscript{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.

For all these reasons, we reverse the Panel's finding \ldots 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.

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Findings and conclusions

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The Appellate Body \textit{recommends} that the DSB request the United States to bring its measure, found in this Report and in the Panel Report as modified by this Report to be inconsistent with the TRIPS Agreement, into conformity with its obligations under that Agreement.

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\textsuperscript{244}Appellate Body Report, US—Gasoline, (1996) [cit]. \ldots
\textsuperscript{247}See Article 3.2 of the DSU.
NOTES AND QUESTIONS

(1) **Reciprocity.** As Professor Reichman notes, in the few years before the conclusion of the TRIPS Agreement, several nations had enacted new rights that they claimed were not subject to the national treatment obligations of the Paris and Berne Conventions because the rights were of a kind not covered by those conventions. Instead, these countries, such as the United States with respect to semi-conductor chip protection, the United Kingdom as regards unregistered design protection, and the EU with respect to *sui generis* database protection, conditioned the protection of foreign authors, creators or designers on reciprocal protection being afforded their authors in the country from which the foreign national came. Why was there a flurry of reciprocity-based rights in the years preceding the conclusion of TRIPS? Are there advantages to conditioning new forms of intellectual property protection on reciprocal protection?

(2) **Section 211: National Treatment.** What are the doctrinal devices by which the Appellate Body assesses whether Section 211 is in compliance with Article 3 of TRIPS? National treatment might, in some respects, be described as an equal protection clause of international intellectual property law. See Graeme B. Dinwoodie, *The Development and Incorporation of International Norms in the Formation of Copyright Law*, 62 OHIO ST. L.J. 733, 738 (2001). To what standard of equality of treatment is the Appellate Body in Section 211 holding U.S. law? Formal equality? Substantive equality? Which is the most appropriate standard of equality by which to judge national compliance with international law? Would a U.S. law discriminating against its own (U.S.) nationals in the acquisition and enforcement of intellectual property rights violate Article 3 of TRIPS?

(3) **Section 211: MFN.** Part of the methodology employed by the Appellate Body in Section 211 (at the request of the European Union) was to evaluate how the provisions in question might differently impact two hypothetical trademark owners. Compare the hypothetical considered by the Appellate Body in its national treatment discussion and that considered during its MFN discussion. How are they different? Why are they different? To what extent, consistent with its MFN obligations under Article 4 of TRIPS, may the United States apply disabling provisions like Section 211 to trademarks confiscated by the Cuban government without doing so with respect to trademarks confiscated by other WTO countries in similar circumstances?

(4) **MFN in Intellectual Property Law.** What does the incorporation of MFN obligations, which previously had no place in intellectual property treaties, do to the dynamic of international intellectual property relations? What objectives are MFN obligations intended to achieve with respect to intellectual property law?

(5) **Remedial Amendment of U.S. Law?** As we will discuss more fully in Chapter 5, *infra*, the United States is now obliged to amend its law to comply with TRIPS or face sanctions or penalties for its failure to do so. What amendments to Section 211 or the related regulations (other than blanket repeal) would bring U.S. law into compliance with Articles 3-4 of TRIPS?
(6) **The Scope of TRIPS (I): The Meaning of “Intellectual Property.”** Determining the scope of the MFN and national treatment provisions of the TRIPS Agreement involves interpretation of the term “intellectual property” as defined in Article 1(2) of TRIPS. How broad an interpretation of the term “intellectual property” has the Appellate Body offered in Section 211? Has the Appellate Body read the term “as broadly defining certain modalities of protection,” to use Professor Reichman’s phrase? Might the analysis suggested by Professor Koumantos, supra § 1.02, be of assistance in giving meaning to the term “intellectual property”? If the term was interpreted consistent with the notion discussed by Professor Koumantos, would the EU be able to condition the *sui generis* database rights offered under its 1996 Database Directive on reciprocity? In its 1993 Term Directive, the EU conditioned the extended term of copyright protection (life of the author plus seventy years) for non-EU authors on reciprocity, citing the so-called rule of the shorter term in Article 7(8) of the Berne Convention. Why could it do this even after TRIPS?

(7) **The Scope of TRIPS (II): Incorporation of the Paris Convention in TRIPS.** What is the significance of the phrase “in respect of Parts II, III, and IV of this Agreement,” in Article 2(1) of the TRIPS Agreement? Cf. TRIPS Agreement art. 9(1) (requiring member countries to comply with certain provisions of the Berne Convention).

(8) **The Role of the Broader GATT Agreement and General International Economic Law.** The incorporation in the TRIPS Agreement of minimum standards for the protection of intellectual property was based in part upon the assertion that inadequate protection of intellectual property in some GATT member states had trade-distorting effects and there was a need for a level playing field. Some scholars have argued that provisions such as Article XX(d) of the GATT provide a broader context for TRIPS and, rejecting the notion of “fair trade” as a new standard of international economic law, have suggested that “national welfare” (particularly in developing countries) continues to be a ground for legitimate discrimination which states may invoke in interpreting specific WTO agreements, such as TRIPS. See Edward A. Laing, *Equal Access/Non-discrimination and Legitimate Discrimination in International Economic Law*, 14 Wis. INT’L L.J. 246 (1996).
Insert the following excerpt after Note 8 of the Notes and Questions on page 185 of the casebook:

UNITED STATES–SECTION 211 OMNIBUS APPROPRIATIONS ACT OF 1998 (“HAVANA CLUB”)


[The European Communities and the United States appealed from certain issues of law and legal interpretations in the Panel Report, United States—Section 211 Omnibus Appropriations Act of 1998 (the “Panel Report”). The text and explanation of the challenged measure, Section 211 of the United States Omnibus Appropriations Act of 1998 (“Section 211”), and the relevant Cuban Assets Control Regulations (the "CACR"), which are administered by the Office of Foreign Assets Control ("OFAC"), are set out in the excerpt supra § 2.06. In the Panel Report, the Panel, inter alia, rejected the European Communities’ challenge to Section 211(a)(1) under Article 2.1 of the TRIPS Agreement in conjunction with Article 6quinquies of the Paris Convention (1967).]

IV. Preliminary Matters

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B. The Nature of the Measure

[A] number of the legal issues raised in this appeal turn on the meaning or nature of Section 211. We begin our consideration of this pivotal issue by noting that Section 211(a)(1) provides:

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

Before the Panel, the United States submitted that Section 211 concerns ownership. The European Communities argued that it does not. The Panel concluded that “the language of Section 211(a)(1) indicates that it is a measure that deals with ownership of trademarks used in connection with confiscated assets.” (emphasis added) The Panel concluded also that Section 211(a)(1)
“regulates ownership”. The Panel explained these conclusions as follows:

The language of Section 211(a)(1) addresses the rights of a person registering a trademark to assert an ownership interest in the trademark concerned. Section 211(a)(1), together with OFAC regulations, creates an additional procedural step that relates to the registration of a trademark or the renewal of a trademark registration in the United States, namely the requirement that an applicant obtain a licence—a general or a specific licence—in order to be able to pay the registration or renewal fee. In the absence of such a licence, the applicant is not able to pay the required fee and this, in turn, results in the rejection of the application. As a part of this procedure, the US authorities examine, in the case where the trademark in question is one that was used in connection with confiscated assets, whether the applicant is the proper owner of that trademark in accordance with US law or has the consent of the original owner or the latter’s successor-in-interest. If a trademark was used in connection with confiscated assets, the failure to obtain the required consent or to meet the condition of being the proper owner as defined under US law has the practical effect of denying trademark registration. However, if the applicant is the original owner under US law or has the consent of such original owner or its bona fide successor-in-interest, the licence will be granted and, hence, the trademark will be registered or the registration will be renewed. (emphasis added).

Relying on this view of Section 211(a)(1), the Panel found:

We find that 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. (emphasis added)

On appeal, the participants continue to disagree about the nature of Section 211. Unlike the Panel, the European Communities does not see Section 211 as a measure that “deals with” or “regulates” ownership. Rather, the European Communities maintains that the purpose of Section 211 “consists in curtailing the enjoyment and existence of certain trademarks and trade names in the hands of certain categories of rightholders.” The European Communities explains that the Panel assumed erroneously that Section 211(a)(1) “has as its function to allocate ownership to a litigious trademark” (emphasis added) because, as the Panel itself observed, Section 211(a)(1), together with the OFAC regulations, merely “creates an additional procedural step that relates to the registration of a trademark or the renewal of a trademark registration in the
United States”. (emphasis added) On 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.

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. The United States contends that Section 211 is an expression of the longstanding doctrine 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. The United States asserts that whether Section 211 affirmatively attributes ownership of the trademark to someone else is irrelevant. 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.

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."

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.

Therefore, we agree instead with the United States that the mere fact that Section 211(a)(1) does not affirmatively establish ownership 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.

[The Appellate Body also found support for this interpretation in the text of Section 211, which contained a phrase that specifically referred 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.” This “consent requirement” is found expressly in subsections (a)(1) and (b), and the Appellate Body found the requirement implied in subsection (a)(2) by virtue of the term ‘such’ in the phrase “such a
confiscated mark, trade name, or commercial name.” Accordingly, it concluded that “the consent requirement is present alike in each of Sections 211(a)(1), 211(a)(2) and 211(b), and, as a consequence, so too is the element of the measure that ‘deals with’ and ‘regulates’ ownership’."

Accordingly, we will address each of the legal issues raised in this appeal with the understanding that the measure before us, in the particular circumstances in which it applies, is, in its nature, one that relates to the ownership of a defined category of trademarks and trade names.

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

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)

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. 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.

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.

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.

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.

The Panel found:
The ordinary meaning of the term "as is" and read in its context and as confirmed by the negotiating history indicates that Article 6quinquies A(1) addresses the form of the trademark; that is, those trademarks duly registered in one country, even when they do not comply with the provisions of domestic law of a Member concerning the permissible form of trademarks, have nevertheless to be accepted for filing and protection in another country. Therefore, we do not agree with the EC's assertion that the Member in which registration is sought does not have any right to question the existence of a trademark in the hands of an owner as defined by the laws of the country of origin. However, as we noted above in our examination of Section 211(a)(1) in relation to Article 15.1 of the TRIPS Agreement, Section 211(a)(1) is a measure that regulates ownership and does not deal with the form of the signs of which the trademark is composed. For these reasons, Section 211(a)(1) is not inconsistent with Article 6quinquies A(1) of the Paris Convention (1967). (footnote omitted)

We conclude that Article 6quinquies A(1) addresses the form of the trademark and therefore find that Section 211(a)(1) is not inconsistent with Article 6quinquies A(1) of the Paris Convention (1967) as incorporated into the TRIPS Agreement by means of a reference in its Article 2.1.

The European Communities appeals this finding and argues on appeal, as before the Panel, that Article 6quinquies A(1) requires that a trademark duly registered in a country of origin that is a country of the Paris Union must be accepted for registration and protected "as is" in every respect in other countries of the Paris Union, subject only to the specific exceptions set forth in that Article. Thus, the European Communities sees Article 6quinquies A(1) as applying to more than merely the form of a trademark. According to the European Communities, Section 211(a)(1) violates Article 6quinquies A(1) because it does not permit the filing and protection of the trademark "as is". Rather, it prevents the owner of a trademark registered in another country from acquiring or maintaining a trademark registration in the United States by preventing the payment of the required fees necessary for registration and renewal in the United States, unless the original owner or the bona fide successor-in-interest has expressly consented.

The United States views Article 6quinquies A(1) differently and, thus, the United States views its obligation under Article 6quinquies A(1) as it relates to Section 211(a)(1) differently as well. The United States agrees with the Panel that the obligation in Article 6quinquies A(1) to register a foreign trademark "as is" concerns only the form of the trademark. Given this, the United States concludes that Section 211(a)(1) is not inconsistent with Article 6quinquies A(1) because Section 211(a)(1) does not address the form of the trademark. As the United States sees it, nothing in Article 6quinquies 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 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 6ter. 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).

Before examining the text of Article 6quinquies, 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 6quinquies of that same Convention.

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.

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. And, likewise, through incorporation, this is also now the general rule for all WTO Members under the TRIPS Agreement.

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 origin in order to register that trademark in another country of the Paris Union. [Art. 6(2) of the Paris Convention]. However, that applicant must comply with the conditions of that other country where registration is sought.

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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 6ter. 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).

73Article 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)
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 6quinquies A(1) provides an alternative way of obtaining protection of that trademark in other countries of the Paris Union.

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 6quinquies 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 6quinquies A(2). Article 6quinquies D confirms that the recognition of a trademark in another country of the Paris Union under Article 6quinquies is dependent on registration in the country of origin. 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 6quinquies A(1), assuming that these two prerequisites have been met.

By virtue of Article 6quinquies 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 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 6quinquies A(1).

The participants to this dispute disagree on the scope of the requirement imposed by Article 6quinquies 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 6quinquies A(1), we see that the words "as is" (or, in French, "telle quelle") relate to the trademark to be "accepted for filing and protected" in another country based on registration in the applicant's country of origin. The ordinary meaning of the words "as is" is "in the existing state". The French term "telle quelle" can be defined as "sans arrangement, sans modification." This suggests to us that the requirement of Article 6quinquies A(1) to accept for filing and protect a trademark duly registered in the applicant's country of

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Footnotes:

75. Article 6quinquies 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.

77. Article 29(1)(c) of the Paris Convention (1967) provides: “In case of differences of opinion on the interpretation of the various texts, the French text shall prevail.”


origin relates at least to the form of the trademark as registered in the applicant’s country of origin.\footnote{The participants agree that the requirement of Article 6\textit{quinquies} A(1) at the very least relates to the form of the trademark, but they disagree on what else beyond form, if anything at all, that requirement includes.} The question before us is whether the scope of this requirement also encompasses other features and aspects of that trademark as registered in the country of origin.

According to one expert:

\ldots whenever a trademark is duly registered in the country of origin, the other countries of the Union are obliged to accept and protect it, even if, as regards its form, that is, with regard to the signs of which it is composed, such trademark does not comply with the requirements of the domestic legislation, subject to the additional rules, particularly the grounds for refusal or invalidation of any mark, considered on its individual merits, established in the Article. This rule will therefore apply to trademarks consisting of numbers, letters, surnames, geographical names, words written or not written in a certain language or script, and other signs of which the trademark is composed.\footnote{See Bodenhausen, G.H.C, Guide to the Application of the Paris Convention for the Protection of Industrial Property as revised at Stockholm in 1967, (hereinafter “Guide to the Paris Convention”), United International Bureaux for the Protection of Intellectual Property, (1968, reprinted 1991), pp. 110-111.} (italics and footnotes omitted)

However, this view is not determinative of the question before us. To resolve this question, we look to the context of Article 6\textit{quinquies} A(1). We find that there is considerable contextual support for the view that the requirement to register a trademark "as is" under Article 6\textit{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 \textit{conditions} for filing and registration of trademarks by their domestic legislation.\footnote{We note that prior to the Revision Conference of Lisbon (1958), the requirements now found in Articles 6 and 6\textit{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.} 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).\footnote{See supra, footnote 72.} Clearly, if Article 6\textit{quinquies} A(1) were interpreted too broadly, the legislative discretion reserved for Members under Article 6(1) would be significantly undermined.

