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Assessing Clashes and Interplays of Regimes from a Distributive Perspective: IP Rights Under the Strengthened Embargo Against Cuba and the Agreement on Trips

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ASSESSING CLASHES AND INTERPLAYS OF REGIMES FROM A DISTRIBUTIVE PERSPECTIVE: IP RIGHTS UNDER THE STRENGTHENED EMBARGO AGAINST CUBA AND THE AGREEMENT ON TRIPS

*Robert Dufresne**

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I. INTRODUCTION

It has been oft-written that the international society is undergoing a series of important structural and cultural changes. For international jurists, these modifications can be cast as a threefold expansion: expansion of the scope of international law with the creation and development of important regulatory frameworks, leading to an increase of the normative prescriptions of international law;¹ a strengthening and multiplication of the enforcement mechanisms of the norms of international law;² and both a quantitative and qualitative expansion of the actors of the international society who seek the support of international norms to validate their claims or their participation.³

With this threefold transformation, the volume of social transactions regulated internationally or transnationally has undoubtedly grown. As a logical corollary, one can expect an increase of the risks of frictions among various normative frameworks, enforcement bodies, and actors of the international society. This Article aims at examining an instance of such clash between two regulatory frameworks whose application scope partly overlaps and whose clash therefore calls for resolution: it deals with the recognition of Cuba-originating intellectual property (IP) rights in the United States.⁴ The two regulatory frameworks that will be exam-

1. See Vaughan Lowe, *The Politics of Law-Making: Are the Method and Character of Norm Creation Changing?*, in *THE ROLE OF LAW IN INTERNATIONAL POLITICS* 207 (Michael Byers ed., 2000) (arguing that the international legal system has matured so that its architecture has reached the point of completeness).

2. See generally Cesare P.R. Romano, *The Proliferation of International Judicial Bodies: The Pieces of the Puzzle*, 31 N.Y.U. J. INT'L L. & POL. 710 (1999); Georges Abi-Saab, *Fragmentation or Unification: Some Concluding Remarks*, 31 N.Y.U. J. INT'L L. & POL. 919 (1999); Jonathan I. Charney, *Is International Law Threatened by Multiple International Tribunals?*, 271 RECUEIL DES COURS 101 (1998); see also Gilbert Guillaume, President of the International Court of Justice, *The Proliferation of International Judicial Bodies: The Outlook for the International Legal Order*, Speech delivered to the Sixth Commission of the General Assembly of the United Nations (Oct. 27, 2000), available at http://www.icj-cij.org/ijcwww/ipresscom/SPEECHES/iSpeechPresident_Guillaume_SixthCommittee_20001027.htm.

3. See generally JAMES N. ROSENAU, *TURBULENCE IN WORLD POLITICS: A THEORY OF CHANGE AND CONTINUITY* (1990); Benedict Kingsbury, *Claims by Non-State Groups in International Law*, 25 CORNELL INT'L L.J. 481 (1992). On the increased role of NGOs as "norms entrepreneurs," see Martha Finnemore & Kathryn Sikkink, *International Norm Dynamics and Political Change*, 52 INT'L ORG. 887 (1998).

4. The expression "Cuba-originating IP right" is used throughout this Article to refer to an IP right originally created in Cuba the use or protection of which is sought in the United States. Apart from the obvious link to Cuba, the expression should be understood as attaching two other defining conditions to an IP right created in Cuba, (1) confiscation of the IP right in Cuba by the Cuban government on or after January 1, 1959, and (2) registration of the IP right in the United States, or a reputation such that it qualifies as a well-known mark. A second important terminological point is that I write of both trademarks and IP rights. I do not seek thereby to broaden the scope of the topic under study, which is focused on trademarks. Given

ined in this Article are (1) the U.S. embargo imposed on Cuba and more specifically the measures dealing with the exercise of confiscated IP rights in the United States, and (2) the international IP regime which is part of the World Trade Organization (WTO) framework, namely the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS Agreement).⁵ In order to be more concrete, this Article will discuss in detail the decision of the United States Court of Appeals for the Second Circuit in the *Havana Club* case,⁶ as well as the *Section 211 of the Omnibus Appropriation Act* holding of the Appellate Body of the WTO.⁷

This Article examines the clash of the two regulatory frameworks from the angle of distributive justice. By doing so, I suggest that in addition to the important issues of legitimacy, substantive norms, and hierarchy of legal orders, clashes between potential regulatory frameworks should also be conceptualized in the way in which they allocate goods (here the rights associated with IP) or recognize claims to or interests in such goods. The reasons for being concerned with distributive justice are threefold.

First, from a larger standpoint, questions of distributive justice are often disregarded in international law. Despite this condemnable attitude—arguably taking root either in an underlying universalist vision simplifying distributive issues to a question of formal equality, in a disregard for the impact of structural interdependence of economic agents, or in a belief that States appropriately delimit the boundaries of distribution⁸—distributive justice issues are an important and complex dimension of the international society and of its legal system. The past three decades of the twentieth century have produced a few serious and rich disquisitions on distributive justice from which international jurists seem to have drawn

that some principles are common to trademarks and other forms of IP rights, I have sometimes chosen to retain the more general and encompassing category without claiming that my arguments or conclusions dealing with trademarks should be automatically extended to other types of IP rights.

5. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND vol. 31, 33 I.L.M. 81 [hereinafter TRIPS Agreement].

6. *Havana Club Holding v. Galleon*, 203 F.3d 116 (2d Cir. 2000).

7. WTO Appellate Body Report, United States—Section 211 Omnibus Appropriation Act of 1998, WT/DS176/AB/R (Jan. 2, 2002), available at <http://www.wto.org> (last visited Apr. 21, 2003) [hereinafter Section 211 OAA Appellate Body Report].

8. For views trying to overcome this *stasis*, see generally CHARLES R. BEITZ, *POLITICAL THEORY AND INTERNATIONAL RELATIONS* (1979); Thomas W. Pogge, *Priorities of Global Justice*, 32 *METAPHILOSOPHY* 6 (2001); Andrew Hurrell, *Global Inequality and International Institutions*, 32 *METAPHILOSOPHY* 34 (2001).

little.⁹ In the context of regime formation,¹⁰ it is doubtless that distributive concerns shape the too-little unwrapped notion of “State interest.” It is not imprudent to posit that, generally, people involved in the formation of an international regime will seek to design a framework which is a function of two objectives: a purely distributive objective, often the preservation or maximization of the “national” wealth (which can be identified or located according to different principles), and an aggregative objective, that is, a concern for the facilitation of the overall production and exchange of goods.¹¹ The origins of a given regulatory framework, its substantive principles, and its use by various actors are all a result or by-product of tensions between distributive and aggregative claims, as well as among various distributive claims.

Second, given that the regimes at study here directly deal with property rights, the question of allocation of those rights among social actors who formulate a claim to them is rather immediate. By expanding or limiting the recognition or exercise of IP rights, the two regimes at stake are primarily endowed with a distributive function.¹²

9. Apart from Beitz's above-cited contribution in the field of international relations, see generally THOMAS W. POGGE, *WORLD POVERTY AND HUMAN RIGHTS* (2002); MICHAEL WALZER, *THICK AND THIN* (1994); JOHN RAWLS, *THE LAW OF PEOPLES* (1999).

10. I often use the label “regime” to qualify the two regulatory frameworks studied here. It is relatively safe to assert that the WTO or TRIPS Agreement fits the definition of an international regime, as understood in the international relations literature. See Stephen D. Krasner, *Structural Causes and Regime Consequences: Regimes as Intervening Variables*, 36 *INT'L ORG.* 185, 185 (1982) (defining “international regime” as a set of “principles, norms, rules, and decision-making procedures around which actor expectations converge in a given issue-area”). The same is not true however of the U.S. embargo against Cuba. First, its qualification as an “international” regime is more problematic given its purely domestic legislative origin and judicial enforcement mechanism. However, given the extraterritorial jurisdiction claimed under such regime, it purports to enable and constrain actors acting internationally or transnationally and can loosely fit the category of an international regime. More problematic still is that regimes are essentially social enterprises of cooperation, which is not *a priori* compatible with the unilateral imposition of extraterritorial measures. See Robert O. Keohane, *International Institutions: Two Approaches*, 32 *INT'L STUD. Q.* 379 (1988). With that in mind, I keep using the term generically to describe both regulatory frameworks and concede that the U.S. embargo hardly constitutes a *cooperative* framework regulating interaction. In other words, I use “regime” concededly loosely here—especially with respect to the rules establishing the Cuban embargo—more as signifying a normative framework creating (or limiting) rights, obligations, and other legal prerogatives, which shape expectations of actors, than as the result of a collaborative enterprise among States.

