

WORLD TRADE ORGANIZATION

WT/DS176/AB/R

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

AB-2001-7

Report of the Appellate Body

*Excerpted version prepared by Prof Daniel Gervais
for teaching purposes only.*

Paragraph numbers may not match those of the original report.

Footnotes omitted.

WORLD TRADE ORGANIZATION
APPELLATE BODY

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

European Communities, *Appellant/Appellee*

United States, *Appellant/Appellee*

Present:

Ehlermann, Presiding Member

Bacchus, Member

Lacarte-Muró, Member

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”). 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*.

2. 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.

3. 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.

4. 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 license from OFAC.⁸ OFAC has the authority to grant either of two categories of licenses, namely general licenses and specific licenses. A general license is a general authorization for certain types of transactions set out in OFAC regulations. Such a license is, in effect, a standing authorization for the types of transactions that are specified in the CACR. A specific license, 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 license is not available must apply to OFAC for a specific license.

5. 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.

6. 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. Section 211(b) refers to Sections 44(b) and (e) of the Lanham Act.

II. Issues Raised in this Appeal

15. The measure at issue in this dispute is Section 211 of the United States Omnibus Appropriations Act, 1999, (“Section 211”), which became law in the United States on 21 October 1998. Section 211 makes reference to Section 515.527 of the Cuban Assets Control Regulations (the “CACR”). The CACR were enacted on 8 July 1963 pursuant to the Trading with the Enemy Act, a statute enacted by the United States Congress on 6 October 1917. After the entry into force of Section 211, the CACR were amended by adding a new subparagraph (a)(2) to Section 515.527 of Title 31 CFR. Both parties to this dispute agree that neither the CACR nor the Trading with the Enemy Act is part of the measure at issue in this appeal. Thus, we refer to the CACR and to the Trading with the Enemy Act only to the extent that they are relevant for the interpretation of Section 211 and have been addressed by the participants in their arguments in this dispute.

16. This dispute focuses on the protection of trademarks. In the legal regimes of most WTO

Members, the ownership of a trademark is established exclusively through registration. The Panel established that this is not so under United States law. Before the Panel, the United States submitted that, under United States law, “‘use’ in connection with a business or assets may create ownership rights in the trademark”. The Panel established, further, that, in the United States, “the registration of a trademark confers a *prima facie* presumption of the registrant’s ownership of the registered trademark.” The European Communities agreed with the submission of the United States that “if the person registering a trademark in the United States is not the true owner of the trademark under [United States] law, the registration may be cancelled.”

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

18. Therefore, the measure at issue in this dispute consists of subsections (a)(1), (a)(2) and (b) of Section 211. With respect to this measure, the following issues are [among those] raised in this appeal:

- (a) whether the Panel erred in finding that Section 211(a)(1) is not inconsistent with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 6*quinquies* A(1) of the Paris Convention (1967);
- (b) whether the Panel erred in finding that Section 211(a)(2) is inconsistent with Article 42 of the *TRIPS Agreement* with respect to the protection of trademarks; and
- (c) whether the Panel erred in finding that Sections 211(a)(2) and (b) are not inconsistent with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 2(1) of the Paris Convention (1967) and Article 3.1 of the *TRIPS Agreement* in respect of the protection of trademarks; and
- (d) whether the Panel erred in finding that trade names are not covered by the *TRIPS Agreement* and, consequently:
 - (i) erred in not finding that Sections 211(a)(2) and (b) are 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* in respect of the protection of trade names; and
 - (ii) erred in finding that Sections 211(a)(2) and (b) are not inconsistent with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 8 of the Paris Convention (1967).

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

19. We turn now to the claims of the European Communities as they relate to Article 6*quinquies* of the Paris Convention (1967). Article 6*quinquies* 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)

20. Article 6*quinquies* 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.

21. 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 6*quinquies* 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*.

22. 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 6*quinquies* of the Paris Convention (1967) is one such provision.

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

24. 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.

25. 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*.

26. 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. However, that applicant must comply with the conditions of that other country where registration is sought.

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

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

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

30. The participants to this dispute disagree on the scope of the requirement imposed by Article 6*quinquies* A(1) to accept for filing and protect trademarks duly registered in the country of origin “as is”. Looking first to the text of Article 6*quinquies* A(1), we see that the words “as is” (or, in French, “telle quelle”) 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 6*quinquies* A(1) to accept for filing and protect a trademark duly registered in the applicant’s country of origin relates at least to the *form* of the trademark as registered in the applicant’s country of origin. 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.

31. To resolve this question, we look to the context of Article 6*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*quinquies* A(1) does *not* encompass all the features and aspects of that trademark. As we have stressed, Article 6(1) of the Paris Convention (1967) reserves to the countries of the Paris Union the right to determine the *conditions* for filing and registration of trademarks by their domestic legislation. 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). Clearly, if Article 6*quinquies* A(1) were interpreted too broadly, the legislative discretion reserved for Members under Article 6(1) would be significantly undermined.

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

33. 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.

34. We note that Article 6*quinquies* 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.

35. The European Communities maintains that these exceptions contemplated by Article 6*quinquies* B(1) through (3) refer to various elements going well beyond the form of a trademark. The European Communities argues that this gives contextual support to the European Communities’ notion that the obligation of a Paris Union country, under Article 6*quinquies* 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.

36. We note that the *form* of a trademark may be of such a nature as to infringe rights acquired by third parties within the meaning of paragraph 1 of Article 6*quinquies* B. The *form* of a trademark may be devoid of distinctive character within the meaning of paragraph 2 of that Article. 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 6*quinquies* B. Therefore, in our view, if the requirements of Article 6*quinquies* A(1) are interpreted as covering *only* the *form* of a trademark, all the exceptions in Article 6*quinquies* B(1) through (3) can be given full meaning and effect.