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\textit{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 6quinquies 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 6quinquies 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 6quinquies 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 6quinquies, depending on which conditions for filing and registration were viewed by the applicant as more favourable to the applicant’s interests. 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 6quinquies) 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 country could circumvent the "use" requirements of a particular regime by registering in the jurisdiction that does not impose "use" requirements.

We are persuaded that the drafters of the Paris Convention did not intend such a result. If, even today, WTO Members have—as the European Communities concedes—reserved the right under the TRIPS Agreement to maintain domestic regimes of trademark ownership based on use, then it does not seem credible to us to contend—as the European Communities does—that many of those very same countries intended more than a century ago, in concluding the Paris Convention, or on the occasion of one of the subsequent Revision Conferences of the Paris Convention, to establish a global system for determining trademark ownership that could circumvent, and thereby undermine, a domestic regime of trademark ownership based on use.

We note that Article 6quinquies B provides that registration of a trademark covered by this Article may be neither denied nor invalidated, except for the reasons listed in subparagraphs B(1) through (3). These exceptions refer, inter alia, to acquired rights of third parties; to distinctiveness of character; and to morality, public order ("ordre public") and deceptiveness.

The European Communities maintains that these exceptions contemplated by Article 6quinquies B(1) through (3) refer to various elements going well beyond the form of a trademark. The European Communities argues that this gives

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84 As 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.
contextual support to the European Communities’ notion that the obligation of a Paris Union country, under Article 6quinquies A(1), to accept a trademark duly registered in the applicant’s country of origin "as is" includes matters going beyond form. In contrast, the United States contends that these exceptions relate only to the form of the trademark.

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 6quinquies B. The form of a trademark may be devoid of distinctive character within the meaning of paragraph 2 of that Article. Equally, the *form* of a trademark may be contrary to morality or public order, or of such a nature as to deceive the public, within the meaning of paragraph 3 of Article 6quinquies B. Therefore, in our view, if the requirements of Article 6quinquies A(1) are interpreted as covering only the *form* of a trademark, all the exceptions in Article 6quinquies B(1) through (3) can be given full meaning and effect.

Finally, we look to an agreed interpretation adopted at the conclusion of the original Paris Convention in 1883. The Final Protocol of the Paris Convention (1883) was considered to form an integral part of that Convention. Paragraph 4 of that Final Protocol in 1883 explained that the provision, which later became Article 6quinquies A(1):

. . . . should be understood in the sense that no trademark may be excluded from protection in one of the States of the Union for the sole reason that it does not comply, with regard to the signs of which it is composed, with the conditions of the laws of that State, provided it complies on this point with the laws of the country of origin and that it has been properly filed there. Subject to this exception, *which only concerns the form of the mark*, and subject to the provision of the other Articles of the Convention, *each State shall apply its domestic law.*

(emphasis added)

As the European Communities has observed, this agreed interpretation was omitted at the Washington Revision Conference of 1911. Yet, like the Panel, we note that no delegation to that conference expressed the view at that time that this omission should change the meaning of the provision. Indeed, as one WIPO publication states, "it is generally believed that such omission did not alter the intended sense of 'telle quelle' as it was made explicit in 1883." On this, we simply observe that our interpretation of Article 6quinquies A(1) is not inconsistent with this interpretation.

We have already stated that we agree with the Panel that Section 211(a)(1) is a measure dealing, in the particular circumstances in which it applies, with the ownership of a defined category of trademarks. We also agree that the obligation of countries of the Paris Union under Article 6quinquies A(1) to
accept for filing and protect a trademark duly registered in the country of origin "as is" does not encompass matters related to ownership.

For these reasons, we uphold the finding of the Panel . . . 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).

[The Appellate Body did, however, find Section 211 inconsistent both with the national treatment obligation of the United States under the Paris Convention (1967) and the TRIPS Agreement and with the MFN provision contained in Article 4 of TRIPS. See supra § 2.06.]
**Notes and Questions**

(1) **National Regulation of Trademark Ownership.** The Appellate Body’s analysis, as regards claims made by the European Union both under Article 6\textit{quinquies} of the Paris Convention and (as we will see below) under Articles 15-16 of the TRIPS Agreement, turned in large part upon the nature of Section 211. For what reason was it important to the Appellate Body’s analysis whether Section 211 could be characterized as relating to ownership? Which provision of the Paris Convention addresses the question of trademark ownership? Is the distinction between a rule regulating ownership of a trademark, on the one hand, and a rule regulating the existence or enjoyment of a trademark, on the other hand, capable of dividing matters left to national regulation from matters subject to more intrusive international scrutiny? (Is that an overstatement of what the distinction does?). Would a statutory provision declaring that a certain class of marks were to be “owned by the public” be a provision allocating ownership? Would it matter how that class was defined? Why should there be greater latitude for divergent national rules regarding ownership of trademarks?

(2) **Article 6\textit{quinquies} and The Independence of Rights.** Under the reading of Article 6\textit{quinquies} tendered by the European Union, what requirements could one WTO member country impose on the application for registration of a trademark duly registered in its Paris-member country of origin? Under the United States’ reading?

(3) **The “Form” of the Trademark.** If the obligation to register another trademark \textit{telle quelle} relates only to the “form” of the trademark, then the question of what matters relate to form becomes central. How does the Appellate Body define what is a matter of form? Is the Appellate Body’s interpretation consistent with the approach of the Board in \textit{Crocker Bank}? Are the exceptions to the \textit{telle quelle} obligation listed in Article 6\textit{quinquies}B(1)-(3) helpful in establishing the parameters of “form” (and, hence, of the \textit{telle quelle} obligation)?
UNITED STATES–SECTION 211 OMNIBUS APPROPRIATIONS ACT OF 1998 (“HAVANA CLUB”)

[The European Communities and the United States appealed from certain issues of law and legal interpretations in the Panel Report, United States—Section 211 Omnibus Appropriations Act of 1998 (the “Panel Report”). The text and explanation of the challenged measure, Section 211 of the United States Omnibus Appropriations Act of 1998 (“Section 211”), and the relevant Cuban Assets Control Regulations (the "CACR"), which are administered by the Office of Foreign Assets Control ("OFAC"), are set out in the excerpt supra § 2.06. In the Panel Report, the Panel, inter alia, rejected the European Communities’ challenge to Section 211 under Articles 15 and 16 of the TRIPS Agreement. In part, this finding flowed from the Panel’s conclusion that Section 211, in the particular circumstances in which it applies, is, in its nature, a provision that relates to the ownership of a defined category of trademarks and trade names. The Appellate Body agreed with this characterization of the nature of Section 211. See excerpt supra § 3.01[F][4].]

VI. Article 15 of the TRIPS Agreement

Article 15.1 of the TRIPS Agreement defines "protectable subject matter" eligible for registration as trademarks. Before the Panel, the European Communities claimed that Section 211(a)(1) is inconsistent with Article 15.1 because Section 211(a)(1) prohibits registration of trademarks that are "protectable". In contrast, the United States contended that Section 211(a)(1) does not concern "protectable subject matter" and thus does not violate Article 15.1. In the alternative, the United States submitted that, even if Section 211(a)(1) did concern "protectable subject matter", there is no violation of Article 15.1 because Section 211(a)(1) falls within the exception in Article 15.2, which permits denial of registration on "other grounds" provided they do not derogate from the provisions of the Paris Convention (1967). The European Communities argued in turn that Article 15.2 would apply only if Section 211(a)(1) fell within an exception "expressly foreseen" under the Paris Convention (1967). In the view of the European Communities, Section 211(a)(1) does not do so and, therefore, violates Article 15.1.

The Panel found that:

. . . . 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.

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.

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.

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)

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 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. To us, the title of Article 15.1—"Protectable Subject Matter"—indicates that Article 15.1 embodies a definition of what can constitute a trademark. WTO Members are obliged under Article 15.1 to ensure that those signs or combinations of signs that meet the distinctiveness criteria set forth in
Article 15.1—and are, thus, capable of constituting a trademark—are eligible for registration as trademarks within their domestic legislation.

Thus, in our view, the European Communities sees an obligation in Article 15.1 that is not there. Identifying certain signs that are capable of registration and imposing on WTO Members an obligation to make those signs eligible for registration in their domestic legislation is not the same as imposing on those Members an obligation to register automatically each and every sign or combination of signs that are capable of and eligible for registration under Article 15.1. This Article describes which trademarks are "capable of" registration. It does not say that all trademarks that are capable of registration "shall be registered". This Article states that such signs or combinations of signs "shall be eligible for registration" as trademarks. It does not say that they "shall be registered". To us, these are distinctions with a difference. And, as we have said, supporting these distinctions is the fact that the title of this Article speaks of subject matter as "protectable", and not of subject matter "to be protected". In this way, the title of Article 15 expresses the notion that the subject matter covered by the provision is subject matter that qualifies for, but is not necessarily entitled to, protection.

It follows that the wording of Article 15.1 allows WTO Members to set forth in their domestic legislation conditions for the registration of trademarks that do not address the definition of either "protectable subject matter" or of what constitutes a trademark.

This interpretation is supported by the context of Article 15.1. We look first to Article 15.2 of the TRIPS Agreement, which provides:

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

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. . . .

[Moreover], 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.

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.
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".103 Such an interpretation of Article 15.1 would reduce Article 15.4 to redundancy and inutility.

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

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.

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. 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.

[A]rticle 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.105 If Article 15.1 required the registration of any and every sign or combination of signs that

\[^{103}\text{Article 7 of the Paris Convention (1967) provides for a similar obligation, which is limited, however, to the nature of goods. Article 7 states:} \]

\[\text{The nature of the goods to which a trademark is to be applied shall in no case form an obstacle to the registration of the mark.}\]

\[^{105}\text{The reservation of legislative discretion to Paris Union countries that are also WTO Members is limited by commonly agreed grounds for denying trademark registration (for example, Article 6ter), commonly agreed grounds for not denying trademark registration (for example Article 6(2)) and subject to, inter alia, the national treatment obligation under the Paris Convention (1967), as well as other relevant provisions of the TRIPS Agreement. See supra, footnote 72 [excerpted supra \$ 3.01[F][4]].}\]
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.

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. . . . 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.
Therefore, Section 211(a)(1) does not in any way concern those issues that are
addressed by Article 15.1, such as the inherent distinctiveness of signs,
distinctiveness acquired through use and visual perceptibility. Section 211(a)(1)
does not in any way prevent or preclude the registration of signs or
combinations of signs that meet the requirements of Article 15.1, so long as the
application for registration as a trademark is not made by a person who is not
the legitimate owner of the sign or combination of signs according to United
States law. Therefore, Section 211(a)(1) is not inconsistent with the
requirements of Article 15.1 concerning "protectable subject matter".

As far as we are concerned, this conclusion is dispositive of the European
Communities' challenge to Section 211(a)(1) under Article 15. However, the
European Communities also appeals a legal interpretation, within the meaning
of Article 17.6 of the DSU, developed by the Panel in respect of Article 15.2. So
we look next at Article 15.2.

The Panel found:

Article 15.2 states that Members are not prevented from denying
registration of trademarks on "other grounds" so long as such grounds
do not "derogate" from the provisions of the Paris Convention (1967).
Thus, if a measure comes within the scope of "other grounds", a
Member may deny trademark registration to signs that meet the
requirements of Article 15.1. It is in this context that we assess the
consistency of Section 211(a)(1) with Article 15.1 of the TRIPS
Agreement.

In addition to arguing that Section 211(a)(1) violates Article 15.1, the
European Communities submits that Section 211(a)(1) could not in any event
be justified on the "other grounds" contemplated by the exception found in
Article 15.2 because, as the European Communities sees it, under Article 15.2,"only those exceptions which are expressly foreseen in the Paris Convention are
The European Communities argues that none of the exceptions contained in the TRIPS Agreement, nor any of the exceptions provided for in the Paris Convention (1967), expressly permit the requirement in Section 211(a)(1) that consent must be obtained from the original owner or its bona fide successor-in-interest before registration will be allowed under United States law.

The United States argues, in reply, that, even if Section 211(a)(1) were in violation of Article 15.1, the denial of registration on the ground that the applicant is not the true owner would nevertheless be justified under Article 15.2. The United States sees nothing in Article 15.2 that requires that such "other grounds" be "expressly provided" in the Paris Convention (1967). Instead, the United States contends that it is sufficient that the Paris Convention (1967) not forbid such "other grounds".

The specific reference to Article 15.1 in Article 15.2 makes it clear that the "other grounds" for denial of registration to which Article 15.2 refers are different from those mentioned in Article 15.1. Given this, the key phrase relating to the issue before us is the limitation found in the final phrase of Article 15.2, which requires that those grounds "do not derogate from the provisions of the Paris Convention (1967)."

As always, we consider first the ordinary meaning of the treaty text. The ordinary meaning of "derogate" is "to detract from" or "to take away [] so as to lessen or impair". With this meaning in mind, we consider the circumstances in which grounds for the denial of trademark registration determined by a Member in its domestic legislation may "derogate from" the Paris Convention (1967).

The participants do not dispute that "other grounds" that are expressly provided for in the exceptions contained in the Paris Convention (1967) do not derogate from that Convention, within the meaning of Article 15.2 of the TRIPS Agreement. The participants agree, for example, that the exceptions stated in Article 6quinquies 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).

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

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106 The European Communities refers to, inter alia, Article 6(2), Article 6ter, Article 6quinquies B(1) through (3), C, D and E, and Article 10bis. . . .


109 The 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).
grounds other than those expressly provided for in the TRIPS Agreement and the Paris Convention (1967).

In this respect, we recall . . . 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).\textsuperscript{110}

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

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.

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 . . .

VII. Article 16 of the TRIPS Agreement

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. The United

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

\textsuperscript{111}For 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.

\textsuperscript{112}See supra, footnote 72 [excerpted supra § 3.01[F][4]].
States contended that Sections 211(a)(2) and (b) do not violate Article 16.1 because only those persons who are not owners of a trademark under United States law are denied rights under Sections 211(a)(2) and (b).