11. See AMARTYA SEN, *EQUALITY REEXAMINED* 136 (1992).

12. It seems that in the context of recognition or extension of rights to non-nationals, there is a form of central distribution taking place which literally *creates* (through expansion) entitlements and claims. The regimes at stake here therefore do not merely serve the purpose of justifying holdings from an individual's perspective, but genuinely “distribute” rights in the sense of allotting or apportioning them. See ROBERT NOZICK, *ANARCHY, STATE AND UTOPIA* 149 (1974), for an argument on the misconception of the problem of distributive justice on the ground of the absence of a central distribution of goods.

Third, apart from being an essential defining feature of the regimes under study, the distributive principles of the various regimes can also influence or guide the behavior of various actors in the formulation of a claim to a good distributed by the regimes. Indeed, those actors will pay heed to the differences in the potentially applicable distributive schemes and will exploit those differences to foster their interests, either by using the most effective remedies or by squarely placing themselves in a new position so as to be able to formulate a claim. In the latter sense, plurality of not wholly isomorphous distributive schemes can even contribute to the generation of clashes by inducing actors who see an advantage in doing so to position themselves differently so as to gain from the existence and enforcement of another regime.

Before focusing on the relevant regulatory frameworks and on their clash, an important point should be made. One could dismiss at the outset the importance or relevance of the analysis herein contained on the basis that what we are dealing with is not a case of incompatibility of regulatory frameworks, but rather one of primacy of legal order. In other words, the relevant question to ask is which of the domestic or the international legal orders trumps the other. The question should be answered on the basis of arguments in favor of monism or, on the contrary, on the basis of a dualist approach to the construction of legal orders, allowing for unsolved inconsistencies between the prescriptions of the international and the domestic legal orders. But this is a rather unsatisfactory approach to the problem at stake. First, it seeks the solution of the question on theoretical grounds whereas legal orders are essentially social constructs, the clashes of which are contextual. Secondly, the U.S. embargo against Cuba does not neatly fit the classification as a domestic regime. It seeks to regulate the legal impact in the United States of expropriation policies of a foreign government. As a regime aiming at the regulation of the domestic consequences of “foreign” acts, it is therefore at best a semi-domestic regime or, more convincingly, a hybrid regime pertaining concurrently to the international and the domestic legal orders. Under international law, a State can take measures against another State as a form of reprisal for an internationally wrongful act.¹³ Similarly,

13. *Draft Articles on Responsibility of States of Internationally Wrongful Acts*, U.N. GAOR, Int'l Law Comm'n, 52d Sess., arts. 22, 49, 51, U.N. Doc. A/CN.4/L.600 (2000), reprinted in *Report of the International Law Commission on the Work of Its Fifty-third Session*, U.N. GAOR, 56th Sess., Supp. No. 10, at 43, U.N. Doc. A/56/10 (2001), available at <http://www.un.org/law/ilc>. There is an inconclusive precedent involving an embargo challenged on the ground of its incompatibility with the obligations undertaken in the GATT: the U.S. embargo against Nicaragua defended on national security grounds. The GATT panel decision—which stated the incapacity of the panel to find the United States either in violation of or in compliance with its obligation under the GATT—was never adopted. GATT Dispute Panel Report, United States—Trade Measures Affecting Nicaragua (Unadopted), L/6053 (Oct.

the TRIPS Agreement, if international in its source, is also hybrid in that it is not an autonomous and complete regulatory framework. It needs the support of domestic regulatory frameworks and institutions.¹⁴ There is therefore no real clash of order, but rather a question of coordination of regimes, which recognize prerogatives of varying intensity, according to the identity of the claimant. Thirdly, and more importantly for the sake of this Article, the question of how to solve the clash of regimes is not the one mainly addressed here. The thrust of the Article deals with where or how, in their distributive dimensions, the regimes under study differ, and seeks to adumbrate an answer as to why this is so. The question of how to resolve the clash of regimes is therefore subordinate to, or at least on a different level from, the ones explored here.

The next two Parts take a functional look at the inner workings and the interplay of both regimes. Part II first describes their origins and summarizes their core working principles and Part III then illustrates and analyzes their clash through a discussion of the *Havana Club* and *Section 211 of the Omnibus Appropriation Act* cases. In the last two Parts, I tackle more directly the distributive structure of the regimes. First, Part IV analyzes the two regimes in terms of various distributive axes. Second, Part V proposes that mobility of actors and transaction flux between zones corresponding to the respective spheres of application of given regimes also bear a distributive impact and should be integrated as a central feature of global distributive justice issues and as a relevant element of analysis of how multiple international regulatory frameworks can be used.

II. ORIGINS AND MAIN WORKING PRINCIPLES OF THE TWO REGIMES

Under U.S. law, there are two ways to acquire a trademark or trade name: by registration, in conformity with statutory requirements, or on common law ground, through use. The requirements for registration and

13, 1986), available at 1986 WL 363154. See also John A. Spanogle, Jr., *Can Helms-Burton Be Challenged Under WTO?*, 27 STETSON L. REV. 1313, 1329–30 (1998).

14. On this point, Vincent Chiappetta argues:

TRIPS does not create single, unified “international” IPRs. The IP “owner” still obtains a collection of locally enforceable IPRs, one from each jurisdiction. Standing alone, requiring stronger independent national IPRs in every WTO member country therefore enhances both the holder’s portfolio of parallel national rights and the related ability to use them to restrict the free flow of IP-related goods in the worldwide market.

Vincent Chiappetta, *The Desirability of Agreeing to Disagree: The WTO, TRIPS, International IPR Exhaustion and a Few Other Things*, 21 MICH. J. INT’L L. 333, 345 (2000).

the rights thus conferred are set forth in the Trademark Act of 1946 (Lanham Act).¹⁵ Similar protection is granted to trademarks and trade names acquired through use, although registration confers significant evidentiary advantages (presumption of validity of the mark, presumption of ownership of the mark by the registrant, evidence of “intent to use”).¹⁶ Moreover, section 44 of the Lanham Act provides the procedural vehicle for foreign corporations or persons to claim treaty-created or treaty-recognized rights in the United States.¹⁷ With those preliminary remarks in mind, a more specific introduction to both regimes at stake can now be made.

A. *The Cuban Embargo*

The origin of the specific regime governing Cuba-originating IP rights cannot be understood if read out of the more general context of the U.S. embargo against Cuba. There are three important moments in the creation of the U.S. regime pertaining to transfers of rights of Cuban nationals. First, the embargo against Cuba was imposed in 1963 by President Kennedy and aimed, among other things, at countering the effects of the nationalizing policies of the Cuban government.¹⁸ The embargo was originally embodied in the Cuban Asset Control Regulations (CACR), or Part 515 of the Code of Federal Regulation.¹⁹

15. Trademark Act of 1946 (Lanham Act), 15 U.S.C. §§ 1051–1127 (2000).

16. *Id.* §§ 1057(b), 1115(a).

17. The Lanham Act reads in relevant part:

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

....

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

Lanham Act § 44.

18. See Proclamation No. 3447, 3 C.F.R. § 157 (1959–1963), *reprinted in* 22 U.S.C. § 2370 (2000).

19. Cuban Asset Control Regulations (CACR), 31 C.F.R. §§ 515.101–901 (2002) (as amended). The president's authority to decide on the imposition of the embargo enacted in the

Section 515.527 permits the obtainment of general and special licenses for the registration and renewal, in the United States, of trademarks in which Cuban nationals or the Cuban government have an interest, despite the act of confiscation by the Cuban government.²⁰ The Office of Foreign Assets Control (OFAC)²¹ was responsible for the administration of the CACR and therefore for the granting of licenses.