37. For these reasons, we uphold the finding of the Panel in paragraph 8.89 of the Panel Report that Section 211(a)(1) is not inconsistent with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 6*quinquies* A(1) of the Paris Convention (1967).

IV. Article 16 of the *TRIPS Agreement*

38. 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 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).

39. 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.

40. 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.

41. 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.³ 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.

42. 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 Panel¹²⁶, 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.” The Panel did not discuss this. However, the Panel seems to have taken the view that the definition of the conditions of ownership has been left to the legislative discretion of individual countries of the Paris Union by Article 6(1) of the Paris Convention (1967). We agree.

43. 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.

44. With this conclusion in mind, we consider next whether Sections 211(a)(2) and (b) are inconsistent with Article 16.1. [W]e recall that we concluded earlier that, like Section 211(a)(2), Section 211(b) is related to ownership of a defined category of trademarks. Like Section 211(a)(2), Section 211(b) can be invoked against the presumptive ownership of a registered trademark. Like Section 211(a)(2), Section 211(b), if successfully invoked, will eviscerate the presumption of ownership flowing under United States’ law from registration of a trademark. Therefore, we conclude that, like Section 211(a)(2), Section 211(b) is not inconsistent with Article 16, as neither this Article nor any other Article of the *TRIPS Agreement* determines who owns or does not own a trademark. Therefore, in our view, it has not only “not been proved that Section 211(b) is inconsistent with Article 16.1”, but, we conclude also that Section 211(b) is not inconsistent with that Article.

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

45. 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.

46. 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.

47. 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, as we have previously explained, by virtue of Article 2.1 of the *TRIPS Agreement*, Article 2(1) of the Paris Convention (1967), as well as certain other specified provisions of the Paris Convention (1967), have been incorporated into the *TRIPS Agreement* and, thus, the *WTO Agreement*. Consequently, these obligations of countries of the Paris Union under the Paris Convention (1967) are also now obligations of all WTO Members, whether they are countries of the Paris Union or not, under the *WTO Agreement*, and,

thus, are enforceable under the DSU.

48. 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*.

49. 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*.

50. 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.

51. As we see it, the national treatment obligation is a fundamental principle underlying the *TRIPS Agreement*. As articulated in Article 3.1 of the *TRIPS Agreement*, the national treatment principle calls on WTO Members to accord no less favorable treatment to non-nationals than to nationals in the “protection” of trade-related intellectual property rights. The footnote to Article 3.1 clarifies that this “protection” extends to “matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed” in the *TRIPS Agreement*. As we have previously concluded, neither the *TRIPS Agreement* nor the Paris Convention (1967) requires WTO Members to adopt any particular “ownership regime”.

52. According to the European Communities, the discriminatory treatment in favor 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.

53. That “extra hurdle” is this. United States nationals who are successors-in-interest must go successfully only through the OFAC procedure. In the circumstances addressed by Section 211, they are not subject to the constraints imposed by Section 211(a)(2).¹⁸¹ In contrast, non-United States successors-in-interest not only must go successfully through the OFAC procedure, but also find themselves *additionally* exposed to the “extra hurdle” of an additional proceeding under Section 211(a)(2). 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).

54. 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 license, the United States courts would apply the “longstanding principle against the recognition of foreign confiscations.”

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

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

57. 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.

58. 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 license 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.

59. 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 favorable situation than that faced by United States successors-in-interest. And, even if we were to accept the United States argument about the doctrine of non-recognition of foreign confiscation, presumably that doctrine would apply to those who are not nationals of the United States as well as to those who are. Any application of this doctrine would therefore not offset the discrimination in Section 211(a)(2), because it would constitute yet another, separate obstacle faced by nationals and non-nationals alike. Hence, it would not offset the effect of Section 211(a)(2), which applies only to successors-in-interest who are not United States nationals.

60. 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*.

61. For this reason, we reverse the Panel’s conclusion in paragraph 8.140 of the Panel Report that “[b]ecause US nationals are unable to obtain licenses so as to become a successor-in-interest and OFAC has not granted any such license 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).”

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

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

63. 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.

64. 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:

[W]e 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.²³⁵ (emphasis added)

65. 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*.

66. 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.

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

68. 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*, which, we recall, provides:

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

69. 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*.

70. 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*.

71. 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*. 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.

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

VII. Findings and Conclusions

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

- (a) upholds the Panel's finding in paragraph 8.89 of the Panel Report that Section 211(a)(1) is not inconsistent with Article 2.1 of the *TRIPS Agreement* in conjunction with Article 6*quinquies* A(1) of the Paris Convention (1967);
- (b) with respect to Article 2.1 of the *TRIPS Agreement* in conjunction with Article 2(1) of the Paris Convention (1967) and Article 3.1 of the *TRIPS Agreement*, and in relation to trademarks:
 - (i) regarding successors-in-interest:
 - (a) reverses the Panel's finding and finds that Section 211(a)(2) is inconsistent with these Articles;
 - (b) upholds the Panel's finding and finds that Section 211(b) is not inconsistent with these Articles;
 - (ii) regarding original owners, reverses the Panel's findings and finds that Section 211(a)(2) and Section 211(b) are inconsistent with these Articles;
- (c) reverses the Panel's finding that trade names are not covered under the *TRIPS Agreement*, and finds that WTO Members do have an obligation under the *TRIPS Agreement* to provide protection to trade names, and accordingly with respect to Article 2.1 of the *TRIPS Agreement* in conjunction with Article 2(1) of the Paris Convention (1967) and Article 3.1 of the *TRIPS Agreement*.

74. The Appellate Body *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.