[The Panel concluded that the European Communities had not proved that either Section 211(a)(2) or Section 211(b) was inconsistent with Article 16.1 of the TRIPS Agreement.] 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." 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."

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". 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.

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. 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. The United States stresses that such a system of making trademark rights available "on the basis of use" is specifically permitted under the last sentence of Article 16.1.

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.
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.\(^{122}\)

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. 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.

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 exist under the laws of different Members, and we agree. However, the TRIPS Agreement does not establish or prescribe a regime of ownership of trademarks.

In the absence of any explicit provisions defining ownership in the TRIPS Agreement, it is useful to look also at whether the TRIPS Agreement—including the Articles of the Paris Convention (1967) incorporated into it—contains an implicit definition of ownership. Turning first to the Paris Convention (1967), we see that, in response to a request for information by the Panel [pursuant to Article 13 of the DSU], the Director-General of the International Bureau of the World Intellectual Property Organization ("WIPO") stated that "no provision [of the Paris Convention (1967)] addresses the question how the owner of a trademark has to be determined under the domestic law of States party to the Paris Convention."\(^{127}\) The Panel did not discuss this. However, the Panel seems to have taken the view that the definition of the conditions of ownership has

\(^{122}\)We note that, prior to the entry into force of the TRIPS Agreement, only Article 10bis(3) of the Paris Convention (1967) provided for a prohibition of "all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities of a competitor." See, Gervais, D., The TRIPS Agreement—Drafting History and Analysis, Sweet & Maxwell, London (1998), pp. 109-110.


\(^{127}\)The letter from the Director-General of the International Bureau of WIPO, dated 2 March 2001, states:

Even though some provisions of the Paris Convention refer to the concept of trademark ownership (Article 5C(2) and (3), and Article 6septies: "proprietor", Article 6ter(1)(c): "owner", Article 6bis(1) "being already the mark of a person entitled to the benefits of this Convention"), no provision addresses the question how the owner of a trademark has to be determined under the domestic law of States party to the Paris Convention. (emphasis added). . . .
been left to the legislative discretion of individual countries of the Paris Union by Article 6(1) of the Paris Convention (1967). We agree.

The European Communities suggests that there are several direct or indirect references to ownership in the TRIPS Agreement that give guidance to WTO Members on how to determine ownership. Specifically, the European Communities points to Articles 15.1, 16.1 and 19.1 as giving such guidance.

[The panel was unpersuaded and thus rejected the argument 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.]

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.

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

The Panel stated that:

[Under 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.

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.

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. We disagree with the apparent equation by the European Communities of trademark registration with trademark ownership. 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. . . . 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
Indeed, . . . 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. But, while we 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.

As we have concluded earlier, Section 211(a)(2) is related to ownership of a defined category of trademarks. 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.

[Listing the same reasons, the Appellate Body also concluded 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.”]

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

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

Article 8 of the Paris Convention (1967) provides:

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

There is no question that trade names are covered by the Paris Convention (1967). The question before us is whether trade names are also covered by the TRIPS Agreement. On this, the Panel found that [as “trade names are not a category of intellectual property covered by the TRIPS Agreement, Members do not have obligations under the TRIPS Agreement to provide protection to trade names.”]

As a consequence of this conclusion, the Panel limited its finding on the inconsistency of Section 211(a)(2) with Article 42 of the TRIPS Agreement to
trademarks. Also as a consequence of this conclusion, the Panel found 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). However, we do not find a similarly clear limitation in the Panel's findings with respect to Articles 3.1 and 4 of the TRIPS Agreement.

The European Communities asks us to reverse the Panel's finding that trade names are not covered in the TRIPS Agreement.

[The Appellate Body reversed the Panel's finding that trade names are not covered under the TRIPS Agreement and found that WTO Members do have an obligation under the TRIPS Agreement to provide protection to trade names. See excerpt supra § 3.06. Having reversed the Panel's finding, the Appellate Body completed 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.]

The Panel inquired specifically into the protection of trade names under United States law. The United States gave the following response regarding trade name protection to a question posed by the Panel, suggesting that trade name protection is identical to that afforded common law trademarks:

Section 43 of the Trademark Act, 15 U.S.C. 1125, provides the legal basis for pursuing unfair competition claims with respect to trademarks, trade names and commercial names. The owner of any of these types of property may assert rights as a plaintiff.

A "trade name" and a "commercial name" (hereinafter collectively "trade name") are synonymous under the Lanham Act and are defined as "any name used by a person to identify his or her business or vocation". See Sec. 45 of the Lanham Act (Definitions). Trade names are not entitled to federal registration under the Lanham Act. Trade names are protectable under the common law, upon a showing of secondary meaning. A party claiming a trade name infringement may bring a suit in state court or initiate a federal suit under §43(a) of the Lanham Act, 13 U.S.C. §1125(a), in the same manner as a party claiming common-law-rights in an unregistered trademark. No presumptions of validity or ownership are accorded to a trade-name or common law trademark owner. (emphasis added)

Regarding the protection afforded trade names under Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention (1967), the position of the United States before the Panel was as follows:
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.

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". (footnote and underlining omitted)

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 those given trademarks. Therefore, for reasons asserted throughout this submission with respect to trademarks, sections 211(a)(2) and 211(b) are not inconsistent with Article 8 of the Paris Convention.

We note further that, in its request pursuant to Article 15 of the DSU for interim review of certain aspects of the Panel Report, the United States argued that "the analysis of the [European Communities'] claims with request [sic] to trade names would not differ from that relating to trademarks." This argument by the United States was quoted in this appeal by the European Communities without objection by the United States.

[The Appellate Body found that, with respect to the challenges to Section 211(a)(2) and Section 211(b) under Article 2(1) of the TRIPS Agreement in conjunction with Article 2(1) of the Paris Convention and Article 3.1 of the TRIPS Agreement, and with Article 4 of the TRIPS Agreement, see excerpt]
supra § 3.06, and with Article 42 of the TRIPS Agreement, see excerpt infra § 5.03, the conclusions it reached with respect to trademarks applied also to trade names, for the same reasons.]

We recall further our conclusion above [in connection with] 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 ownership, 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).

Concluding Remarks

We wish to emphasize that this ruling is not a judgment on confiscation as that term is defined in Section 211. The validity of the expropriation of intellectual or any other property rights without compensation by a WTO Member within its own territory is not before us. Nor do we express any view, nor are we required to express any view in this appeal, on whether a Member of the WTO should, or should not, recognize in its own territory trademarks, trade names, or any other rights relating to any intellectual or other property rights that may have been expropriated or otherwise confiscated in other territories.

However, where a WTO Member chooses not to recognize intellectual property rights in its own territory relating to a confiscation of rights in another territory, a measure resulting from and implementing that choice must, if it affects other WTO Members, comply with the TRIPS Agreement, by which all WTO Members are voluntarily bound. In such a measure, that WTO Member must accord "no less favourable treatment" to the nationals of all other WTO Members than it accords to its own nationals, and must grant to the nationals of all other WTO Members "any advantage, favour, privilege or immunity" granted to any other WTO Member. In such a measure, a WTO Member may not discriminate in a way that does not respect the obligations of national treatment and most-favoured-nation treatment that are fundamental to the TRIPS Agreement. [The Appellate Body found Section 211 inconsistent both with the national treatment obligation of the United States under the Paris Convention (1967) and the TRIPS Agreement and with the MFN provision contained in Article 4 of TRIPS. See supra § 2.06.]
NOTES AND QUESTIONS

(1) **Relevance of Ownership Characterization to TRIPS.** Why was the characterization of Section 211 as relating to ownership, *see supra § __*, relevant to the Appellate Body’s interpretation of Articles 15-16 of the TRIPS Agreement?

(2) **Article 15(1).** The Appellate Body reads Article 15(1) quite narrowly. What obligations does Article 15(1) impose upon WTO member countries? Does it expand the obligations found in the Paris Convention? Could a member country treat a class of marks as ineligible for protection? Does it depend upon how that class is defined?

(3) **Article 15(2): TRIPS and Paris.** Notice that the Appellate Body rejects the argument (offered by the EU) that Article 15(2) permits only those exceptions to registration expressly foreseen in the Paris Convention (1967). The Appellate Body reached its conclusion in large part through a parsing of the language of Article 15(2). What are the broader policy arguments in favor of, or in opposition to, the EU’s argument regarding Article 15(2)? In what ways is the Paris Convention relevant to the interpretation of TRIPS?

(4) **Article 8 of the Paris Convention.** What is the meaning of Article 8 of the Paris Convention? What obligations does it impose upon WTO member countries? Why is the ownership-allocating characterization of Section 211 relevant to Article 8?
Insert in Note (1) on page 247.

In June 2002, the Court of Justice handed down its judgment in Philips and the case was remanded to the U.K. courts. The court’s judgments leaves plenty of issues open for the U.K. courts to consider. Several propositions are, however, clear. First, the Court declined to require that “the shape of the article in respect of which the sign is registered must include some capricious addition.” Instead, the Court emphasized that “the criteria for assessing the distinctive character of three dimensional trademarks . . . are no different from those to be applied to other category of marks.” On the functionality question, the Court held that “where the essential functional characteristics of the shape of a product are attributable solely to the technical result, Article 3(1)(e) second indent, precludes registration of a sign consisting of that shape, even if that technical result can be achieved by other shapes.” Cf. TrafFix Devices, Inc. v. Marketing Displays, Inc., 121 S. Ct. 1255 (2001).
DECLARATION ON THE TRIPS AGREEMENT AND PUBLIC HEALTH
Adopted on 14 November 2001, WT/MIN(01)/DEC/2 (Nov. 20, 2001)

1. We recognize the gravity of the public health problems afflicting many developing and least-developed countries, especially those resulting from HIV/AIDS, tuberculosis, malaria and other epidemics.

2. We stress the need for the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) to be part of the wider national and international action to address these problems.

3. We recognize that intellectual property protection is important for the development of new medicines. We also recognize the concerns about its effects on prices.

4. We agree that the TRIPS Agreement does not and should not prevent members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO members' right to protect public health and, in particular, to promote access to medicines for all. In this connection, we reaffirm the right of WTO members to use, to the full, the provisions in the TRIPS Agreement, which provide flexibility for this purpose.

5. Accordingly and in the light of paragraph 4 above, while maintaining our commitments in the TRIPS Agreement, we recognize that these flexibilities include:

   a. In applying the customary rules of interpretation of public international law, each provision of the TRIPS Agreement shall be read in the light of the object and purpose of the Agreement as expressed, in particular, in its objectives and principles.

   b. Each member has the right to grant compulsory licences and the freedom to determine the grounds upon which such licences are granted.

   c. Each member has the right to determine what constitutes a national emergency or other circumstances of extreme urgency, it being understood that public health crises, including those relating to HIV/AIDS, tuberculosis, malaria and other epidemics, can represent a national emergency or other circumstances of extreme urgency.

   d. The effect of the provisions in the TRIPS Agreement that are relevant to the exhaustion of intellectual property rights is to leave each member free to establish its own regime for such exhaustion without challenge, subject to the MFN and national treatment provisions of Articles 3 and 4.

6. We recognize that WTO members with insufficient or no manufacturing capacities in the pharmaceutical sector could face difficulties in making effective use of compulsory licensing under the TRIPS Agreement. We instruct
the Council for TRIPS to find an expeditious solution to this problem and to report to the General Council before the end of 2002.

7. We reaffirm the commitment of developed-country members to provide incentives to their enterprises and institutions to promote and encourage technology transfer to least-developed country members pursuant to Article 66.2. We also agree that the least-developed country members will not be obliged, with respect to pharmaceutical products, to implement or apply Sections 5 and 7 of Part II of the TRIPS Agreement or to enforce rights provided for under these Sections until 1 January 2016, without prejudice to the right of least-developed country members to seek other extensions of the transition periods as provided for in Article 66.1 of the TRIPS Agreement. We instruct the Council for TRIPS to take the necessary action to give effect to this pursuant to Article 66.1 of the TRIPS Agreement.

NOTES AND QUESTIONS

(1) **Article 31(f) and the Article 28 Right to Import.** Article 31(f) of the TRIPS Agreement states that “where the law of a Member allows for other use of the subject matter of a patent without the authorization of the right holder, any such use shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use.” Article 28 grants the owner the exclusive right of importing. Suppose Burkina-Faso decides that a compulsory license is necessary for a pharmaceutical product, but there is no local licensee capable of supplying the market. Does Article 31(f) allow the state to “authorize” a manufacturer in India to supply Burkina-Faso’s domestic market?

(2) **Impact of Doha Ministerial Declaration on TRIPS and Public Health.** According to the United Nations, more than 25 million Africans now have HIV or AIDS. In eight African countries, more than 15 percent of the adult population is now infected with the virus, and the United Nations predicts that one-third of all Africans may eventually be infected. In the context of HIV/AIDS, access to medicines is more than just the cost of drugs. There are six subtypes or “clades” of HIV-2. Retrovirals used in the developed countries have only been tested in HIV-2 subtype B. None have been tested for HIV-1. The health delivery regimen consists of 20 pills a day which must be taken with meals. Public health officials warn that if the medicines are not taken according to the prescribed regimen, resistance will increase, as has happened with antibiotics. The regimen has serious side effects. The medicines must also be kept refrigerated.

To what extent is the Doha Declaration on TRIPS and Health a political document and to what extent is it a legal one? According to the Director-General of the International Federation of Pharmaceutical Manufacturers Associations, “the final text of the declaration maintains the current legal provisions of TRIPS.” Can the United States, after Doha, assert a claim against a country such as South Africa for failure to negotiate with a drug company prior to the grant of a compulsory license? What about parallel imports, the treatment of which was excluded from the TRIPS Agreement by Article 6? Can

The Doha Round of the WTO is sometimes termed the “Development Round.” Is it now “payback time” for the developing nations who thought that they ceded so much on intellectual property during the Uruguay Round? Does it appear that the parties to the new negotiations intend to build upon the TRIPS Agreement, or to undermine it?
Insert the following excerpt before the Notes and Questions on page 879 of the casebook:

UNITED STATES–SECTION 211 OMNIBUS APPROPRIATIONS ACT OF 1998 (“HAVANA CLUB”)

[The European Communities and the United States appealed from certain issues of law and legal interpretations in the Panel Report, United States—Section 211 Omnibus Appropriations Act of 1998 (the “Panel Report”). The text and explanation of the challenged measure, Section 211 of the United States Omnibus Appropriations Act of 1998 (“Section 211”), and the relevant Cuban Assets Control Regulations (the “CACR”), which are administered by the Office of Foreign Assets Control (“OFAC”), are set out in the excerpt supra § 2.06.]