Second, the embargo was strengthened and codified into law by the Congress in 1996.²² The 1996 LIBERTAD Act, also known as the Helms-Burton Act, provided that people trafficking property confiscated by the Cuban government on or after January 1, 1959 can be held liable if the owner of the claim to such property is a U.S. national.²³ It contains extra-territorial measures such as sanctions for foreign corporations doing business involving expropriated assets in Cuba, which are hotly disputed by the main economic partners of the United States.²⁴

Third, Congress enacted in 1999 the Omnibus Appropriation Act (OAA) which contains measures specific to the recognition and enforcement of trademarks, trade names and commercial names confiscated by the Cuban government.²⁵ More specifically, section 211 of the OAA contains preclusions susceptible of affecting the IP rights (or claims) of non-U.S. corporations or citizens. Paragraph (a)(1) of section 211 precludes the obtainment of an authorization of a transfer of specific rights (marks, commercial names, and trade names) confiscated during the Cuban revolution “unless the original owner of the [right], or the

CACR rested in section 5(b) of the Trading with the Enemy Act of 1917, 12 U.S.C. § 95a (2000) (as amended).

20. “Transactions related to the registration and renewal in the United States Patent and Trademark Office . . . in which . . . a Cuban national has an interest are authorized.” 31 C.F.R. § 515.527(a)(1) (2002).

21. OFAC is the administrative agency to which the presidential powers of administration of the CACR have been delegated.

22. Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996 (Helms-Burton Act), 22 U.S.C. §§ 6021–6091 (2000). It has been argued that the Clinton Administration’s leniency with respect to the Cuban embargo motivated Congress’s adoption of the LIBERTAD Act. Dale L. Carlson et al., *Trapped by TRIPS? Intellectual Property Rights, the Cold War, and the Cuban Embargo Revisited*, 21 QUINNIPIAC L. REV. 43, 48 (2001).

23. 22 U.S.C. § 6082.

24. *Id.* §§ 6081–6085; see also Bernadette Atuahene, *The Effectiveness of International Legislative Responses to the Helms-Burton Act*, 69 REV. JUR. U.P.R. 809 (2000); Muriel van den Berg, *The Cuban Liberty and Democratic Solidarity Act: Violations of International Law and the Response of Key American Trade Partners*, 21 MD. J. INT’L L. & TRADE 279 (1997).

25. Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 (OAA), Pub. L. 105-277, 112 Stat. 2681 (1998) (codified as amended in scattered sections of U.S.C.). The meaning of “confiscated” refers to uncompensated nationalization, expropriation, or seizure of property by the Cuban government on or after January 1, 1959 or to failure by the same government to pay debts incurred in relation to nationalized, expropriated or seized property on or after the same date. CACR, 31 C.F.R. § 515.336 (2002).

bona fide successor-in-interest has expressly consented [thereto].²⁶ Furthermore, section 211 of the OAA precludes courts from recognizing the enjoyment of those specific rights, claimed under common law or by virtue of registration (paragraph (a)(2))²⁷ or asserted under a treaty through article 44 of the Lanham Act (paragraph (b)).²⁸ In the latter case, getting the consent of the original owner or of his bona fide successor-in-interest permits the bypass of the nonrecognition or nonenforcement policy.²⁹

The preclusions targeting court action (contained in paragraphs (a)(2) and (b)) are measures that apply to “designated nationals.” The term “designated national,” according to paragraph (d)(1) of section 211 of the OAA, “includes a national of any foreign country who is a successor-in-interest to a designated national,”³⁰ the latter being defined under section 515.305 of the Code of Federal Regulations and referring to Cuba, a national of Cuba or a specially designated national.³¹ Section 211(b) also applies to successors-in-interest not otherwise qualifying as “designated nationals.”³²

B. TRIPS Agreement

The international regime dealing with IP is the product of little-integrated developments that took place over a long period. Since the

26. The full text of the provision reads:

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 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.

OAA § 211(a)(1).

27. “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.” *Id.* § 211(a)(2).

28. The full text of subsection (b) reads:

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 section 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 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.

Id. § 211(b).

29. *Id.*

30. *Id.* § 211(d)(1).

31. CACR, 31 C.F.R. § 515.305 (2002).

32. OAA § 211(b).

end of the nineteenth century, many international conventions dealing with the protection of various types of IP rights have been signed,³³ but even their aggregation failed to form a coherent framework. Variations in material and geographical scope of the many conventions, the general lack of enforcement possibilities, and the actual leeway enjoyed by States in adopting IP-protective measures explain why the loose constellation of instruments failed to qualify as a coherent regime.³⁴ As for the international trade regime, the GATT system was virtually silent on IP rights and provided no real system of protection.³⁵

The constitution of a more integrated international IP framework is a product of the Uruguay Round.³⁶ In order to secure strengthened international recognition and protection of IP rights, notably given their growing economic importance,³⁷ developed countries insisted that the question of the protection of IP rights be linked with international trade issues during the Uruguay Round.³⁸ The mere inclusion of IP rights as an item on the agenda of international trade negotiations encountered resistance.³⁹ But the determination to conduct serious negotiations on the

33. The list of those conventions is rather long and deals with a wide range of IP types, and it would be vain to undertake a listing here. For a compendium of the main texts, see PAUL GOLDSTEIN, *INTERNATIONAL LEGAL MATERIALS ON INTELLECTUAL PROPERTY* (2002).

34. Frederick M. Abbott, writing in 1989, argued:

The international treaty system, while providing minimum substantive standards in a few intellectual property rights areas, does not presently operate as an effective substantive rule-making system, nor does it meaningfully address domestic enforcement procedures. These matters are presently reserved to the internal legal systems of individual states, and as such substantial disparities prevail in substantive rules, enforcement procedures, and enforcement practices.

Frederick M. Abbott, *Protecting First World Assets in the Third World: Intellectual Property Negotiations in the GATT Multilateral Framework*, 22 VAND. J. TRANSNAT'L L. 689, 706 (1989).

35. Article XX(d) of the GATT permitted States to adopt domestic measures protective of IP rights, to the extent that they were not inconsistent with other GATT provisions. General Agreement on Tariffs and Trade, Oct. 30, 1947, art. XX(d), 61 Stat. A-11, T.I.A.S. 1700, 55 U.N.T.S. 194. It did not create norms of obligations as to the extraterritorial protection of IP rights. Abbott, *supra* note 34, at 696. For a review of the IP international conventions and the GATT history, see BERNARD M. HOEKMAN & MICHEL M. KOSTECKI, *THE POLITICAL ECONOMY OF THE WORLD TRADING SYSTEM: THE WTO AND BEYOND* 280–83 (2d ed. 2001).

36. For useful exposés on the conception and birth process of the TRIPS Agreement, see DANIEL GERVAIS, *THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS* (1998); DUNCAN MATTHEWS, *GLOBALISING INTELLECTUAL PROPERTY RIGHTS* (2002).

37. The combination of the growth of the significance of technology for industrialized economies and of the increasing importance of international trade account for the formation of such interest. Abbott, *supra* note 34, at 696; HOEKMAN & KOSTECKI, *supra* note 35, at 277.

38. For a discussion of the available “packages of concessions” during the negotiations, see Abbott, *supra* note 34, at 739–42.

39. Amadou Tankoano, *L'accord relatif aux aspects des droits de propriété intellectuelle liés au commerce (TRIPS)*, 20 INT'L TRADE L. & PRAC. 428, 431 (1994) (describing U.S. resistance during the Ministerial Conference at Punta del Este).

issue and to shove it down the recalcitrant States' throat if necessary was strong—it even led to the adoption of unilateral (aggressive) commercial measures by the United States.⁴⁰ Finally, trade and IP were both on the negotiating table during the Uruguay Round, which allowed some trade-offs.⁴¹ The negotiations resulted in the TRIPS Agreement.

