

**UNITED STATES – SECTION 211 OMNIBUS  
 APPROPRIATIONS ACT OF 1998**

**Report of the Appellate Body**  
 WT/DS176/AB/R

*Adopted by the Dispute Settlement Body  
 on 1 February 2002*

European Communities,  
*Appellant/Appellee*  
 United States, *Appellant/Appellee*

Present:  
 Ehlermann, Presiding Member  
 Bacchus, Member  
 Lacarte-Muró, Member

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## I. INTRODUCTION

1. 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").<sup>1</sup> 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").<sup>2</sup> 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

<sup>1</sup> WT/DS176/R, 6 August 2001.

<sup>2</sup> Section 211 of the Department of Commerce Appropriations Act, 1999, as included in the Omnibus Consolidated and Emergency Supplemental Appropriations Act 1999, Public Law 105-277, 112 Stat. 2681, which became law in the United States on 21 October 1998, referred to in this dispute as "Section 211".

*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*.

2. The background to this dispute and the measure at issue are described in detail in the Panel Report.<sup>3</sup> Here, we set out those aspects of the measure that are relevant to this appeal.

3. 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.

<sup>3</sup> Panel Report, paras. 1.1-2.13.

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

4. Section 211 applies to a defined category of trademarks, trade names and commercial names, specifically to those trademarks, trade names and commercial names that are "the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated" by the Cuban Government on or after 1 January 1959.<sup>4</sup> 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.<sup>5</sup> Under these regulations, "designated national" is defined as Cuba, a national of Cuba or a specially designated national.<sup>6</sup> "Confiscated" is defined as nationalized or expropriated by the Cuban Government on or after 1 January 1959 without payment of adequate and effective compensation.<sup>7</sup>

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<sup>4</sup> Before the Panel, the United States submitted that "trade names" and "commercial names" are synonymous under its principal federal statute on trademark protection. As in the Panel Report, a reference in this Report to trade names should be read to include commercial names. See Panel Report, para. 8.21.

<sup>5</sup> 50 U.S.C. App. 1 ff.

<sup>6</sup> See 31 CFR 515.305, which defines the term "designated national" as follows:  
 §515.305 Designated national.

For the purposes of this part, the term *designated national* shall mean Cuba and any national thereof including any person who is a specially designated national.

See also, 31 CFR 515.306, which defines the term "specially designated national" as follows:

(a) The term *specially designated national* shall mean:

- (1) Any person who is determined by the Secretary of Treasury to be a specially designated national,
- (2) Any person who on or since the "effective date" has acted for or on behalf of the Government or authorities exercising control over a designated foreign country, or
- (3) Any partnership, association, corporation or other organization which on or since the "effective date" has been owned or controlled directly or indirectly by the Government or authorities exercising control over a designated foreign country or by any specially designated national.

<sup>7</sup> See 31 CFR 515.336, which defines the term "confiscated" as follows:  
 §515.336 Confiscated.

As used in §515.208, the term *confiscated* refers to:

- (a) The nationalization, expropriation, or other seizure by the Cuban Government of ownership or control of property, on or after January 1, 1959:
  - (1) Without the property having been returned or adequate and effective compensation provided; or
  - (2) Without the claim to the property having been settled pursuant to an international claims settlement agreement or other mutually accepted settlement procedure; and

5. Section 211(a)(1) relates to licensing regulations contained in the CACR. The CACR are administered by the Office of Foreign Assets Control ("OFAC"), an agency of the United States 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.<sup>8</sup> 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.<sup>9</sup> 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.<sup>10</sup>

6. 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 Cu-

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- (b) The repudiation by the Cuban Government of, the default by the Cuban Government on, or the failure of the Cuban Government to pay, on or after January 1, 1959:
  - (1) A debt of any enterprise which has been nationalized, expropriated, or otherwise taken by the Cuban Government;
  - (2) A debt which is a charge on property nationalized, expropriated, or otherwise taken by the Cuban Government; or
  - (3) A debt which was incurred by the Cuban Government in satisfaction or settlement of a confiscated property claim.

<sup>8</sup> See 31 CFR 515.201, which provides:  
 §515.201 Transactions involving designated foreign countries or their nationals; effective date.

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

...

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

...

(2) All transfers outside the United States with regard to any property or property interest subject to the jurisdiction of the United States.

<sup>9</sup> See 31 CFR 515.317, which provides:  
 A general license is any license or authorization the terms of which are set forth in this part.

<sup>10</sup> 31 CFR 515.318.

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ban Government. Before the enactment of Section 211, Section 515.527 read as follows:

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

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

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

(a) (2) No transaction or payment is authorized or approved pursuant to paragraph (a)(1) of this section with respect to a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated, as that term is defined in section 515.336, unless the original owner of the mark, trade name, or commercial name, or the *bona fide* successor-in-interest has expressly consented.