IV. Preliminary Matters

A. The Scope of Appellate Review

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.

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 fact, 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 [Dispute Settlement Understanding (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 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 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.

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” 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*. 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 [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.

In addressing the scope of appellate review in this case, we begin by recalling our ruling in [EC Measures Concerning Meat and Meat products (Hormones) (Appellate Body 1998)](*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.

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)

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, it is necessary for us in this*
appeal to review the Panel’s examination of the same Indian domestic law. (emphasis added)

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 international obligations. Under the DSU, a panel may examine the municipal law of a WTO Member for the purpose of determining whether that Member has complied with its obligations under the WTO Agreement. Such an assessment is a legal characterization by a panel. And, therefore, a panel’s assessment of municipal law as to its consistency with WTO obligations is subject to appellate review under Article 17.6 of the DSU.

To address the legal issues raised in this appeal, we must, therefore, necessarily examine the Panel’s interpretation of the meaning of Section 211 under United States law. An assessment of the consistency of Section 211 with the Articles of the TRIPS Agreement and of the Paris Convention (1967) that have been invoked by the European Communities necessarily requires a review of the Panel’s examination of the meaning of Section 211. Likewise, that assessment necessarily requires a review also of the Panel’s examination of the meaning of both the CACR and the Lanham Act, to the extent that they are relevant for assessing the meaning of Section 211. This is an interpretation of the meaning of Section 211 solely for the purpose of determining whether the United States has fulfilled its obligations under the TRIPS Agreement. The meaning given by the Panel to Section 211 is, thus, clearly within the scope of our review as set out in Article 17.6 of the DSU.

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

[The Appellate Body reversed the Panel’s finding that trade names are not covered under the TRIPS Agreement and found that WTO Members do have an obligation under the TRIPS Agreement to provide protection to trade names.]

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.

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 so and we have not completed the analysis where there were not. 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.

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.

We believe that there are sufficient undisputed facts in the Panel record regarding trade name protection to enable us to complete the analysis.

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.
Insert the following excerpt before Notes and Questions on page 887 of the casebook; add cross-reference to this excerpt after Note (4) on page 1080.

UNITED STATES—SECTION 211 OMNIBUS APPROPRIATIONS ACT OF 1998 (“HAVANA CLUB”)

[The European Communities and the United States appealed from certain issues of law and legal interpretations in the Panel Report, United States—Section 211 Omnibus Appropriations Act of 1998 (the “Panel Report”). The text and explanation of the challenged measure, Section 211 of the United States Omnibus Appropriations Act of 1998 (“Section 211”), and the relevant Cuban Assets Control Regulations (the “CACR”), which are administered by the Office of Foreign Assets Control ("OFAC"), are set out in the excerpt supra § 2.06.]

VIII. Article 42 of the TRIPS Agreement

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 Section 211(a)(2) violates Article 42 of the TRIPS Agreement. The European Communities appeals the Panel's finding that "it has not been proved that Section 211(b) is inconsistent with Article 42 of the TRIPS Agreement".

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.

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.

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 TRIPS Agreement". These enforcement procedures must include expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. At the same time, these procedures must be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide safeguards against their abuse. These procedures provide for an internationally-agreed minimum standard which Members are bound to implement in their domestic legislation.

Section 2 of Part III is entitled "Civil and Administrative Procedures and Remedies". Article 42 deals with enforcement action in judicial proceedings, and contains detailed requirements which ensure that "civil judicial procedures" are "fair and equitable". Like Section 1 of Part III, Section 2 introduces an international minimum standard which Members are bound to implement in their domestic legislation.

Before the Panel, the European Communities claimed that Sections 211(a)(2) and (b) are inconsistent with Article 42 of the TRIPS Agreement because they "expressly deny[] the availability of [United States] courts to enforce the rights targeted" by Section 211.

The United States contended before the Panel that Sections 211(a)(2) and (b) do not violate Article 42 because nothing in the measure precludes a person asserting ownership rights in the trademark from having access to civil judicial procedures and a full opportunity "to substantiate [its] claim" to ownership and "to present all relevant evidence."

On Section 211(a)(2), the Panel found:

We note the US argument that Section 211(a)(2) does not affect the availability of judicial procedures to any party to assert a right to a trademark. However, given the clear wording of Section 211(a)(2) which provides that "[n]o U.S. court shall recognize, enforce or otherwise validate any assertion of rights" in certain circumstances, we fail to see how a right holder would be able effectively to assert its rights under these circumstances. While Section 211(a)(2) would not appear to prevent a right holder from initiating civil judicial
procedures, its wording indicates that the right holder is not entitled to effective procedures as the court is ab initio not permitted to recognize its assertion of rights if the conditions of Section 211(a)(2) are met. In other words, the right holder is effectively prevented from having a chance to substantiate its claim, a chance to which a right holder is clearly entitled under Article 42, because effective civil judicial procedures mean procedures with the possibility of an outcome which is not pre-empted a priori by legislation. (footnote omitted)

. . . .

[Given that Section 211(a)(2) limits, under certain circumstances, right holders’ effective access to and, hence, the availability of civil judicial procedures, we find that Section 211(a)(2) is inconsistent with Article 42 of the TRIPS Agreement.

On Section 211(b), the Panel concluded:

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 [above] it has not been proved that Section 211(b) is inconsistent with Article 42 of the TRIPS Agreement.

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. 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

\[145\] The 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. . . .
guaranteed under Article 42 to a person who is not the legitimate owner of a trademark under United States law.

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

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."

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. 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.

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." Indeed, no Member's national system of civil judicial procedures will be identical to that of another Member.

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147 These 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.

148 These 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.


151 Recital 2(c) of the Preamble to the TRIPS Agreement.
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. The Panel defined the term "right holders" as persons who have the legal capacity to assert rights.\textsuperscript{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.

In this respect, the Panel stated:

As we have already noted, in the United States, the registration of a trademark confers a \textit{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 \textit{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. (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".

\textsuperscript{153}Panel 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 resolve the issue on which they disagree in respect of Article 42, and submitted further that, in their view, that footnote was irrelevant to this dispute.
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 grounds for", their claims in order to prove the truth of a charge, and to demonstrate or verify it by evidence.\footnote{The New Shorter Oxford English Dictionary, Vol. II, p. 3124.}

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.

From all this, we understand that the rights which Article 42 obliges Members to make available to right holders are \textit{procedural} in nature. These \textit{procedural} rights guarantee an international minimum standard for nationals of other Members within the meaning of Article 1.3 of the TRIPS Agreement.

With this understanding, we turn now to the measure before us and examine whether Sections 211(a)(2) and (b) are consistent with the \textit{procedural} requirements set out in the first and fourth sentences of Article 42.

The United States submitted at the oral hearing that the \textit{procedural} provisions of the Lanham Act and of the United States Federal Rules of Civil Procedure apply and guarantee "fair and equitable . . . civil judicial procedures" in respect of Section 211. The European Communities agreed. Accordingly, the participants agree that designated nationals and successors-in-interest have access to civil judicial procedures. At the oral hearing, the European Communities also agreed that the Federal Rules of Evidence are applicable in such proceedings. It is, therefore, our understanding that both participants agree that designated nationals and successors-in-interest have—to the same extent, and in the same way, as any claimant and defendant—the rights provided under the Federal Rules of Civil Procedure and the Federal Rules of Evidence. These rights are the rights to "substantiate their claims" and "present all relevant evidence" with respect to all elements mentioned 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.

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).

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. 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.

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.

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 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, [see excerpt supra § 3.01[F]], 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.

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.

[For the same reasons, the Appellate Body concluded that “Section 211(b) on its face is not inconsistent with the requirements of Article 42 of the TRIPS Agreement.”]

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) . . . and uphold its finding on Section 211(b) . . .

Finally, we emphasize that the European Communities has challenged Sections 211(a)(2) and (b) on their face. The European Communities has not
challenged the application of Sections 211(a)(2) and (b) in particular instances by United States courts. Accordingly, our 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.
NOTES AND QUESTIONS

(1) Making Available Enforcement Mechanisms. The Appellate Body offers a relatively narrow interpretation of the obligations of a member state under Articles 42. Which interpretive principle or approach, if any, leads the Appellate Body to its conclusion? Do you agree with the deference shown the U.S. law in this respect?

(2) Article 42 as Imposing “Procedural Obligations”. The Appellate Body stresses more than once that Article 42 imposes “procedural obligations.” What is the relevance of this characterization? Was the EU arguing to the contrary?

(3) Facial Challenges. The Appellate Body did not reach the question of whether the application of Section 211 before the U.S. courts violated Article 42. Why did the EU restrict its challenge to Section 211 on its face, rather than as applied? There had, after all, been litigation in the U.S. courts that appeared to support the EU’s position? See supra § __. If the EU had challenged the Section as applied, should the Havana Club litigation before the Second Circuit change the outcome of the challenge under Section 42?
Add after Note (2) on page 1282

The European Court of Justice recently tendered its reply to Justice Laddie’s reference.

ZINO DAVIDOFF v. A&G IMPORTS

JUDGEMENT:

. . . .

THE DISPUTES IN THE MAIN PROCEEDINGS

Case C-414/99

Zino Davidoff SA (Davidoff) is the proprietor of two trade marks, COOL WATER and DAVIDOFF COOL WATER, registered in the United Kingdom and used for a wide range of toiletries and cosmetic products. The products manufactured by Davidoff or on its behalf and bearing, with its consent, those trade marks are sold by it or on its behalf both within and outside the EEA.

. . . .

In 1996 Davidoff entered into an exclusive distribution contract with a trader in Singapore. In accordance with that contract, the distributor undertook, first, to sell Davidoff products solely within a defined territory outside the EEA to local sub-distributors, sub-agents and retailers and, second, to impose in turn on those co-contractors a prohibition of resale outside the stipulated territory. The parties expressly made that exclusive distribution contract subject to German law.

A & G Imports Ltd (“A & G”) acquired stocks of Davidoff products, manufactured within the EEA, which had originally been placed on the market in Singapore by Davidoff or with its consent.

A & G imported those products into the United Kingdom and began to sell them. . . .

In 1998 Davidoff brought proceedings against A & G before the High Court of Justice of England and Wales, Chancery Division (Patent Court), alleging, inter alia, that the importation and sale of those goods in the United Kingdom infringed its trade mark rights.

A & G relied on Articles 5(1) and 7(1) of the Directive, maintaining that, having regard to the circumstances in which the goods were placed on the market in Singapore, their importation and sale was, or should be deemed to have been, with Davidoff’s consent.

Davidoff denied that it had consented, or could be deemed to have consented, to the products concerned being imported into the EEA. . . .
By decision of 18 May 1999 the national court rejected Davidoff’s application for summary judgment, considering that the dispute ought to go to full trial. It took the view, however, that for that purpose the scope and effect of Article 7(1) and (2) of the Directive required clarification.

The High Court of Justice of England and Wales, Chancery Division (Patent Court), accordingly decided to stay proceedings and to request the Court of Justice to give a preliminary ruling on the following questions:

1. Insofar as [the Trademark Directive] refers to goods being put on the market in the Community with the consent of the proprietor of a mark, is it to be interpreted as including consent given expressly or implicitly and directly or indirectly?

2. Where:
   (a) a proprietor has consented to or allowed goods to be placed in the hands of a third party in circumstances where the latter’s rights to further market the goods are determined by the law of the contract of purchase under which that party acquired the goods, and
   (b) the said law allows the vendor to impose restrictions on the further marketing or use of the goods by the purchaser but also provides that, absent the imposition by or on behalf of the proprietor of effective restrictions on the purchaser’s right to further market the goods, the third party acquires a right to market the goods in any country, including the Community, then, if restrictions effective according to that law to limit the third party’s rights to market the goods have not been imposed, is the Directive to be interpreted so as to treat the proprietor as having consented to the right of the third party acquired thereby to market the goods in the Community?

3. If the answer to the previous question is in the affirmative, is it for the national courts to determine whether, in all the circumstances, effective restrictions were imposed on the third party?

Cases C-415/99 and C-416/99

Levi Strauss & Co., a corporation formed under the laws of the State of Delaware . . . is the proprietor of the trade marks LEVI’S and 501, registered in the United Kingdom and used, inter alia, in respect of jeans.

Levi Strauss (UK) Ltd, a company incorporated under the laws of England and Wales, is the holder in the United Kingdom of a trade mark licence granted by Levi Strauss & Co. for the manufacture, sale and distribution of, inter alia, Levi’s 501 jeans. It sells those products itself in the United Kingdom or grants licences to other retailers as part of a selective distribution system.

Tesco Stores Ltd and Tesco plc (together “Tesco”) are two companies incorporated under the laws of England and Wales, the latter being the parent company of the former. Tesco is one of the leading supermarket chains in the United Kingdom. Amongst other things, it sells clothes.
Costco Wholesale UK Ltd (‘Costco’), a company incorporated under the laws of England and Wales, sells a wide range of branded goods in the United Kingdom, in particular items of clothing.

Levi Strauss & Co. and Levi Strauss (UK) Ltd (together “Levis”) have consistently refused to sell Levi’s 501 jeans to Tesco and Costco and have not agreed to their becoming authorised distributors of those products.

Tesco and Costco obtained Levi’s 501 jeans, genuine goods originally sold by Levi’s or on its behalf, from traders who imported them from countries outside the EEA. The contracts pursuant to which they acquired those products contained no restrictive covenants to the effect that the goods were, or were not, to be sold in a particular territory. The jeans bought by Tesco had been manufactured by, or on behalf of, Levis in the United States of America, Mexico or Canada. Those bought by Costco had been manufactured on the same terms in the United States or Mexico.

Tesco’s and Costco’s suppliers had obtained the goods directly or indirectly from authorised retailers in the United States, Mexico or Canada, or from wholesalers who had bought the jeans from ‘accumulators, that is to say, persons who buy small quantities of jeans from numerous authorised stores, in particular in the United States and Canada.

In 1998 Levis commenced proceedings before the High Court of Justice of England and Wales, Chancery Division (Patent Court), against Tesco and Costco. They claimed that the import and sale of Levi jeans by the defendants constituted an infringement of their trade mark rights.

They stated that in the United States and Canada they had informed their authorised retailers, both in writing and orally, of guidelines including a “no-wholesale stipulation,” by virtue of which the goods could be sold only to end purchasers. In their written order acknowledgement forms they reserved the right, which they have exercised several times, to cease supplying their products to a retailer violating that prohibition. They asked their authorised retailers to limit sales of garments to a certain number per customer, generally six, and to display signs in their stores stating the no-wholesale policy and that limit on retail sales. In Mexico, they sold their products to authorised wholesalers. They always informed them, in particular by repeated written communications, of their rule that the goods were not to be sold for export.