The TRIPS Agreement is not an instrument of harmonization, but rather of positive integration:⁴² it imposes upon States the obligation to enact a domestic system of IP protection, with different rules applying to different types of IP rights. Given the wide spectrum of IP rights covered by the TRIPS Agreement, this aspect is in itself a substantial expansion of the legal protection of IP rights. Coupled with this obligation, three general obligations provided under the TRIPS Agreement form the cornerstone of the international IP regime: the national treatment principle, a most-favored nation (MFN) clause, and a transparency obligation.⁴³ The first two principles, set respectively under articles 3 and 4, can be conceived of as constituting a nondiscrimination policy.⁴⁴ It is noteworthy that the national treatment principle attaches to persons rather than to the goods.⁴⁵ As for the MFN clause, it is an innovation in international IP

40. The U.S. Congress took steps toward imposing unilateral measures to obtain greater protection. Under section 301 of the Trade Act of 1974, the U.S. President was already authorized to limit the imports from a country whose commercial practices are deemed unfair or unreasonable toward the United States. 19 U.S.C. § 2411 (2000) (as amended). In 1984, inadequate protection of IP was added to the list of violations of trade laws for which the president could resort to section 301. *Id.* In 1988, Congress enacted a “super section 301” enabling the U.S. Trade Representative to make a list of problematic States and to threaten the States on that list of unilateral commercial sanctions unless they modified their commercial practices before a given date, although it is no longer in effect. *See* Abbott, *supra* note 34, at 708; Tankoano, *supra* note 39, at 433. Also, section 337 of the 1930 United States Tariff Act permits restraint of trade with foreign producers of goods imported in the United States that are supported by unfair practices and are injuring the U.S. industry. 19 U.S.C. § 1337 (2000) (as amended). The 1988 Omnibus Trade and Competitiveness Act eliminated the requirement to prove harm to the U.S. industry in cases of IP right violations. *See* HOEKMAN & KOSTECKI, *supra* note 35, at 278.

41. The outcome of the negotiations shows that the increased protection of IP rights was obtained with the concession of better access to markets in the fields of agriculture, natural resources, and textiles. Tankoano, *supra* note 39, at 470 (citing Frank Emmert, *Intellectual Property in the Uruguay Round—Negotiating Strategies of the Western Industrialized Countries*, 11 MICH. J. INT'L L. 1317, 1385 (1990)); HOEKMAN & KOSTECKI, *supra* note 35, at 298; *see also* Mark A. Groombridge, *The TRIPS Trade Off—Reconciling Competing Interests in the Millennium Round*, 2 J. WORLD INTELL. PROP. 991 (1999).

42. HOEKMAN & KOSTECKI, *supra* note 35, at 274, 297.

43. KEITH E. MASKUS, *INTELLECTUAL PROPERTY RIGHTS IN THE GLOBAL ECONOMY* 17 (2000).

44. *Id.*

45. Article 4 provides: “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.” TRIPS Agreement, *supra* note 5, art. 4. A note attached to article 4 specifies that

law and it is subject to various exceptions, including the existence of regional trade agreements.⁴⁶ The transparency obligation of governments attaches to IP-related legislation, judicial decisions, and activities of administrative agencies.⁴⁷ Another important feature of the TRIPS Agreement is its incorporation by reference of certain core rights and obligations contained in the Paris Convention (1967).⁴⁸

As with the preexisting conventions, very few substantive standards on the creation, recognition, or enforcement of IP rights are set forth in the TRIPS Agreement. No harmonization was attempted; rather, the TRIPS Agreement generally preserves States' ability to determine the conditions and procedures necessary for the valid creation of IP rights.⁴⁹ For various types of IP rights, some minimum protection standards are specified.

Directly relevant to our discussion are the standards on trademarks. Article 15, paragraph 1 of the TRIPS Agreement defines which signs "shall be capable of constituting a trademark" and specifies that those signs, especially names or words, "shall be eligible for registration as trademarks." Article 16, paragraph 1, confers on the "owner of a registered trademark" a minimum international exclusive right to prevent the use of such trademark by other people. Other substantive rights of trademark owners derive from the provisions of the Paris Convention (1967) that are incorporated through article 2 of the TRIPS Agreement. Among the principles providing protection are: the undertaking by member States to refuse or cancel registration and to prohibit the use of a trademark reproducing or imitating a well-known mark (article 6*bis*),⁵⁰ the extension of the protection in all Member States of a mark registered in one Member State (article 6*quinquies*),⁵¹ and the protection of trade names even in the absence of registration or filing (article 8).⁵²

In terms of enforcement mechanisms, the TRIPS Agreement is a significant development. First, it imposes upon States the obligation to provide domestic procedures aimed at the respect of IP rights. The mandatory measures to adopt are of three types: civil and administrative, to ensure that private parties will be able to obtain protection of their IP

protection includes "matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights . . ." *Id.*

46. However, there is a general grandfather clause for existing agreements and a few specific exceptions in articles 4(a), 4(d), and 5. *Id.*

47. *Id.* art. 63.

48. *Id.* art. 2, para. 1; Paris Convention for the Protection of Industrial Property, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 302 [hereinafter Paris Convention (1967)].

49. See TRIPS Agreement, *supra* note 5, art. 1, para. 1.

50. Paris Convention (1967), *supra* note 48, 21 U.S.T. at 1593, 828 U.N.T.S. at 324.

51. *Id.*, 21 U.S.T. at 1595, 828 U.N.T.S. at 330.

52. *Id.*, 21 U.S.T. at 1598, 828 U.N.T.S. at 334.

rights and sanctions in case of non-respect;⁵³ penal measures, to stop intentional commercial-scale trademark counterfeiting and copyright piracy;⁵⁴ and measures targeted to prevent the actual distribution of goods produced in violation of IP rights, notably by requesting border authorities to suspend the free flow of such goods.⁵⁵ Through those measures, the TRIPS Agreement significantly enhances the direct protection of IP right holders in Member States. A second-level form of protection, to ensure the adequacy and conformity of domestic measures to the obligations undertaken in the TRIPS Agreement, is available to States through the use of the WTO Dispute Settlement Body, which can eventually lead to the imposition of sanctions.⁵⁶

III. THE CLASH AS ILLUSTRATED IN THE *HAVANA CLUB* DISPUTE AND THE *SECTION 211 OF THE OMNIBUS APPROPRIATION ACT* CASE

This Part illustrates the type of clashes to which the application of the two regimes introduced above can lead. Given the different nature of the proceedings, they do not, strictly speaking, deal with a given dispute, as the proceedings before the Dispute Settlement Body of the WTO did not involve a discussion of a specific case but remained concerned with the construction of the regime as such.

A. *The Havana Club Case*

The *Havana Club* case, decided in the United States Court of Appeals for the Second Circuit,⁵⁷ deals with claims over the rights to the “Havana Club” trademark and trade name. The plaintiffs are Havana Club International (HCI), a joint stock company domiciled in Cuba and set up under the law of that country, and Havana Club Holdings (HCH), a corporation from Luxembourg that owns the “Havana Club” trademark outside the United States. Defendants are part of the Bacardi Group, with Bacardi & Company being set up in Liechtenstein and

53. TRIPS Agreement, *supra* note 5, arts. 42–49.

54. *Id.* art. 61.

55. *Id.* arts. 51–60.

56. *Id.* art. 64.

57. *Havana Club Holding v. Galleon*, 203 F.3d 116 (2d Cir. 2000). The first instance decision would add little to the analysis of the distributive structure of the regimes. *Havana Club Holding v. Galleon*, 961 F. Supp. 498 (S.D.N.Y. 1997). For a succinct summary, see Donald R. Dinan, *An Analysis of the United States—Cuba “Havana Club” Rum Case Before the World Trade Organization*, 26 *FORDHAM INT’L L.J.* 337, 344–45 (2003).

headquartered in the Bahamas, and Bacardi-Martini USA being registered as a Delaware corporation.⁵⁸

The rights in the production of Havana Club rum belonged, before the Cuban revolution, to a Cuban corporation (JASA) which exported it to the United States until 1960, when its assets were expropriated without compensation by the Cuban government. From 1972 to 1993, Cubaexport exclusively exported Havana Club rum, mainly to former Warsaw Pact countries, and it registered the trademark in Cuba in 1974 and in the United States in 1976. In 1993, Cubaexport reorganized its rum export business with the involvement of foreign partners. The newly formed Havana Rum & Liquors, S.A. (HR&L) and the French corporation Pernod Ricard, S.A. set up a joint venture that led to the creation of HCI and HCH. In 1994, Cubaexport transferred its U.S. trademark to HR&L, which assigned it to HCH. Those two assignments were approved by OFAC in November 1995 through a specific license authorization.