8. The effect of Section 211, as read with the relevant provisions of the CACR, is to make inapplicable to a defined category of trademarks and trade names certain aspects of trademark and trade name protection that are otherwise guaranteed in the trademark and trade name law of the United States. In the United States, trademark and trade name protection is effected through the common law as well as through statutes. The common law provides for trademark and trade name creation through use. The Trademark Act of 1946 (the "Lanham Act")<sup>11</sup> stipulates substantive and procedural rights in trademarks as well as trade names and governs unfair competition. Section 211(b) refers to Sections 44(b) and (e) of the Lanham Act.<sup>12</sup>

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<sup>11</sup> 15 U.S.C. §1051 ff. The Lanham Act also defines the scope of a trademark, the process by which a federal registration for a trademark can be obtained from the United States Patent and Trademark Office (the "USPTO"), and prescribes penalties for trademark infringement. Under the law of the United States, trade names do not need to be registered.

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

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

...

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

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

- (a) Section 211(a)(1) is not inconsistent with Article 15.1 of the TRIPS Agreement;
- (b) Section 211(a)(1) is not inconsistent with Article 2.1 of the TRIPS Agreement in conjunction with Article 6*quinquies*A(1) of the Paris Convention (1967);
- (c) it has not been proved that Section 211(a)(2) is inconsistent with Article 16.1 of the TRIPS Agreement;
- (d) Section 211(a)(2) is inconsistent with Article 42 of the TRIPS Agreement;
- (e) Section 211(a)(2) is not inconsistent with Article 2.1 of the TRIPS Agreement in conjunction with Article 6*bis* of the Paris Convention (1967);
- (f) Section 211(a)(2) is not inconsistent with Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention (1967);
- (g) Section 211(a)(2) is not inconsistent with Article 3.1 of the TRIPS Agreement and Article 2.1 of the TRIPS Agreement in conjunction with Article 2(1) of the Paris Convention (1967);
- (h) Section 211(a)(2) is not inconsistent with Article 4 of the TRIPS Agreement;
- (i) it has not been proved that Section 211(b) is inconsistent with Article 16.1 of the TRIPS Agreement;
- (j) it has not been proved that Section 211(b) is inconsistent with Article 42 of the TRIPS Agreement;

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

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- (k) it has not been proved that Section 211(b) is inconsistent with Article 2.1 of the TRIPS Agreement in conjunction with Article 6*bis* of the Paris Convention (1967);
- (l) Section 211(b) is not inconsistent with Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention (1967);
- (m) Section 211(b) is not inconsistent with Article 3.1 of the TRIPS Agreement and Article 2.1 of the TRIPS Agreement in conjunction with Article 2(1) of the Paris Convention (1967); and
- (n) Section 211(b) is not inconsistent with Article 4 of the TRIPS Agreement.<sup>13</sup>

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

12. On 4 October 2001, the European Communities notified the DSB of its intention to appeal certain issues of law covered in the Panel Report and certain legal interpretations developed by the Panel, pursuant to paragraph 4 of Article 16 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes* (the "DSU"), and filed a Notice of Appeal pursuant to Rule 20 of the *Working Procedures for Appellate Review* (the "*Working Procedures*"). On 15 October 2001, the European Communities filed its appellant's submission.<sup>16</sup> On 19 October 2001, the United States filed an other appellant's submission.<sup>17</sup> On 26 October 2001, the European Communities and the United States each filed an appellee's submission.<sup>18</sup>

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

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<sup>13</sup> Panel Report, para. 9.1.

<sup>14</sup> *Ibid.*, para. 8.41.

<sup>15</sup> *Ibid.*, para. 9.3.

<sup>16</sup> Pursuant to Rule 21 of the *Working Procedures*.

<sup>17</sup> Pursuant to Rule 23(1) of the *Working Procedures*.

<sup>18</sup> Pursuant to Rules 22 and 23(3) of the *Working Procedures*.



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

## II. ARGUMENTS OF THE PARTICIPANTS

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

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

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

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

17. The European Communities argues that Article 6quinquies of the Paris Convention (1967) facilitates the obtaining of trademark protection in a Paris Union country when a trademark is already registered in the country of origin.<sup>19</sup> This facilitation is limited to the registration stage of the trademark. Trademarks created by registration in different countries will afterwards be "fully independent".<sup>20</sup> Therefore, Article 6quinquies limits the discretion of WTO Members with respect to the imposition of conditions for trademark registration. There is thus no apparent conflict between Articles 6 and 6quinquies, contrary to what the Panel suggests in paragraph 8.79, second sentence.

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

19. In the view of the European Communities, the Panel's recourse to preparatory work is an erroneous invocation of the supplementary means of interpretation in Article 32 of the *Vienna Convention on the Law of Treaties* ("*Vienna Convention*").<sup>21</sup> According to the European Communities, none of the condi-

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

<sup>20</sup> European Communities' appellant's submission, para. 53.

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

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tions which justify recourse to supplementary means of interpretation is present in this dispute. Moreover, the documents related to the history of the Paris Convention (1967) used by the Panel in its analysis, fail to provide a clear indication of the intentions of the negotiators.

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

2. *Article 15 of the TRIPS Agreement*

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

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

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

24. The European Communities argues that, contrary to the Panel's position, Article 15.2 should be interpreted as allowing only those exceptions that are expressly foreseen in the Paris Convention (1967). This is consistent with the general recognition that exceptions must be interpreted narrowly. There is a relatively small number of express exceptions to Article 15.1 of the *TRIPS Agreement* that are contained in the Paris Convention (1967) or the *TRIPS Agree-*