Tesco acknowledged that it knew at the material time that Levis did not wish their jeans to be sold in the EEA otherwise than through authorised retailers. Costco, on the other hand, maintained that it was unaware of this.

Tesco and Costco pointed out that they were not bound by any contractual restriction. Levis, they argued, had not attempted to impose or give notice of any restriction to run with the goods, nor had they reserved any rights in any way. In their submission, therefore, the operator buying the jeans in question was entitled freely to dispose of them.

In those circumstances, the High Court of Justice of England and Wales, Chancery Division (Patent Court), decided to stay proceedings and to refer the following questions to the Court of Justice for a preliminary ruling:
(1) Where goods bearing a registered trade mark have been placed on the market in a non-EEA country by the trade mark proprietor or with his consent and those goods have been imported into or sold in the EEA by a third party, is the effect of Directive 89/104/EEC (the Directive) that the trade mark proprietor is entitled to prohibit such importation or sale unless he has expressly and explicitly consented to it, or may such consent be implied?

(2) If the answer to Question 1 is that consent may be implied, is consent to be implied from the fact that the goods have been sold by the proprietor or on his behalf without contractual restrictions prohibiting resale within the EEA binding the first and all subsequent purchasers?

(3) Where goods bearing a registered trade mark have been placed on the market in a non-EEA country by the trade mark proprietor:

(a) to what extent is it relevant to or determinative of the issue whether or not there was consent by the proprietor to the placing of those goods on the market within the EEA, within the meaning of the Directive, that:

(i) the person placing the goods on the market (not being an authorised retailer) does so with the knowledge that he is the lawful owner of the goods and the goods bear no indication that they may not be placed on the market in the EEA; and/or

(ii) the person placing the goods on the market (not being an authorised retailer) does so with knowledge that the trade mark proprietor objects to those goods being placed on the market within the EEA; and/or

(iii) the person placing the goods on the market (not being an authorised retailer) does so with the knowledge that the trade mark proprietor objects to them being placed on the market by anyone other than an authorised retailer; and/or

(iv) the goods have been purchased from authorised retailers in a non-EEA country who have been informed by the proprietor that the proprietor objects to the sale of the goods by them for the purposes of resale, but who have not imposed upon purchasers from them any contractual restrictions on the manner in which the goods may be disposed of; and/or

(v) the goods have been purchased from authorised wholesalers in a non-EEA country who have been informed by the proprietor that the goods were to be sold to retailers in that non-EEA country and were not to be sold for export, but who have not imposed upon purchasers from them any contractual restrictions on the manner in which the goods may be disposed of; and/or

(vi) there has or has not been communication by the proprietor to all subsequent purchasers of its goods (i.e. those between the first purchaser from the proprietor and the person placing the goods on the
market in the EEA) of its objection to the sale of the goods for the purposes of resale; and/or

(vii) a contractual restriction has or has not been imposed by the proprietor and made legally binding upon the first purchaser prohibiting sale for the purposes of resale to anyone other than the ultimate consumer?

(b) Does the issue of whether or not there was consent by the proprietor to the placing of those goods on the market within the EEA, within the meaning of the Directive, depend on some further or other factor or factors and, if so, which?

By order of the President of the Court of 15 December 1999, Cases C-414/99, C-415/99 and C-416/99 were joined pursuant to Article 43 of the Rules of Procedure for the purposes of the written procedure, the oral procedure and judgment.

THE QUESTIONS RELATING TO ARTICLE 7(1) OF THE DIRECTIVE

Preliminary observations

In Case C-414/99, the questions raised concern products placed on the market within the Community whereas, in Cases C-415/99 and C-416/99, they concern products placed on the market in the EEA, that is to say, taking into consideration the amendment of Article 7(1) of Directive 89/104 by the EEA Agreement.

Since, as regards the Member States of the Community, the substance of the answers to be given will be the same for either situation, references in what follows will be to the placing of goods on the market within the EEA.

It must also be borne in mind . . . [that, as decided in Silhouette, the] effect of the Directive is . . . to limit exhaustion of the rights conferred on the proprietor of a trade mark to cases where goods have been put on the market in the EEA and to allow the proprietor to market his products outside that area without exhausting his rights within the EEA. By making it clear that the placing of goods on the market outside the EEA does not exhaust the proprietor's right to oppose the importation of those goods without his consent, the Community legislature has allowed the proprietor of the trade mark to control the initial marketing in the EEA of goods bearing the mark. Case C-173/98 Sebago and Maison Dubois, 1999 E.C.R. I-4103 (1999).

By its questions, the national court is seeking chiefly to determine the circumstances in which the proprietor of a trade mark may be regarded as having consented, directly or indirectly, to the importation and marketing within the EEA by third parties who currently own them, of products bearing that trade mark, which have been placed on the market outside the EEA by the proprietor of the mark or with his consent.
Whether the consent of a trade mark proprietor to marketing in the EEA may be implied

By the first question referred in each of Cases C-414/99 to C-416/99, the national court . . .seeks clarification of the manner in which the consent of a trade mark proprietor to marketing within the EEA may be expressed.

The answer to that question requires that it first be established whether, with regard to situations such as those in issue in the main proceedings, the concept of “consent” used in Article 7(1) of the Directive must be interpreted uniformly throughout the Community legal order.

The Italian Government submits that where products are placed on the market outside the EEA, trade mark rights can never be exhausted as a consequence of a provision of Community law, because such exhaustion is not provided for by the Directive. Whether or not express or implied consent has been given for reimportation into the EEA is not a matter which concerns the consent to exhaustion referred to in Article 7(1) of the Directive, but rather relates to an act disposing of the trade mark rights, which is a matter for the national law in question.

Articles 5 to 7 of the Directive embody a complete harmonisation of the rules relating to the rights conferred by a trade mark and accordingly define the rights of proprietors of trade marks in the Community. Silhouette, ¶¶ 25 & 29.

Article 5 of the Directive confers on the trade mark proprietor exclusive rights entitling him, inter alia, to prevent all third parties not having his consent from importing goods bearing the mark. Article 7(1) contains an exception to that rule in that it provides that the trade mark proprietor's rights are exhausted where goods have been put on the market in the EEA by the proprietor or with his consent.

It therefore appears that consent, which is tantamount to the proprietor’s renunciation of his exclusive right under Article 5 of the Directive to prevent all third parties from importing goods bearing his trade mark, constitutes the decisive factor in the extinction of that right.

If the concept of consent were a matter for the national laws of the Member States, the consequence for trade mark proprietors could be that protection would vary according to the legal system concerned. The objective of “the same protection under the legal systems of all the Member States” set out in the ninth recital in the preamble to Directive 89/104, where it is described as “fundamental,” would not be attained.

It therefore falls to the Court to supply a uniform interpretation of the concept of “consent” to the placing of goods on the market within the EEA as referred to in Article 7(1) of the Directive.

The parties in the main proceedings, the German, Finnish and Swedish Governments and the EFTA Surveillance Authority acknowledge, explicitly or in substance, that consent to the placing on the market in the EEA of goods previously marketed outside that area may be express or implied. By contrast, the French Government maintains that consent must be express. The Commission’s view is that the question is not whether consent must be express
or implied, but rather whether the trade mark proprietor has had a first opportunity to benefit from the exclusive rights he holds within the EEA.

In view of its serious effect in extinguishing the exclusive rights of the proprietors of the trade marks in issue in the main proceedings (rights which enable them to control the initial marketing in the EEA), consent must be so expressed that an intention to renounce those rights is unequivocally demonstrated.

Such intention will normally be gathered from an express statement of consent. Nevertheless, it is conceivable that consent may, in some cases, be inferred from facts and circumstances prior to, simultaneous with or subsequent to the placing of the goods on the market outside the EEA which, in the view of the national court, unequivocally demonstrate that the proprietor has renounced his rights.

The answer to the first question referred in each of Cases C-414/99 to C-416/99 must therefore be that, on a proper construction of Article 7(1) of the Directive, the consent of a trade mark proprietor to the marketing within the EEA of products bearing that mark which have previously been placed on the market outside the EEA by that proprietor or with his consent may be implied, where it is to be inferred from facts and circumstances prior to, simultaneous with or subsequent to the placing of the goods on the market outside the EEA which, in the view of the national court, unequivocally demonstrate that the proprietor has renounced his right to oppose placing of the goods on the market within the EEA.

Whether implied consent may be inferred from the mere silence of a trade mark proprietor

By its second question and by Question 3(a)(i), (vi) and (vii) in Cases C-415/99 and C-416/99, and by its second question in Case C-414/99, the national court seeks in essence to ascertain whether, having regard to the facts of the disputes in the main proceedings, implied consent may be inferred:

* from the fact that the proprietor of the trade mark has not communicated to all subsequent purchasers of the goods placed on the market outside the EEA his opposition to their being marketed within the EEA;

* from the fact that the goods carry no warning of a prohibition on their being placed on the market within the EEA;

* from the fact that the trade mark proprietor has transferred the ownership of the products bearing the trade mark without imposing any contractual reservations and that, according to the law governing the contract, the property right transferred includes, in the absence of such reservations, an unlimited right to resell or, at the very least, a right to market the goods subsequently within the EEA.

Referring in particular to Silhouette and Sebago and Maison Dubois, cited above, A & G, Tesco and Costco argue that the defendant in an action for infringement of a trade mark must be presumed to have acted with the consent of the trade mark proprietor unless the latter proves the contrary.
In their opinion, if a trade mark proprietor wishes his exclusive rights to be reserved within the EEA, he must ensure that:

* the goods bearing the trade mark carry a clear warning of the existence of such reservations, and
* that the reservations are stipulated in the contracts for the sale and resale of those goods.

A & G contends that the clause in the contract concluded between Davidoff and its distributor in Singapore under which the latter undertook to oblige his sub-distributors, sub-agents and/or retailers not to resell the products outside the stipulated territory did not prevent the distributor or his sub-distributors, sub-agents and/or retailers from selling those products to third parties within the distribution territory with unlimited rights of resale. There is no evidence in the documents in the case in the main proceedings to demonstrate that the goods in question were sold by the distributor, or his sub-distributors, sub-agents or retailers outside the distribution territory. In addition, there was no notice on the goods or their packaging of any restrictions on resale and those goods were purchased and then sold to A & G without any restriction of that kind.

Tesco and Costco submit that where contracts for the acquisition of trade-marked goods placed on the market outside the EEA contain no restrictions on their resale, it is irrelevant that the proprietor of the mark may have made announcements or otherwise expressed the view that it did not wish those goods to be sold in the EEA by the purchaser.

It follows from the answer to the first question referred in the three cases C-414/99 to C-416/99 that consent must be expressed positively and that the factors taken into consideration in finding implied consent must unequivocally demonstrate that the trade mark proprietor has renounced any intention to enforce his exclusive rights.

It follows that it is for the trader alleging consent to prove it and not for the trade mark proprietor to demonstrate its absence.

Consequently, implied consent to the marketing within the EEA of goods put on the market outside that area cannot be inferred from the mere silence of the trade mark proprietor.

Likewise, implied consent cannot be inferred from the fact that a trade mark proprietor has not communicated his opposition to marketing within the EEA or from the fact that the goods do not carry any warning that it is prohibited to place them on the market within the EEA.

Finally, such consent cannot be inferred from the fact that the trade mark proprietor transferred ownership of the goods bearing the mark without imposing contractual reservations or from the fact that, according to the law governing the contract, the property right transferred includes, in the absence of such reservations, an unlimited right of resale or, at the very least, a right to market the goods subsequently within the EEA.

A rule of national law which proceeded upon the mere silence of the trade mark proprietor would not recognise implied consent but rather deemed
consent. This would not meet the need for consent positively expressed required by Community law.

In so far as it falls to the Community legislature to determine the rights of a trade mark proprietor within the Member States of the Community it would be unacceptable on the basis of the law governing the contract for marketing outside the EEA to apply rules of law that have the effect of limiting the protection afforded to the proprietor of a trade mark by Articles 5(1) and 7(1) of the Directive.

In light of [this], it is unnecessary to answer the third question raised in Case C-414/99.

The consequence of ignorance, on the part of a trader importing goods bearing a trade mark into the EEA, of the trade mark proprietor's expressed opposition to such imports

By Question 3(a)(ii) to (v), raised in Cases C-415/99 and C-416/99, the national court is in essence asking whether, with regard to exhaustion of the trade mark proprietor's exclusive rights, it is relevant:
* that the importer of the goods bearing the trade mark is not aware that the proprietor objects to their being placed on the market in the EEA or sold there by traders other than authorised retailers, or
* that the authorised retailers and wholesalers have not imposed on their own purchasers contractual reservations setting out such opposition, even though they have been informed of it by the trade mark proprietor.

Those questions raise the issue of whether a restriction of the right to dispose freely of goods, imposed on the first purchaser by the first vendor or agreed between the two parties to the sale, may be relied upon as against a third party transferee.

That is a different question from those concerning the effect on trade mark rights of consent to marketing within the EEA. Since such consent cannot be inferred from the proprietor's silence, preservation of his exclusive right cannot depend on there being an express prohibition of marketing within the EEA, which the proprietor is not obliged to impose, nor, a fortiori, on a repetition of that prohibition in one or more of the contracts concluded in the distribution chain.

The national rules on the enforceability of sales restrictions against third parties are not, therefore, relevant to the resolution of a dispute between the proprietor of a trade mark and a subsequent trader in the distribution chain concerning the preservation or extinction of the rights conferred by the trade mark.

The answer to be given to Question 3(a)(ii) to (v), raised in Cases C-415/99 and C-416/99, must therefore be that with regard to exhaustion of the trade mark proprietor's exclusive rights, it is not relevant:
that the importer of goods bearing the trade mark is not aware that the proprietor objects to their being placed on the market in the EEA or sold there by traders other than authorised retailers, or
* that the authorised retailers and wholesalers have not imposed on their own purchasers contractual reservations setting out such opposition, even though they have been informed of it by the trade mark proprietor.

In light of that answer and of those given above, it is unnecessary to reply to Question 3(b), raised in Cases C-415/99 and C-416/99.
The ACPA also amended Section 32 of the Lanham Act, introducing a provision permitting domain name registrants whose domain name has been canceled or transferred pursuant to the UDRP (or any similar policy) to file a civil action in U.S. federal court against the prevailing party to establish that the registration and use of the domain name was lawful (under the Lanham Act). The case law under this provision is beginning to develop.

**SALLEN v. CORINTHIANS LICENCIAMENTOS LTDA**

273 F.3d 14 (1st Cir. 2001)

LYNCH, CIRCUIT JUDGE.