Since 1994, HCI has exported Havana Club rum to many countries. Havana Club rum is one of the most popular goods that American tourists in Cuba bring back home, but because of the embargo against Cuba, HCI has not exported it to the United States (although it intends to do so when it will become possible). Meanwhile, since 1995, Bacardi's predecessor-in-interest (Galleon S.A.) produced rum in the Bahamas labeled "Havana Club," and distributed it in the United States. In April 1997, Bacardi & Co. purchased the Arechaba family's (principal owner of JASA) claim to the rights to the "Havana Club" trademark and its rights to the goodwill of JASA. Following that transaction, HCH and HCI filed a lawsuit seeking to prevent Bacardi from using what they claimed to be their trademark over the "Havana Club" brand. After the filing of the suit, OFAC issued a notice of retroactive revocation of Cubaexport's November 1995 license authorizing the transfers of the U.S. trademark.

HCH and HCI originally alleged that Bacardi's use of the trademark violated sections 32 and 43(a) of the Lanham Act. After the district court ruled that HCH and HCI had no right to the "Havana Club" mark following the revocation of the special license,⁵⁹ HCI and HCH asserted rights to it under sections 44(g) and (h) of the Lanham Act⁶⁰ and under the

58. Galleon S.A. was merged into Bacardi & Company. Collectively, the defendants will be referred to as Bacardi.

59. *Havana Club*, 961 F. Supp. at 505.

60. Subsection (h) reads:

Any person designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this chapter shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringe-

General Inter-American Convention for Trade Mark and Commercial Protection (IAC).⁶¹ Moreover, HCI sought to prevent use of the “Havana Club” mark on the ground of the confusion that it caused, through the mechanism provided by section 43(a) of the Lanham Act.⁶²

The United States Court of Appeals for the Second Circuit ruled in favor of Bacardi on the three issues that are relevant to this Article, namely on HCH’s right to the “Havana Club” trademark, on HCI’s right to the trademark under the IAC, and on the false advertising claim.⁶³

1. HCH’s Rights

On the first issue, HCH initially relied on the issuance by OFAC of a “specific” license to validate the assignment of the rights to the trademark. After the said license had been cancelled by OFAC, HCH argued that “the assignments remain valid under the general authorization of section 515.527(a)(1) as transactions ‘related to’ the registration and renewal of a trademark.”⁶⁴

The court held that, by virtue of the prohibition contained in section 515.502(a),⁶⁵ no authorization of assignments made under section 515.527(a)(1) could validate a transaction effected prior to 1995, when section 515.527 entered into force.⁶⁶ The court specified in a footnote that were HCH to react by obtaining a new assignment of the Havana

ments of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

Trademark Act of 1946 (Lanham Act) § 44(h), 15 U.S.C. § 1126(h) (2000).

61. *Havana Club*, 203 F.3d at 121. The claim under the General Inter-American Convention for Trade Mark and Commercial Protection (IAC) rested on article 11:

The transfer of ownership of a registered or deposited mark in the country of its original registration shall be effective and shall be recognized in the other Contracting States, provided that reliable proof be furnished that such transfer has been executed and registered in accordance with the internal law of the State in which such transfer took place. Such transfer shall be recorded in accordance with the legislation of the country in which it is to be effective.

General Inter-American Convention for Trade Mark and Commercial Protection, Feb. 20, 1929, art. 11, 46 Stat. 2907, 2922, 124 L.N.T.S. 357, 372 [hereinafter IAC].

62. *Havana Club*, 203 F.3d at 122.

63. *Id.* at 134–35. The fourth claim, based on the principle of unfair competition, will be disregarded here given its lack of interaction with the principles grounding the holding of the Appellate Body of the WTO in the *Section 211* case.

64. *Id.* at 123.

65. “No . . . authorization contained in this part . . . shall be deemed to authorize or validate any transaction effected prior to the issuance thereof, unless such . . . authorization specifically so provides.” CACR, 31 C.F.R. § 515.502(a) (2002).

66. *Havana Club*, 203 F.3d at 123.

Club trademark now, it would be precluded from doing so by section 211(a)(1) of the OAA.⁶⁷

The court then examined HCH's claim to authorization of the assignment under a general license. It ruled that in the context of the Cuban embargo, the exceptions created by section 515.527(a)(1) must be read narrowly. Relying on an interpretation by OFAC, the court concluded that "only Cubaexport, the original registrant of the United States registration for the 'Havana Club' trademark, has the authority to renew the 'Havana Club' trademark, and a specific license is required in order to assign it."⁶⁸ Given that the specific license had been cancelled, HCH was unable to show a form of authorization of the transfer under U.S. law and it consequently had no enforceable right against Bacardi.⁶⁹

HCH's claim that a valid transfer of the right to the trademark under Cuban law—where it had been originally registered—had been effected and that the United States ought to recognize it by virtue of its obligation under article 11 of the IAC, requiring the court to deal with the impact of the IAC. The court held that there existed clear congressional intent that assignments such as the one claimed by HCH be prohibited in the context of the Cuban embargo. Although the court explicitly wrote that it was not applying retroactively the 1996 LIBERTAD Act and section 211(a)(1) of the OAA to the given case, the court derived support therefrom for its interpretation of congressional intent regarding the effect of the section 515.527 license regime.

2. HCI's Rights

Section 44(b) of the Lanham Act provides the rights enjoyed by nationals of a country party to a convention relating to trademarks to which the United States is also a party. This provision permitted HCI to claim rights to the "Havana Club" trademark by virtue of the IAC. The court held that rights under international conventions pertaining to trademarks had to be channeled through section 44 of the Lanham Act and could not be exercised independently thereof.⁷⁰ However, the court deemed that HCI's claim under section 44(b) or (e) of the Lanham Act was explicitly barred by the application of section 211(b) of the OAA, given that the corporation—domiciled in Cuba, set up under Cuban law, and having its main business place in Cuba—fit the "designated national" criterion of the provision.⁷¹ The court held that the nature of the remedy sought, an

67. *Id.* at 123 n.6.

68. *Id.* at 124.

69. *Id.*

70. *Id.* at 127–28.

71. *Id.*

injunction, operates *in futuro*, so that section 211 could consequently be applied to the case without infringing the presumption against retroactive application.⁷²

3. False Advertising

Finally, HCI sought to obtain damages from Bacardi for false advertising under section 43(a) of the Lanham Act.⁷³ The district court had denied HCI standing to act under section 43(a). The court of Appeals upheld the finding of HCI's lack of standing, notably on the ground that HCI was unable to adduce sufficient evidence that Bacardi's sale of Havana Club rum caused injuries to it. The court noted that "[b]ecause HCI's rum does not now compete with Bacardi's rum in the United States, HCI's alleged injury amounts to the present diminution in the speculative value of its sales of Cuban-origin rum in the United States market once the United States government removes the obstacle of the Cuban embargo."⁷⁴ Qualifying the obstacle as "formidable," the court refused to endorse HCI's speculation on the likelihood of a relaxation of the embargo.⁷⁵

B. *The Section 211 Omnibus Appropriation Act of 1998 Case*

In the *Section 211 Omnibus Appropriation Act of 1998* case, the European Communities challenged the conformity of section 211 of the OAA with the TRIPS Agreement using the WTO Dispute Settlement Body.

1. The Allegations of Clash with the WTO Regime

Before the WTO Panel, the EU raised fourteen grounds of inconsistency, all of them involving an inconsistency between section 211(a)(1),

72. *Id.* at 129.

73. Section 43(a) reads:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of facts, which is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . . shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.

Trademark Act of 1946 (Lanham Act) § 43(a), 15 U.S.C. § 1125(a) (2000).

74. *Havana Club*, 203 F.3d at 132.

75. *Id.*

(a)(2), or (b) with some provisions of the TRIPS Agreement (sometimes in conjunction with provisions of the Paris Convention (1967)).⁷⁶

For the sake of clarity, one can classify the arguments advanced by the EU in two categories. First, there are the principles against which section 211(a)(1), dealing with the granting of a license authorizing transfers of rights, is said to go: article 15.1 of the TRIPS Agreement (signs capable of constituting a trademark); and article 2.1 of the TRIPS Agreement in conjunction with article 6A(1) of the Paris Convention (1967) (recognition and protection of trademarks filed in other signatory States).⁷⁷ Second, there are principles that section 211(b)(1) and (2), pertaining to the exercise of rights before a court, are alleged to violate: articles 4 (MFN clause), 16.1 (right of the owner to prevent the use of the trademark), and 42 (availability of civil judicial procedure) of the TRIPS Agreement; and article 2.1 of the TRIPS Agreement in conjunction with articles 2(1) (national treatment),⁷⁸ *6bis* (protection of well-known marks),⁷⁹ and 8 (protection of trade names even absent a registration) of the Paris Convention (1967).⁸⁰

The very vast majority of the EU's arguments were rejected as being unfounded or as not providing sufficient evidence of a violation of the principles contained in the TRIPS Agreement. The latter ground means that while some interpretations would likely violate the principles of the TRIPS Agreement, compatible interpretations remain possible. Given that States are deemed to comply with their undertakings, no inconsistency findings are made on the basis of merely potential inconsistencies.⁸¹ In order to remain focused on the actual clash between both regimes, the following deals exclusively with the grounds on which the Panel or the Appellate Body held that there was an inconsistency between section 211 and the TRIPS Agreement.⁸²

76. WTO Panel Report, United States—Section 211 Omnibus Appropriation Act of 1998, WT/DS176/R (Aug. 6, 2001), available at <http://www.wto.org> (last accessed Apr. 21, 2003) [hereinafter Section 211 OAA Panel Report].

77. Paris Convention (1967), *supra* note 48, 21 U.S.T. at 1595, 828 U.N.T.S. at 330.

78. *Id.*, 21 U.S.T. at 1585, 828 U.N.T.S. at 312. On this ground, article 3.1 of the TRIPS Agreement is also invoked.

79. *Id.*, 21 U.S.T. at 1593, 828 U.N.T.S. at 324.

80. *Id.*, 21 U.S.T. at 1598, 828 U.N.T.S. at 334.

81. See WTO Appellate Body Report, United States—Anti Dumping Act of 1916, para. 88, WT/DS136/AB/R, WT/DS162/AB/R (Sept. 26, 2000), available at <http://www.wto.org> (last accessed Apr. 21, 2003); Section 211 OAA Appellate Body Report, *supra* note 7, para. 259.

82. For an overview of how the Panel and the Appellate Body (AB) dealt with all the arguments of the Parties, including the claims of violation of the TRIPS Agreement that were dismissed, see Dinan, *supra* note 57, at 351–73.

2. The Panel's Holding

The Panel held that trade names were not covered by the TRIPS Agreement and therefore exclusively focused on the EU's challenge of the U.S. measures as they related to trademarks. As previously mentioned, the Panel rejected the vast majority of the inconsistency arguments submitted by the EU. In fact, it received the EU's argument only with regard to the inconsistency of section 211(a)(2) with article 42 of the TRIPS Agreement. It reasoned as follows:

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

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.⁸³

3. The Appellate Body's Holding

Following the Panel's holding, the EU appealed and the United States counter-appealed some of the Panel's findings and interpretations.⁸⁴ The Appellate Body concurred with the Panel that section 211(a)(1) did not run counter any of the provisions of the TRIPS Agreement that were invoked by the EU. Thus, the problematic provisions were section 211(a)(2) and (b).

Contrary to the Panel's holding, the Appellate Body opined that section 211(a)(2) was not inconsistent with article 42 of the TRIPS Agreement. By doing so, the Appellate Body aligned its finding on the consistency of section 211(a)(2) with article 42 with the conclusion of compatibility of sections 211(a)(1) with the same article 42. The Appellate Body agreed with the Panel that, under article 42, making procedures available conveyed an element of efficacy of those procedures and that the category of "right holders" is wider than that of persons who have been recognized as owners of the trademark.⁸⁵ It held that article 42 forced States to grant procedural rights to "right holders."⁸⁶ The Appellate Body then insisted that "in the circumstances in which they apply, Section 211(a)(2) and (b) deal with the *substantive* requirements of ownership in a defined category of trademarks."⁸⁷ The determining factor, for the Appellate Body, was whether a statute can limit the discretion of courts to examine certain substantive requirements before, and to the exclusion of, other substantive requirements. It held that, given the procedural nature of the rights in article 42, nothing prevented a State from so doing.⁸⁸ On the compatibility of section 211(a)(2), it concluded:

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

83. Section 211 OAA Panel Report, *supra* note 76, paras. 8.99–100.

84. The EU and the United States both argued that trade names were covered by the TRIPS Agreement. Section 211 OAA Appellate Body Report, *supra* note 7, para. 325. The Appellate Body concurred with this position and consequently held that the grounds of inconsistency with provisions of the TRIPS Agreement with respect to trademarks were replicated with respect to trade names. *Id.* paras. 333–41.

85. Section 211 OAA Appellate Body Report, *supra* note 7, paras. 215, 217–18.

86. *Id.* para. 221.

87. *Id.* para. 222.

88. *Id.* para. 226.

United States courts not recognize, enforce or otherwise validate any assertion of rights by designated nationals or successors-in-interest who have been determined, after applying United States Federal Rules of Civil Procedure and Federal Rules of Evidence, not to own the trademarks referred to in Section 211(a)(2). As we have said, Section 211(a)(2) deals with the substance of ownership. Therefore, we do not believe that Section 211(a)(2) denies the *procedural* rights that are guaranteed by Article 42.⁸⁹

The Appellate Body applied a similar analysis to section 211(b), concluding that *on their face*, the provisions were not inconsistent with article 42. However, the Appellate Body specified:

[T]he European Communities has challenged Section 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 the United States courts. Accordingly, our conclusions that Section 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.⁹⁰

Although it overruled the Panel's holding with respect to article 42, the Appellate Body retained two grounds of inconsistency between the provisions of the TRIPS Agreement (or of the Paris Convention (1967) through article 2(1) of the TRIPS Agreement) and section 211(a)(2) and (b). The Appellate Body first dealt with the national treatment principle (article 2(1) of the Paris Convention (1967) and article 3.1 of the TRIPS Agreement) and recognized in it "a fundamental principle underlying the *TRIPS Agreement*."⁹¹ In its examination of the national treatment principle, the Appellate Body distinguished between successors-in-interest and original owners. Regarding the former category, the Appellate Body concluded that section 211(a)(2) is inconsistent with the requirements of the national treatment principle in that it imposes an "extra hurdle" to which U.S. successors-in-interest are not subject.⁹² Given that the United States has not shown that its courts, in every case, will refuse to validate the assertion of rights by a U.S. successor-in-interest, the possibility of facing two hurdles instead of one exists.⁹³ However, given the different

89. *Id.* para. 227.

90. *Id.* para. 232.

91. *Id.* para. 242.

92. *Id.* paras. 255–56.

93. *Id.* paras. 265–69.

wording of section 211(b) which deals with successors-in-interest, regardless of their origin, the Appellate Body ruled that the said provision is not inconsistent with the national treatment principle.⁹⁴

Regarding original owners, the Appellate Body discussed a hypothetical case put to it by the European Communities: that of two owners of a U.S. trademark that is the same as a preconfiscation trademark in Cuba, except that the first owner is a U.S. national while the other one is a national of Cuba. Neither of the owners of the U.S. trademark is the owner of the similar trademark in Cuba. The Appellate Body held that, on their face, sections 211(a)(2) and (b) apply measures to a Cuban original owner that a U.S. original owner is dispensed of, and are therefore *prima facie* discriminatory.⁹⁵ The fact that original owners may consent to the transfer does not alleviate the discriminatory character of the provision, given that there is no *de facto* necessary coincidence between the Cuban owner of the U.S. trademark and the Cuban owner of the Cuban trademark.⁹⁶

The Appellate Body then examined the United States' argument to the effect that there are mechanisms to eliminate the *prima facie* discrimination. It agreed with the United States that in the case of a Cuban original owner now residing in the United States, the discrimination was lifted through the "unblocking" mechanism of section 515.505 of the CACR, which grants Cuban original owners the same treatment as that of a U.S. national.⁹⁷ However, Cuban original owners now residing in

94. *Id.* paras. 270–72.