This case raises important issues about the relationship between the Anticybersquatting Consumer Protection Act ("ACPA") and the World Intellectual Property Organization ("WIPO") dispute resolution procedures under the Uniform Domain Name Dispute Resolution Policy ("UDRP"). This is a dispute between Jay D. Sallen, a resident of Brookline, Massachusetts, and Corinthians Licenciamentos LTDA ("CL"), a Brazilian corporation, over Sallen's registration and use of the domain name corinthians.com. We are asked to determine whether Sallen, a domain name registrant who has lost the use of a domain name in a WIPO dispute resolution proceeding that declared him a cybersquatter under the UDRP, may bring an action in federal court seeking (1) a declaration that he is not in violation of the ACPA; (2) a declaration that he is not required to transfer the domain name to CL; and (3) such relief as necessary to effectuate these ends. The district court held that federal courts lack jurisdiction over such claims. For the reasons that follow, we reverse the district court and hold that there is federal jurisdiction over such claims.

I.

CL asserts that it has rights in Brazil to the name "Corinthiao," the Portuguese equivalent of "Corinthians," which is the name of a soccer team popular in Brazil. In the district court, and before this court, CL argued that a WIPO panel properly found that Sallen was a cybersquatter under the UDRP. The UDRP applies to Sallen because its terms are incorporated into his domain name registration agreement—a private contract. CL says that federal courts do not have jurisdiction to revisit the issue of whether Sallen is a cybersquatter.

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1 Sallen's initiation of these proceedings in the district court stayed the WIPO panel's order to transfer the domain name to CL. See UDRP ¶ 4(k). After the district court dismissed Sallen's suit, however, the domain name was transferred to CL, possibly wrongfully in light of the pendency of this appeal. If the complaint were reinstated, the logic of Sallen's position is that Sallen would seek leave to amend his complaint to request an injunction returning the domain name.
as determined under that contract. Further, CL says, federal courts lack jurisdiction over Sallen’s suit under the ACPA because CL has disclaimed any intent to sue Sallen under the ACPA. If Sallen cannot reasonably fear a lawsuit under the ACPA, so the argument goes, then there is no Article III case or controversy. CL insists that its victory under the UDRP is unrelated to, and unaffected by, any cause of action under the ACPA. Even if Sallen had an affirmative right under the ACPA to use corinthians.com, it says, he has contractually waived that right by agreeing to the UDRP’s different legal standard in his domain name registration agreement.

Sallen unsuccessfully defended his registration and use of corinthians.com in a WIPO dispute resolution proceeding initiated by CL. Sallen then filed a complaint in federal court against CL seeking a declaration that his registration and use of corinthians.com is not unlawful under the ACPA. He relied on both 15 U.S.C. § 1114(2)(D)(v) and the declaratory judgment statute, 28 U.S.C. § 2201.

Section 1114(2)(D)(v) states:

A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this chapter. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.


Sallen asserts that (1) this provision of the ACPA creates an explicit cause of action for a declaration that a registrant who has lost a domain name under the UDRP has lawfully registered and used that domain name; (2) this declaration overrides the WIPO panel’s decision to the contrary; and (3) federal courts may order the domain name reactivated or transferred back to the aggrieved registrant. Sallen’s position is that, despite the terms of his domain name registration agreement, and despite the WIPO panel’s interpretation of those terms, he is entitled to retain registration and use of corinthians.com if his registration and use of the domain name is consistent with the ACPA.

This case raises an issue of first impression, requiring us to determine whether a domain name registrant, who has lost in a WIPO-adjudicated UDRP proceeding, may bring an action in federal court under § 1114(2)(D)(v) seeking to override the result of the earlier WIPO proceeding by having his status as a nonviolation of the ACPA declared and by getting an injunction forcing a transfer of the disputed domain name back to him. The answer to this question turns on the relationship between the ACPA, in particular § 1114(2)(D)(v), and decisions of administrative dispute resolution panels contractually empowered to adjudicate domain name disputes under the UDRP.

The district court dismissed Sallen’s complaint on the grounds that no actual controversy existed between the parties since CL never claimed that Sallen
violated the ACPA. We hold that, although CL represented that it had "no intent to sue [Sallen] under the ACPA for his past activities in connection with corinthians.com," an actual controversy did exist between the parties concerning rights to corinthians.com, and that the district court incorrectly dismissed Sallen's complaint. Section 1114(2)(D)(v) grants domain name registrants who have lost domain names under administrative panel decisions applying the UDRP an affirmative cause of action in federal court for a declaration of nonviolation of the ACPA and for the return of the wrongfully transferred domain names. Accordingly, we reverse and remand to the district court.

II.

. . . .

B. Facts

In August 1998, Sallen registered corinthians.com with Network Solutions, Inc. ("NSI"). . . .

When a domain name registrant registers a domain name with a registrar, such as NSI, the parties enter into a registration agreement [which incorporates the terms of the UDRP].

Approximately one year after registering corinthians.com, Sallen sent an email to representatives of Corinthians stating that he had "been contacted recently, by several people in brazil [sic], regarding the purchase of [corinthians.com]" and that it occurred to him that "it is in [Corinthians's] interest to own it." CL responded by sending Sallen a cease and desist letter concerning corinthians.com. Sallen did not respond. At some point, Sallen posted Biblical material on the corinthians.com Web site. Sallen asserts that he posted Biblical material before any dispute over the domain name arose; CL disagrees and asserts that no content was present on the site at the time it sent the cease and desist letter to Sallen. On May 18, 2000, CL filed a complaint with WIPO [under the UDRP]. Sallen participated in the WIPO dispute resolution process by filing both a response and a supplemental response to CL's complaint. The dispute was ultimately resolved in CL's favor approximately two months later. [cit].

CL is the exclusive licensee of Corinthians's intellectual property, which includes the "Corinthiao" mark registered with the Brazilian Institute of Industrial Property, but not with the United States Patent and Trademark Office. It is undisputed that Corinthians is a popular and well known soccer team in Brazil. [cit].

The WIPO panel found that Sallen's corinthians.com domain name was "identical or confusingly similar to" CL's "Corinthiao" mark, mainly on the grounds that "when comparing Corinthians" with Corinthiao "the domain name at issue is phonetically nearly identical to the Complainant's trademark." Then, finding that Sallen did not use or prepare to use the domain name "in
connection with a bona fide offering of goods or services" before he had received notice of the dispute, UDRP ¶ 4(c)(i), and that he was not "making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain [or] to misleadingly divert consumers," id. ¶ 4(c)(iii), the panel concluded that Sallen had "no rights or legitimate interests" in corinthians.com, id. ¶ 4(a)(ii). Finally, the panel concluded that Sallen registered and used corinthians.com in bad faith, id. ¶ 4(a)(iii), because he registered the domain name primarily for the purpose of selling it to CL, id. ¶ 4(b)(i). The panel ordered that the registration of corinthians.com be transferred to CL.

The domain name was not immediately transferred, however. Under the UDRP, a disappointed respondent has ten business days from the day of the panel's decision to file a court action, in which case the domain name registrar is contractually bound to "not implement the Administrative Panel's decision" and to "take no further action" until the registrar receives evidence that the dispute has been resolved or that the court has dismissed the lawsuit or ruled against the respondent on the merits. Id. ¶ 4(k).

On August 2, 2000, Sallen filed a complaint in federal court, staying the WIPO panel's transfer order. Sallen's complaint sought declaratory relief to establish that his registration and use of corinthians.com was not unlawful under the ACPA and to establish that he was not required to transfer corinthians.com to CL. He alleged that under the ACPA, he did not have a bad faith intent to profit from CL's trademark, corinthians.com is not confusingly similar to Corinthiao, and he had a reasonable belief that his use of corinthians.com was fair or otherwise lawful.

CL moved to dismiss Sallen's complaint, arguing that the district court lacked subject matter jurisdiction, [cit.] because Sallen requested a declaration of his rights under the ACPA and CL had no intent to sue Sallen under the ACPA. The district court agreed, holding:

Based on the representations made by Defendant, Corinthians Licenciamentos ("CL") that it "has no intent to sue Plaintiff under the ACPA for his past activities in connection with corinthians.com" the Motion to Dismiss is GRANTED. Jurisdiction under 28 U.S.C. § 2201 is proper only if there exists an actual controversy between the parties. Absent the threat of suit there is no controversy and jurisdiction is lacking.


The district court's order is unclear, but we assume that dismissal was for lack of subject matter jurisdiction given the parties' arguments in the district court, which were limited to subject matter jurisdiction. In addition, although the order states that there is no controversy, as required by 28 U.S.C. § 2201, the order does not even mention 15 U.S.C. §1114(2)(D)(v), which is central to Sallen's cause of action. Because our review is de novo, we make reasonable assumptions and discuss all relevant issues.
appeals the district court's order dismissing his complaint for lack of subject matter jurisdiction.

III.

Our review of the district court's order dismissing Sallen's complaint for lack of subject matter jurisdiction is de novo. . . . For a federal court to have subject matter jurisdiction over a dispute, a statute must confer jurisdiction on the federal court and the exercise of jurisdiction must be consistent with the Constitution. [cit.]

The federal question jurisdiction statute states that "[t]he district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States." 28 U.S.C. § 1331 (1994). In order to determine whether a case arises under federal law, we look at the plaintiff's well-pleaded complaint. [cit]. Sallen's complaint alleges a cause of action under federal law, namely 15 U.S.C. § 1114(2)(D)(v), and so his cause of action arises under federal law for purposes of § 1331.

CL asserts that Sallen's action does not arise under § 1114(2)(D)(v) because he has not provided notice to a "mark owner" as required by the statute and because there is no dispute under the ACPA. CL's argument is without merit. Sallen has clearly stated in his complaint that § 1114(2)(D)(v) is the basis for his requested relief. Whether or not Sallen can win his claim under §1114(2)(D)(v) is a separate question which does not bear on jurisdiction unless Sallen's claim is "wholly insubstantial and frivolous." [cit].

Sallen's claim is not wholly insubstantial and frivolous. Whether CL is a "mark owner" within the meaning of the statute is in dispute, but it is far from frivolous to argue that it is.9 Sallen claims that he gave notice to CL as required by § 1114(2)(D)(v) and CL does not dispute this. Instead, CL says that it has not registered "Corinthians" as a U.S. trademark and so Sallen did not provide notice to a "mark owner." CL's interpretation of "mark owner" is unpersuasive. The ACPA says "mark," not "registered mark," which § 1127 defines separately. Section 1127 defines "mark" to include "any trademark" and that same section defines "trademark" as "any word, name, symbol, or device . . . (1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register . . ., to identify and distinguish his or her goods ... and to indicate the source of the goods." 15 U.S.C. § 1127. "Mark owner" must be understood against the backdrop of U.S. trademark law, which provides some protections to unregistered marks.

In addition, interpreting "mark owner" to apply only to registered U.S. marks would create a perverse result at odds with our view of the ACPA as granting relief to registrants who have wrongly lost domain names in UDRP proceedings. It would be very odd if Congress, which was well aware of the international

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9 As a general matter, there is no principle that all notice provisions are jurisdictional. Indeed, timely filing of EEOC charges is not jurisdictional in the area of discrimination law. [cit.] In addition, CL does not contest Sallen's assertion that he provided notice; CL's only claim is that the notice was not to a "mark owner."
nature of trademark disputes, protected Americans against reverse domain name hijacking only when a registered American mark owner was doing the hijacking. Such a policy would permit American citizens, whose domain names are subject to WIPO transfer orders, to get relief against abusive mark owners that have registered in the U.S., but not against abusive mark owners that have not registered (including both foreign mark owners and domestic mark owners that have not registered). It would leave registrants unprotected against reverse domain name hijackers so long as the hijackers are not registered with the PTO.

With regard to whether there is a dispute under the ACPA, the text states a "registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action . . . " 15 U.S.C. § 1114(2)(D)(v). A "policy described under clause (ii)(II)" includes "any action of . . . transferring . . . or . . . canceling a domain name--. . . (II) in the implementation of a reasonable policy by such registrar . . . prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark." Id. § 1114(2)(D)(ii)(II). It is undisputed that Sallen is a "registrant" and that the WIPO panel ordered his domain name transferred. The transfer was under a "policy" as defined by § 1114(2)(D)(ii)(II). That is, his domain name was transferred by NSI, pursuant to its policy, stated in the UDRP, of cancelling or transferring domain names found by a dispute resolution panel to be confusingly similar to others' trademarks.

The analysis is not as simple under the Constitution. The question here is whether Congress has extended the federal courts' jurisdiction beyond Article III's limits by providing a cause of action to individuals such as Sallen. Article III states that "[t]he judicial Power shall extend to all Cases ... arising under this Constitution, the Laws of the United States, and Treaties made ... under their Authority." U.S. Const. art. III, § 2, cl. 1. Article III acts as a ceiling: Congress may confer federal jurisdiction up to Article III's limits, but not beyond. . . .

If § 1114(2)(D)(v) were read to permit federal jurisdiction in instances where no Article III case or controversy exists, then the statute would run afoul of the Constitution. But we do not read § 1114(2)(D)(v) as granting federal jurisdiction over mere abstract claims of federal right where no Article III case exists. Although CL has stated that it has no intent to sue Sallen under the ACPA for

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10 15 U.S.C. § 1126, titled "International conventions," provides for a "register of all marks communicated [to the Director] by the international bureaus provided for by the conventions for the protection of ... trademarks." We have no evidence in the record as to whether CL's "Corinthiao" mark, registered in Brazil, would qualify for protection under § 1126.

11 We recognize that, at the time the complaint was filed, NSI had yet to transfer the domain name. Pursuant to UDRP Rule 4(k), NSI automatically implements WIPO transfer orders unless the UDRP respondent files a complaint in court within ten days. We think that § 1114(2)(D)(ii)(II), the statutory provision referenced in § 1114(2)(D)(v), covers situations where a transfer by NSI is inevitable unless a court action is filed.

12 The declaratory judgment statute, 28 U.S.C. § 2201, also codifies this requirement by referring to "actual controversy." That statute is largely irrelevant to this case because the ACPA itself authorizes declaratory relief.
his past actions related to corinthians.com, there is indeed a controversy between Sallen and CL: Sallen asserts that he has rights to corinthians.com and CL asserts that it has mutually exclusive rights to the same domain name. Since the dismissal of Sallen's complaint, the corinthians.com domain name has been transferred to CL and is now being used to promote the Corinthians soccer team. Sallen asserts that the domain name belongs to him.

CL claims that a reasonable apprehension of suit is required to meet Article III's case or controversy requirement. But this is not the only way to establish the existence of a case for purposes of Article III. The reasonable apprehension of suit doctrine exists to cabin declaratory judgment actions where the only controversy surrounds a potential, future lawsuit. [cit]. That is not this case.