95. *Id.* paras. 277–81.

96. *Id.* para. 282. The Appellate Body specifies the discrimination for trademarks based on common law, but also for trademarks based on registration, notably because the obligation to renew the registration of the trademark makes Cuban original owners vulnerable to the discriminatory policy. *Id.* paras. 283–84.

97. The regulations state in relevant part:

- (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.

Cuba or in any country other than the United States remain discriminated against. In the former case, there is no unblocking mechanism available at all, whereas in the latter scenario, unblocking requires an application to the OFAC, thus discriminating by imposing an additional hurdle.⁹⁸

The Panel also concluded that the handling of original owners in section 211(a)(2) and (b) was inconsistent with the MFN principle of article 4 of the TRIPS Agreement.⁹⁹ The Appellate Body examined this issue on the basis of the same hypothetical scenario described above for the national treatment issue, except that in this scenario, the second original owner is not a U.S. national, but rather a foreign national from a country other than Cuba (non-Cuban foreign national). Once again, there is *prima facie* discrimination against the Cuban original owner because she is subject to section 211(a)(2) and (b), while the non-Cuban foreign national is not. As with the case for the national treatment argument, the Appellate Body concluded that the United States did not satisfactorily rebut the presumption of noncompliance with the MFN principle.

Pursuant to its finding of inconsistency of the U.S. legislative measures with some provisions of the TRIPS Agreement, the Appellate Body *recommended* that the Dispute Settlement Body request the United States to bring those measures in conformity with its obligations under the TRIPS Agreement.¹⁰⁰ The United States was originally expected to adopt legislative amendments to comply with the Appellate Body's findings by the end of 2002, but the EU consented to grant the United States an additional six month delay to comply with the ruling of the Appellate Body.¹⁰¹

* * *

CACR, 31 C.F.R. § 515.505 (2002).

98. Section 211 OAA Appellate Body Report, *supra* note 7, paras. 287–90. The Appellate Body was also left unconvinced by the argument of the United States at paragraphs 291–94. *Id.* paras. 291–94.

99. No argument was put before the Appellate Body by the European Communities with respect to successors-in-interest. *Id.* para. 304.

100. *Id.* para. 361.

101. Communication, dated 28 March 2002, from the Permanent Delegation of the European Commission and the Permanent Mission of the United States to the Chairman of the Dispute Settlement Body, WT/DS176/10 (Apr. 5, 2002), available at <http://www.wto.org> (last accessed Apr. 21, 2003). For the extension of the deadline for compliance, see European-American Business Council, Special Report: Status of EU-US Trade Disputes, at <http://www.eabc.org/Disputes2003.htm> (last visited Apr. 21, 2003).

Before we turn to a more analytical part of this Article, it is useful to quote the Appellate Body's statement on the scope of the case, as it equally describes limits of the analysis that follows:

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 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, 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*.¹⁰²

IV. CONCEPTUALIZING THE CLASH OF REGIMES IN TERMS OF DISTRIBUTIVE JUSTICE

It could be tempting to analyze the *Havana Club* dispute, or similar ones, as a mere clash of technical principles, detached from the values and interests that they serve. Another approach rests on the classification of the two regulatory frameworks along essentializing lines, thus explaining or justifying their autonomy.¹⁰³ To put such a view bluntly, the U.S. regulatory framework concerning Cuba-originating IP rights would be political by nature whereas the TRIPS Agreement would belong to trade policy.

In terms of consistency of lexicon, historical background, and epistemic communities concerned, such approaches might be internally defended. However, there are central structural considerations in the

102. Section 211 OAA Appellate Body Report, *supra* note 7, paras. 362–63.

103. See generally Dinan, *supra* note 57, at 374; Misha Gregory Macaw, *The New Rum War: Havana Club as a Threat to the U.S. Interest in International Trademark Harmonization*, 18 B.U. INT'L L.J. 291, 332 (2000).

construction of the two regimes that seem seminal and underpinning, yet little discussed. These considerations permit linking rules with history, interests and values: these are distributive justice considerations. For the purposes of this Article, left aside is the—concededly extremely important—question of the distributive stake between developed and developing countries in the design of the TRIPS regime.¹⁰⁴ Instead, I take the TRIPS regime as a given, and focus on its clash with the distributive structure put forward under the U.S. embargo against Cuba. There are also other distributive concerns that are linked with the creation of an IP regime that are left aside here, such as the allocation of costs of implementation of the regime,¹⁰⁵ the distributive tension between IP creators and consumers,¹⁰⁶ and the incidental and often detrimental impact of the distribution of IP rights on the distribution of public goods.¹⁰⁷

104. The literature on how the TRIPS Agreement resolves the tension between the technological and economic interests of developing countries and those of developed countries, i.e., on the fairness of the convention in distributive terms, is abundant. A fair assessment of the distributive dynamics is given by Dani Rodrick:

All evidence and arguments . . . point to the conclusion that, to a first-order approximation, TRIPS are a distributive issue: irrespective of assumptions made with respect to market structure or dynamic response, the impact effect of enhanced IPR protection . . . will be a transfer of wealth from [developing country] consumers and firms to foreign, mostly industrial-country firms.

Dani Rodrick, *Comments on Maskus and Eby-Knoan*, in *ANALYTICAL AND NEGOTIATING ISSUES IN THE GLOBAL TRADING SYSTEM* 447, 449 (Alan V. Deardorff & Robert M. Stern eds., 1994); see HOEKMAN & KOSTECKI, *supra* note 35, at 298; see also CARLOS M. CORREA, *INTELLECTUAL PROPERTY RIGHTS, THE WTO AND DEVELOPING COUNTRIES* (2000); JAYASHREE WATAL, *INTELLECTUAL PROPERTY RIGHTS IN THE WTO AND DEVELOPING COUNTRIES* (2001); Abbott, *supra* note 34; Chiappetta, *supra* note 14; Esperanza Durán & Constantine Michalopoulos, *Intellectual Property Rights and Developing Countries in the WTO Millennium Round*, 2 *J. WORLD INTELL. PROP.* 853 (1999); Groombridge, *supra* note 41; J. H. Reichman, *From Free Riders to Fair Followers: Global Competition Under the TRIPS Agreement*, 29 *N.Y.U. J. INT'L. L. & POL.* 11 (1996–1997).

105. HOEKMAN & KOSTECKI, *supra* note 35, at 290.

106. On this distributive tension, Hoekman and Kosteci note:

In economies that are significant net importers of technologies and knowledge-intensive goods and services, the rents paid by consumers to producers (right-holders) are transferred outside the country. This implies that in an international context, IPRs are not simply a mechanism to redistribute income among different groups in a given society, with an associated static efficiency deadweight loss. They may involve significant transfers across countries. That is, net importers may experience a reduction in national welfare (a terms-of-trade loss) as foreign producers extract rents from domestic consumers.

Id. at 293–94.

107. See, e.g., Yochai Benkler, *A Political Economy of the Public Domain: Markets in Information Goods Versus the Marketplace of Ideas*, in *EXPANDING THE BOUNDARIES OF INTELLECTUAL PROPERTY: INNOVATION POLICY FOR THE KNOWLEDGE SOCIETY* 267 (Rochelle Cooper Dreyfuss et al. eds., 2001); Rosemary J. Coombe, *Objects of Property and Subjects of Politics: Intellectual Property Laws and Democratic Dialogue*, 69 *TEX. L. REV.* 1853 (1991).