Here, Sallen has already had transferred from him a domain name, to which he claims to have legitimate rights, in an international dispute resolution proceeding. At the time Sallen filed his complaint, the dispute had already progressed far beyond those cases in which a declaratory defendant only questionably threatened suit. Sallen had been brought before a WIPO panel, the panel had found him in violation of the UDRP's cybersquatting provision, and the panel had ordered the disputed domain name transferred to CL. Sallen objected to all of this. As other courts have noted, a certain controversy renders the "reasonable apprehension" question irrelevant. [cit].

According to CL, regardless of any UDRP dispute between it and Sallen, there is no dispute under the ACPA. But this assumes that a declaration of compliance with the ACPA is only relevant to defend against a potential lawsuit under that very statute and that a declaration of Sallen's compliance with the ACPA could not redress his UDRP defeat. This assumption is incorrect. Section 1114(2)(D)(v) provides a registrant who has lost a domain name under the UDRP with a cause of action for an injunction returning the domain name if the registrant can show that she is in compliance with the ACPA. A declaration of Sallen’s compliance with the ACPA would redress his loss of corinthians.com in the UDRP proceeding.

First, the UDRP clearly contemplates judicial intervention and, in fact, that the judicial outcome will override the UDRP one. See UDRP ¶ 4(k) (stating that UDRP proceedings shall not prevent either party from "submitting the dispute to a court of competent jurisdiction for independent resolution"); World Intellectual Property Organization, The Management of Internet Names and Addresses: Intellectual Property Issues: Final Report of the WIPO Internet Domain Name Process ¶ 150(v), at http://wipo2.wipo.int/process1/report/finalreport.html (Apr. 30, 1999) [hereinafter First WIPO Report] (stating that UDRP administrative dispute resolution procedures "should not have (and cannot have) the effect of binding precedent in national courts"); id. at ¶ 196(v) (stating that "[a] decision by a court of competent jurisdiction, that is contrary to a determination resulting from the administrative procedure should ... override the administrative determination"). This is how the UDRP has been interpreted. BroadBridge Media, L.L.C. v. Hypercd.com, 106 F. Supp.2d 505, 508-09 (S.D.N.Y.2000) (concluding that a plaintiff that has filed an ICANN administrative proceeding may, before, during, and after filing such a proceeding, bring an action in federal

The ability of the parties to a UDRP proceeding to seek independent resolution of the issues was part of the compromise codified in the UDRP. See UDRP ¶ 4(k); First WIPO Report, supra, at ¶¶ 139-140 (recommending, with the approval of "virtually all commentators," that the UDRP not deny the parties to the dispute access to court litigation"); id. at ¶¶ 139, 150(iv) (noting that parties should be able to seek "de novo review" of UDRP administrative dispute resolution). Because the UDRP explicitly contemplates independent review in national courts, the cause of action Sallen seeks to assert is consistent with the UDRP's structure.

Since the UDRP cannot confer federal jurisdiction where none exists, the remaining question is whether Congress has, in fact, provided a cause of action to override UDRP decisions. Under § 1114(2)(D)(v), Congress has provided registrants such as Sallen with an affirmative cause of action to recover domain names lost in UDRP proceedings. The statute clearly states that a registrant whose domain name has been "suspended, disabled, or transferred" may sue for a declaration that the registrant is not in violation of the Act and for an injunction returning the domain name. 15 U.S.C. § 1114(2)(D)(v). Sallen is a registrant. His domain name has been transferred. Now he simply seeks the declaration and injunction that the statutory provision makes available. Congress's authorization of the federal courts to "grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant," provides Sallen with an explicit cause of action to redress his loss of corinthians.com under the UDRP. Cf. PHC, Inc. v. Pioneer Healthcare, Inc., 75 F.3d 75, 79 (1st Cir.1996) (holding that federal jurisdiction clearly exists over plaintiff's request for a declaration that it was not violating defendant's trademark rights and that it was entitled to maintain its trademark registration).

That a declaration of compliance with the ACPA trumps the panel's finding of noncompliance with the UDRP is further supported by the overlap between the two provisions. In the WIPO proceeding, the panel found that corinthians.com was confusingly similar to CL's trademark, that Sallen had no rights or legitimate interests in corinthians.com, and that the domain name was registered and being used in bad faith. Sallen argues that, under U.S. law, none of these claims is legally supported.

Although CL recognizes overlap between the UDRP and the ACPA, it argues that WIPO proceedings determine whether a registrant's use of a domain name is in accordance with the UDRP, not whether there has been a violation of a U.S. law. But a WIPO panel's application of the UDRP requires it to resolve issues of U.S. law in some cases and, in these cases, a federal court's declaration
of a UDRP participant's rights directly impacts the decision issued by the WIPO panel. For instance, the panel found that Sallen had "no rights to or legitimate interests in the domain name at issue." The panel concluded that publishing quotes from the Bible before CL filed its complaint but after Sallen had notice that there was a dispute brewing was insufficient to constitute a right or legitimate interest. A finding by a federal court that Sallen was within his rights when he used corinthians.com to post Biblical quotes would directly undercut the panel's conclusion.

Similarly, the panel, taking into consideration Sallen's "lack of rights or interests in the domain name," found that Sallen had registered and used corinthians.com in bad faith. Again, Sallen asserts that he had no bad faith intent because he believed, and had reasonable grounds to believe, that his use of corinthians.com was fair or otherwise lawful under 15 U.S.C. § 1125(d)(1)(B)(ii). A finding by a federal court that Sallen was within his rights would necessarily undermine the panel's conclusion that he used the domain name in bad faith.

More generally, a court's § 1114(2)(D)(v) decision that a party is not a cybersquatter under the ACPA, and that a party has a right to use a domain name, necessarily negates a WIPO decision that a party is a cybersquatter under the UDRP. The conclusion that a federal court's interpretation of the ACPA supplants a WIPO panel's interpretation of the UDRP is further reinforced by the fact that WIPO does not create new law—it applies existing law. In fact, the application of the "lowest common denominator of internationally agreed and accepted principles concerning the abuse of trademarks," rather than the creation of new law, is part of the UDRP's fundamental structure. See Second WIPO Report, supra, at ¶ 66.

CL claims that it does not contest any of Sallen's ACPA cybersquatting arguments, but instead defends WIPO's decision that Sallen violated the UDRP's contractual prohibition on cybersquatting. As CL understands the law, Sallen has waived his rights under the ACPA by agreeing to different standards under the UDRP. But § 1114(2)(D)(v) provides disappointed administrative dispute resolution participants with a chance to have any unfavorable UDRP decision reviewed in a U.S. court. We think this provision means that a federal court's decision that Sallen was in compliance with the ACPA necessarily contradicts the WIPO panel's finding that Sallen lacked a legitimate interest in corinthians.com. Congress has defined in the ACPA what it means to lack a legitimate interest in a domain name under U.S. law. For that reason, should a federal court declare that Sallen is in compliance with the ACPA, that declaration would undercut the rationale of the WIPO panel decision.

We would not lightly assume that Congress enacted the ACPA, but intended all domain name registrants to be governed by a different standard, administered by international dispute resolution panels, with no eventual recourse to whatever affirmative protections the U.S. law might provide. A contextual understanding of § 1114(2)(D)(v) supports reading the provision to include complaints such as Sallen's. Section 1114(2) addresses limitations on liability of potential defendants in trademark infringement actions.
Section 1114(2)(A) creates the "innocent infringer" exception and § 1114(2)(B) creates a limitation on liability of advertisers.

Section 1114(2)(D), added to the Lanham Act by the ACPA, creates, among other things, an exception to liability for domain name registrars that transfer or revoke domain names from registrants pursuant to a policy by the registrar prohibiting registration of domain names that are "identical to, confusingly similar to, or dilutive of another's mark." § 1114(2)(D)(ii)(II). Section 1114(2)(D)(ii)(I) also creates an exception to liability for domain name registrars that transfer or revoke domain names from registrants pursuant to a court order. The purpose of subsections (D)(i)-(ii) is "to encourage domain name registrars ... to work with trademark owners to prevent cybersquatting through a limited exemption from liability for domain name registrars ... that suspend, cancel, or transfer domain names pursuant to a court order or in the implementation of a reasonable policy prohibiting cybersquatting." H.R. Conf. Rep. No. 106-464, at 116 (1999); see also H.R. Rep. No. 106-412, at 15. Subsections (D)(i)-(ii) are, on this reading, quite favorable to trademark holders because they encourage domain name registrars to cooperate with trademark holders' attempts to assert their trademark rights.

Subsection (D)(iv) then provides that if a registrar suspends or transfers a registrant's domain name based on a knowing misrepresentation by another person that "a domain name is identical to, confusingly similar to, or dilutive of a mark," then the person making the misrepresentation is liable to the registrant. This provision states that "the court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant." This subsection, in contrast to subsections (D)(i)-(ii), "protects the rights of domain name registrants against overreaching trademark owners." H.R. Conf. Rep. No. 106-464, at 117. Although subsections (D)(i)-(ii) encourage enforcement of policies against cybersquatting by facilitating cooperation between registrars and trademark owners, subsection (D)(iv) provides a counterweight to ensure that this cooperation does not result in reverse domain name hijacking, whereby trademark holders abuse anticybersquatting provisions to take domain names from rightful, noninfringing registrants.

Subsection (D)(v), similar to subsection (D)(iv), also acts as a counterweight to offset potential overreaching by trademark holders. Subsection (D)(v) was viewed as an "additional protection[ ]" to subsection (D)(iv), designed to aid registrants who lose their domain names to overzealous trademark holders. Id. The similarity of subsections (D)(iv) and (v) is reinforced by their parallel structure. They use the exact same language, stating that "the court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant." Viewed in context, and with the structure of the statute in mind, subsection (D)(v) is best understood to provide domain name holders with a cause of action to rectify reverse domain name hijacking by trademark holders using the UDRP process to require registrants to transfer domain names originally held by rightful users under U.S. law.
The legislative history also supports the proposition that § 1114(2)(D)(v) was intended to provide registrants in Sallen’s position with a cause of action. Senator Hatch, discussing § 1114(2)(D)(v), which he offered as an amendment to the bill that was enacted as the ACPA, explained that a domain name registrant whose name is suspended in an extra-judicial dispute resolution procedure can seek a declaratory judgment that his use of the name was, in fact, lawful under the Trademark Act. This clarification is consistent with other provisions of the reported bill that seek to protect domain name registrants against overreaching trademark owners. 45 Cong. Rec. S10,516 (1999). This provision, along with others added by the Hatch-Leahy amendments, was understood by Senator Hatch to “balance the rights of trademark owners with the interests of Internet users” and to “preserv[e] the rights of Internet users to engage in protected expression online and to make lawful uses of others’ trademarks in cyberspace.” Id. at S10,515. Subsection (D)(v) is best understood as creating a protection for registrants to counteract abusive behavior by trademark holders. And this abusive behavior is best understood to include administrative dispute resolution proceedings under the UDRP where those proceedings are intended, as Sallen has asserted, to strip a domain name from a registrant who has lawfully registered and used that domain name.

IV.

For these reasons, the district court’s decision is reversed and the case is remanded.

BARCELONA.COM v. EXCELENTISIMO AYUNTAMIENTO DE BARCELONA

HILTON, DISTRICT JUDGE.

This matter came before the Court for trial without a jury on December 5, 2001. The Plaintiff in this case is a United States corporation, incorporated under the laws of Delaware. The Defendant is the City Council of Barcelona, Spain. Plaintiff is seeking a declaratory judgment asserting that its registration of the domain name barcelona.com is not unlawful. Defendant has filed a counterclaim under the Anticybersquatting Consumer Protection Act, asking that Network Solutions, Incorporated be ordered to transfer the domain name barcelona.com to the Council.

13 We note ACPA legislative history to the contrary, which discusses the meaning of a “reasonable policy” as the term is used in § 1114(2)(D)(ii)(II). See H.R.Rep. No. 106-412, at 15. It states that “[t]he act anticipates a reasonable policy against cyberpiracy will apply only to marks registered on the Principal Register of the Patent and Trademark Office.” Id. In light of the above discussion, however, we find this evidence insufficient to support CL’s argument.
In February 1996, Joan Nogueras Cobo (hereinafter “Nogueras”) registered the domain name barcelona.com in the name of his wife, Concepcio Riera Llena (hereinafter “Riera”) with the domain name registrar, Network Solutions, Incorporated (hereinafter “NSI”). In February 1997, Nogueras launched the website barcelona.com. On this website, Nogueras provided information about the city of Barcelona, an email service, a chat room, advertising and links to other Internet services. In February 1999 Nogueras offered the Defendant a chance to negotiate for the domain name barcelona.com. . . . The Defendant subsequently demanded the transfer of the domain name to the City Council. Following this demand, Riera transferred the domain name barcelona.com to Plaintiff corporation and changed the Spanish address in the domain name record to a United States address. . . .

Due to the frequency of disputes and the international nature of the Internet, the United States government established the Internet Corporation for Assigned Names and Numbers (hereinafter “ICANN”) in 1998 to address the problems created by domain name registrations. ICANN, in turn, adopted the Uniform Dispute Resolution Policy (hereinafter “UDRP”) . . .

In May 2000 the Defendant, after reviewing Plaintiff’s website, sent a letter to Plaintiff contesting Plaintiff’s use of the word “Barcelona” in the barcelona.com domain name. The Defendant subsequently filed a complaint [under the UDRP] with WIPO in May 2000, disputing Plaintiff’s registration of the barcelona.com domain name. On August 4, 2000 a WIPO panelist ruled in favor of the Defendant and ordered the transfer of the domain name barcelona.com to the City Council of Barcelona. The WIPO panelist made the determination that the City Council of Barcelona owned a trademark upon which the domain name barcelona.com infringed. [Within the ten day “appeal” period established by the UDRP], Plaintiff filed this action seeking a declaratory judgment that its registration of the barcelona.com domain name was not unlawful.

The issue arises a to what effect this Court must give to the WIPO decision under these circumstances. In Weber-Stephen Products Co. v. Armitage Hardware and Building Supply, Inc., 2000 WL 562470 at *2 (N.D. Ill. May 3, 2000), the court concluded that a federal district court “is not bound by the outcome of the ICANN administrative proceedings” but it declined “to determine the precise standard by which [to] review the panel’s decision, and what degree of deference (if any) [to] give that decision.” Parisi v. Netlearning, Inc., 139 F.Supp. 2d 745, 752 (E.D. Va. 2001), supports the determination that a WIPO ruling is not binding on a District Court reviewing such a case. In addition, the WIPO Final Report recommends that

a party should be free to initiate litigation by filing a claim in a competent national court instead of initiating the administrative procedure, if this is the preferred course of action, and should be able
to seek a de novo review of a dispute that has been the subject of the administrative procedure. WIPO Final Report, ¶ 150(iv).

Finally, Title 15 U.S.C. subsection 1114(2)(v) contains no language which would dictate that a district court must give any deference to the arbiter’s ruling. Considering the language of the statute, the panel ruling should be give no weight and this case must be decided based on the evidence presented before the Court.

The Court must consider whether either party in this case possesses a valid trademark for the name “Barcelona”. Neither the Plaintiff nor the Defendant in this case have a United States trademark for the name “Barcelona”. Nor do Plaintiff or Defendant have a Spanish trademark for the name “Barcelona” alone. However, Defendant does possess multiple Spanish trademarks containing the term “Barcelona”. Under Spanish law, when trademarks consisting of two or more words contain one word that stands out in a predominant manner, that dominant word must be given decisive relevance. Thus, under Spanish law, when considering a mark that contains two or more words, one must determine which word creates the most dominant impression in the mind of the consumer. Under the facts of this case, the term “Barcelona” has been included in many trademarks consisting of two of more words owned by the City Council of Barcelona. In most of these marks, the word “Barcelona” is clearly the dominant word which characterizes the mark.

Spanish law further dictates that the first to properly register a trademark is the only legally authorized user of such a trademark. In addition, the law of Spain provides that names of Spanish communities, municipalities and provinces cannot be registered as trademarks without the authorization of the municipal authorities. The city of Barcelona is clearly a Spanish municipality and there is not dispute that Plaintiff did not obtain authorization from the City Council of Barcelona to register the name “Barcelona”. The evidence is clear that the Defendant in this case owns a legally valid Spanish trademark for the dominant word “Barcelona”. The Plaintiff has offered no evidence to the contrary.

In determining whether to grant declaratory judgement for the Plaintiff, this Court must decide whether Plaintiff’s use of the Barcelona trademark is “not unlawful”. The Court first notes the confusing similarity between the barcelona.com domain name and the marks held by the Council. In addition, and Internet user would reasonably expect the services and information provided by the barcelona.com website to be offered by the City of Barcelona, Spain. Both the City’s official website and the Plaintiff’s website provide tourist information and tourism-related services associated with the City of Barcelona. Thus, this Court finds that the WIPO decision was correct in its determination that barcelona.com, Inc. took “advantage of the normal confusion” of an Internet

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3 These trademarked names include “Excelentisimo Ayuntamiento de Barcelona” in addition to combinations of the name “Barcelona” with such descriptive words as “Teatre”, “Canal” and “Television”.
user by using the “Barcelona route” because an Internet user would “normally expect to reach some official body...for...the information.”

The court further finds that the circumstances surrounding the incorporation of barcelona.com, Inc. and the actions taken by Nogueras in attempting to sell the domain name evidence a bad faith intent to profit from the registration of a domain name containing the Council’s mark. The Plaintiff corporation was formed in October 1999, several months after Nogueras first offered the Defendant a chance to negotiate for the domain name barcelona.com. In April 2000, Nogueras presented the Defendant with a business plan detailing his proposed development of the barcelona.com website. This business plan contained a grossly exaggerated appraisal of the worth of barcelona.com. Only after the Defendant sent Nogueras a letter in May 2000 demanding the return of the barcelona.com domain name did Riera transfer the name to the Plaintiff corporation. The Plaintiff corporation has no employees, pays no salaries, has no separate bank accounts, has only Riera and Nogueras as shareholders and does not own, lease or rent any office space in the state of its mailing address. Immediately following the domain name transfer, the Plaintiff corporation changed its address in the domain name records from a Spanish location to one in the United States. These factors clearly demonstrate a bad faith intent on the part of the Plaintiff and its sole shareholders to improperly profit from their registration of the domain name barcelona.com. The Court, therefore, does not find that the Plaintiff’s use of the Defendant’s mark was “not unlawful”.

The Court must next consider Defendant’s counterclaim for relief under the Anticybersquatting Consumer Protection Act (hereinafter “ACPA”). In deciding the ACPA claim, the Court must first determine whether the ACPA applies to violations of foreign marks, or whether its application is limited to violations of United States trademarks. [The court quoted the ACPA provision codified in Section 43(d) of the Lanham Act.] This statute was enacted to protect trademark owners from the attempts of domain name registrants to register names containing marks before the trademark owners could register the domain name themselves. . . .

In the text of the statute Congress makes no distinction between United States or foreign marks, even though trademark law has historically been governed and regulated on a national level. However, this law was framed to govern the registration of domain names on the Internet, and the framers were perfectly aware of the international nature of the Internet when enacting the law. When an individual registers a domain name on the Internet, the initial act of registration may take place within the United States, but the effects of such a registration can be felt worldwide. An Internet site registered in the United States can be viewed by anyone with Internet access anywhere in the world. Further, while the registration may be in the United States, a party need not be in the United States to actually register a domain name. Registration itself occurs over the Internet, thereby permitting an individual to register a U.S. domain name from anywhere in the world. It is untenable to suppose that Congress, aware of the fact that the Internet is so international in nature, only intended for U.S. trademarks to be protected under the Anticybersquatting statute. Indeed, the federal government established ICANN, which, in turn, authorized the World Intellectual Property Organization to resolve Internet
domain name disputes. This authorization was granted, in part, precisely because of the international nature of these disputes. For these reasons, this Court is of the opinion that the Spanish trademark “Barcelona” is valid for purposes of the ACPA.

Next, the Court must address whether the Plaintiff had a bad faith intent to profit from the mark “Barcelona” through its registration of the domain name barcelona.com. See 15 U.S.C. § 1125(2)(d)(1)(A)(i). The ACPA sets out nine factors that a court may use in considering whether a person possessed bad faith intent in registering a domain name. 15 U.S.C. § 1125(2)(d)(1)(B) . . . .

In order to properly evaluate the intent of the Plaintiff, the circumstances surrounding Plaintiff’s registration and use of the domain name barcelona.com need to be reviewed. Nogueras registered the domain name barcelona.com in the name of his wife, Riera, in February 1996. He has registered nearly 60 web sites containing city names and has registered well over 100 names in total. In February 1997, Nogueras launched the website barcelona.com providing several services to Internet users including email services, hotel, hostel and car reservations, and airline ticket purchasing. However, most of these services are provided through third party affiliates of barcelona.com, and not barcelona.com, Inc., itself. Barcelona.com, Inc. has no employees, pays no salaries and has no separate bank accounts.

Nogueras sent an email to Defendant in February 1999 offering to negotiate for the domain name barcelona.com. In October 1999, Plaintiff corporation was incorporated in Delaware. Plaintiff corporation has no employees, pays no salaries to its offices and has no separate bank accounts. Plaintiff’s only shareholders are Riera and Nogueras and all funds that Plaintiff receives are deposited in Riera’s account. Plaintiff maintains a mailing address in New York but has no telephone listing there, nor does it own, lease or rent any office space in New York. Nogueras met with Defendant’s agent in March and April 2000. During these meetings Nogueras discussed his proposed development of the barcelona.com web site. Nogueras presented a business plan at the April meeting in which he described the planned development of the barcelona.com web site. This business plan contained grossly exaggerated figures of the worth of barcelona.com and Nogueras’ proposed developments. On May 2, 2000 Defendant sent a letter to Riera and Nogueras, demanding transfer of the barcelona.com domain name. On May 5, 2000, Riera instructed NSI to transfer the domain name barcelona.com from her name to the name of the Plaintiff corporation. On May 10, 2000 Plaintiff corporation changed its address from a Spanish location to an address in the United States in the domain name record. Defendant filed an administrative complaint against Plaintiff with WIPO on May 26, 2001.

In assessing whether the Plaintiff exhibited bad faith intent, the Court first notes that barcelona.com, Inc. does not possess any trademark or intellectual property rights in the name “Barcelona”. First and foremost, the Plaintiff has not registered a trademark in any country for the name “Barcelona”. Further, as discussed earlier in this Opinion, under Spanish trademark law, it would have been necessary for the Plaintiff to get Defendant’s permission before even attempting to register the “Barcelona” trademark in Spain due to the fact that
Barcelona is the name of a Spanish city. Finally, as previously discussed, under Spanish trademark law, the first to register a complex mark with a dominant term is the exclusive possessor of rights to that mark. Here, the Defendant has clearly registered a complex mark with the dominant work “Barcelona”, thus the Defendant is the exclusive owner of the mark.

Barcelona.com, Inc., while obviously the name of the Plaintiff corporation, was not created until three years after the domain name was registered. This incorporation did not occur until after Nogueras attempted to see the barcelona.com site to the Defendant. Thus, while Plaintiff’s name does consist of the “legal name...this is commonly used to identify that person”, the legal name of the Plaintiff was not created until after the domain name was registered.

Further, while the Plaintiff does offer some services on its website, those services are generally provided through third party servers and are not maintained by the Plaintiff, itself. Plaintiff does not have any employees, nor does it have any assets other than its domain name. Plaintiff’s only shareholders are Riera and Nogueras and Plaintiff pays no salaries to its officers. It is clear that Barcelona.com offers minimal goods and services and generally serves as a mere conduit to other sites.

The Plaintiff attempted to sell the barcelona.com website to the Defendant in August 1999. Nogueras sent an email to the City Council of Barcelona in August 1999 notifying the City that he had owned the domain name barcelon.com for three years, and that the City should negotiate the use of the name. Nogueras went on to write that the domain name could end up in the hands of people who would use it wrongly. While Nogueras denies that this was an offer to sell the domain name to the Defendant, the Court finds that this was a thinly veiled attempt to demand money from the City Council in return for the domain name containing their mark. Further, during an April meeting with a representative of the City Council, Nogueras presented a business plan which grossly exaggerated the value of the barcelona.com business prospects. This email and business plan exhibited a bad faith intent on the part of the Nogueras to profit off of the Defendant’s mark.

Finally, this Court notes the actions of Nogueras and Riera in May 2000, after they received a letter from the Defendant demanding the transfer of the Barcelona.com domain name. Within a week of this better being sent, Nogueras and Riera transferred the domain name Barcelona.com to Plaintiff corporation and changed the address of the corporation from Spain to the United States. The Court finds that these actions further reflect the bad faith intent of Nogueras and Riera in their registration of the barcelon.com domain name.

Finally, under the ACPA, the Court must determine whether Riera registered “a domain name that...is identical or confusingly similar” to the Defendant’s mark. The Court first notes that the domain name Barcelona.com is confusingly similar to the Defendant’s trademarks as all contain the term “Barcelona” as the dominant element. Further, the Court reiterates its determination that the term barcelona.com website offers services and information that an Internet browser would reasonably expect to be offered by the City of Barcelona, Spain. Indeed, the contents of the Council’s own website are quite similar to that
provided on the barcelona.com website. Both sites provide tourist information and services about the City of Barcelona, and Plaintiff’s website even allows a user to view unauthorized information contained on the Council’s website. Thus, this Court agrees with the WIPO panelist’s determination that barcelona.com, Inc. took “advantage of the normal confusion” of and Internet user by using the “Barcelona route” because an Internet user would “normally expect to reach some official body...for...the information.” For these reasons, the Court finds ample evidence of a confusing similarity between the Plaintiff’s domain name and the Defendant’s mark.

Plaintiff in this action seeks a determination that its domain name, barcelona.com, does not violate any marks and that Riera’s registration of the name was not unlawful. The Court cannot make such a determination. Riera consented in the registration agreement to have a WIPO panel determine any dispute arising from barcelona.com, Inc.’s registration for the domain name barcelona.com. This Court is of the opinion that the WIPO panel’s decision was correct on the merits. Thus, the Court finds that the Plaintiff’s request for a declaratory judgment ruling that the registration of the domain name barcelona.com was not unlawful should be denied. The Court finds that Defendant’s counterclaim under the ACPA is well taken, and that the Defendant’s lawful Spanish marks satisfy the requirements of the statute. In addition, Nogueras exhibited bad faith intent through his registration of multiple other potentially infringing domain names, his attempts to sell the domain name to the Defendant, his lack of trademark or intellectual property rights in the name “Barcelona”, and his failure to provide more that minimal goods and services through the site. Finally, the Plaintiff’s domain name is confusingly similar to the Defendant’s mark. Thus, under the ACPA Plaintiff, through the actions of Nogueras, has exhibited a bad faith intent to profit from the use of the Defendant’s mark.

NOTES AND QUESTIONS

(1) Relevance of UDRP Panel Opinions. What weight should be given panel determinations in the national proceedings? Does the Sallen opinion foreclose the district court on remand from affording any weight to the prior URDP panel opinion? Should the weight afforded a panel determination vary depending upon the context of the national court proceeding in which it is raised? In Referee Enters., Inc. v. Planet Ref, Inc., a federal district court in Wisconsin issued a preliminary injunction prohibiting the defendants from using the term ereferee.com as part of its domain name under both confusion-based and dilution theories of trademark infringement. See Referee Enters., Inc. v. Planet Ref, Inc., Case No. 00-C-1391 (E.D. Wis. Jan. 24, 2001), Order for Preliminary Injunction, http://www.loundy.com/Cases/Referee_Ent_v_Planet_Ref.html. Yet the plaintiff had previously failed to persuade an ICANN panel that the defendant’s conduct violated the UDRP. See Referee Enters., Inc. v. Planet Ref, Inc., NAF Case No.
FA4000094707 (June 26, 2000) (finding that the respondent had a legitimate interest in the domain name given the “sports background” of the respondent business and the generic meaning of the term “referee,” and noting that while the complainant had registered trademark rights in the term REFEREE with respect to magazines concerning sports officiating, this cannot preempt all uses of the term). Might it be appropriate to give weight to panel opinions for some purposes but not others? If so, for which purposes might they be considered? How might the attitude of national courts affect the success or role of the ICANN panels, and how might that attitude contribute to the appropriate development of international intellectual property law.

(2) **Purpose of Section 32(2)(D)(v).** What was the purpose of Section 32(2)(D)(v)? The *Sallen* and *Barcelona.com* courts each seeks to divine congressional intent in enacting the ACPA. *See Sallen* (“It would be very odd if Congress, which was well aware of the international nature of trademark disputes, protected Americans against reverse domain name hijacking only when a registered American mark owner was doing the hijacking.”); *Barcelona.com* (“It is untenable to suppose that Congress, aware of the fact that the Internet is so international in nature, only intended for U.S. trademarks to be protected under the Anticybersquatting statute.”). Are their conclusions persuasive?