A useful way to discuss distributive justice issues is to recognize that it deals with three dimensions: justice in acquisition, justice in transfer or transaction, and rectificative justice for failure to comply with the first two principles.¹⁰⁸ Under this perspective, distributive justice takes expression in a historical context.¹⁰⁹ It bears an important process orientation and accepts a wide array of distributive outcomes, provided that they are produced in conformity with the fair principles of justice in acquisition and justice in transfer.¹¹⁰ The constitutive elements of distributive justice theories—or of distributive schemes—are fourfold: (1) identification of goods to distribute; (2) identification of the appropriate distributive formulae; (3) identification of a community of individuals or society in which the distributive scheme is operative; and (4) identification of the values underpinning the construction of a distributive scheme.

A plurality of regimes often means that claims can be substantiated and their enforcement can be sought from different sources and through different institutions. Such plurality results in the creation of diverse forms of IP protection operating over partially overlapping zones. The various forms of protection created by those regimes can be classified in two categories: ownership rights (*usus, fructus, abusus*) and enforcement possibilities (injunctive and reparative mechanisms). If these two categories of rights are closely related and if the distinction may at times seem artificial, they remain analytically distinguishable. The distinction will be kept here to deal with how the two regimes deal with the possibility of transfer of the trademark (transfer prerogative), and how they distribute the enforcement possibilities of the trademark against alleged infringers. In a sense, these two forms of prerogatives can be said to be “distributed” by the regimes, that is, they are formally recognized as belonging (or as not belonging) to identifiable people and creating

108. Nozick, *supra* note 12, at 150–53. I should point out that it is not my objective to set forward here a normative theory of distributive justice or to endorse one: I am not suggesting what a fair or correct distributive framework should be in the given case. By glancing at the work of a few authors, I merely aim at discussing a few analytical tools that will help in conducting the analysis of the two regimes under study.

109. Nozick holds that “past circumstances or actions of people can create differential entitlements or differential deserts to things.” *Id.* at 155.

110. *Id.* at 153; Ronald Dworkin, *What is Equality?, Part 2: Equality of Resources*, 10 PHIL. & PUB. AFF. 283, 291 (1981). However, as Dworkin argued, unless one considers the right to property as being absolute, the procedural or historical dimension of a theory of distributive justice does not prevent setting principles of substantive fairness in the principles of justice in acquisition or in transfer, through periodical “fixes” or adjustment mechanisms. *Id.* at 309–10. This position could be considered as not endorsed by Nozick when he rejects “patterned” theories of justice (i.e., theories that can take the form of “to each according to his _____”). Nozick, *supra* note 12, at 160.

expectations of respect thereof.¹¹¹ This is the angle from which this Article analyzes the tension between the regimes. Thus, the *Havana Club* dispute can be conceived as taking root in divergent distributive constructions.

This Article will first deal with the distributive construction of the regimes at stake here by discussing how they vary or converge on the four axes of distributive schemes identified above. The first three elements will be approached separately for both types of rights (transfer prerogative and right-claim) and the fourth one only once, given its more general character. The next Section will turn to the absence of any notion of self-containment of those regimes or, to put it differently, the impact of mobility of actors in a context of plurality of distributive schemes.

A. *Distribution of the Transfer Prerogative of Cuba-Originating IP Rights*

Goods for distribution—Both regimes distribute IP rights of a proprietary nature.¹¹² Of course, the regimes deal at the same time with many types of IP rights and their scope varies accordingly. It suffices for the purposes of analyzing the *Havana Club* dispute to note that we are specifically concerned here with trademarks or commercial names. Given that the domestic rules define the scope and conditions of the proprietary rights for both the domestic and the international regimes,¹¹³ there is identity in both regimes as to the object of distribution. The modification brought by the embargo against Cuba affects a specific class of IP rights, namely, those rights confiscated by the Cuban government since January 1, 1959. However, the identity of the goods whose distribution is at stake is still encompassed by the ambit of both regimes, the difference lying mainly in the distributive formula or the community of distribution.

111. Maybe, as opposed to what Nozick says, there is a two-time process of production and distribution here. If you consider that an IP right is part of your work (that it is an integral part of it and therefore belongs to you), then IP rights are produced and distributed at the same time and you obtain a form of Lockean right as wide as the produced goods. But if you focus on the social function of IP, then it does not follow from the mere production of IP-labelable goods that IP rights co-terminal to the goods themselves automatically ought to be recognized or created. In other words, if our economic structure distinguishes the production of goods from the distribution of rights, then there is no necessity for an absolute overlap of their scope. The limited temporal dimension of IP rights despite the continuous production of the goods for which IP rights have been recognized is illustrative of the non-necessity of overlap.

112. There was a question in the *Section 211 OAA* case regarding whether the TRIPS Agreement covered trade names as well as trademarks. The Panel answered in the negative, a finding that was overturned by the Appellate Body and that consequently establishes or recognizes a broader identity between the goods distributed under the U.S. domestic regime and the TRIPS Agreement.

113. See *supra* text accompanying note 49.

Distributive formulae—With respect to the distribution of substantive rights, the U.S. regime allocates rights in a direct manner, through the legal institutions of use, registration, and treaty implementation, whereas the TRIPS Agreement does so indirectly, through the mediation of domestic law institutions. In a sense, it is acknowledged in the structure or construction of both regimes that the scope of allocation of substantive rights is determined by the interplay of both regimes. The very principles of distribution are mainly, although not exclusively, determined in the domestic legal framework: the U.S. domestic regime sets out the material and procedural conditions for the obtainment and recognition of substantive IP rights. The international framework contributes with limitations to the possible domestic conditions. The *ratione materiae* dimensions of the distribution—that is, the identification of goods to be distributed and the material principle of distribution (or distributive formula)—are the result of such interaction. Because of the structural intricacy of both regimes, there is no clear clash on the distributive formulae—the conditions of obtaining an IP right originating in Cuba are not posed in different terms by the TRIPS Agreement than they are domestically. In fact, the TRIPS Agreement adopts the domestic standards in that respect.

With respect to the *creation* of Cuba-originating IP rights in the United States (an issue not at stake in the *Havana Club* dispute), the distributive formula is straightforward: a trademark can be acquired through use (or reputation, for well-known marks) or through registration.¹¹⁴

With respect to the *transfer* of Cuba-originating IP rights, the U.S. Congress has designed a distributive formula according to which transactions or transfers of a Cuba-originating IP right that was confiscated can be effected, but shall be approved only if the original owner or the bona fide successor-in-interest has expressly consented to it. This distributive formula is specifically targeted to Cuba-originating IP rights, as transfers of other IP rights are not subjected to such a requirement. To put it in a more schematic way, the distributive formulae can be summed as:

- recognition of the transfer, conducted under the normal contractual rules, without the need for consent by the original owner or the bona fide successor-in-interest;
- recognition of the transfer, conducted under the normal contractual rules, with the need for consent by the original owner or successor-in-interest.

114. 15 U.S.C. §§ 1057(b), 1115(a) (2000).

Community of Distribution—With respect to the *ratione personae* dimension of the distribution (the identification of the community of people entitled to claim participation in the *ratione materiae* distribution), the interplay of both regimes is not in as great a conflict as one could think at first glance. Indeed, the U.S. regime dealing with the acquisition or transfer of Cuba-originating substantive IP rights does not create two distinct distributive spheres or two communities of distribution. Section 211(a)(1), which states the formula for the transfer of such rights, is carefully drafted so that no two distinct categories are created. All actors are confronted with the same principles of distribution. This is consonant with the general principles of national treatment and of the MFN clause enacted in the TRIPS Agreement.

It thus comes as a surprise that with respect to the creation and transfer of Cuba-originating IP rights, the construction of both regimes is similar from a distributive standpoint. The fact that one can easily have a contrary impression rests, on the one hand, with the divergent distributive construction of the right-claims which are closely attached to right-property (especially when they cannot be positively exercised in the United States because of the trade embargo), and on the other hand, with the development of the different schemes on the basis of different values and in different historical contexts.

B. *Distribution of Enforcement Prerogatives of the Cuba-Originating IP Rights*

With respect to the distribution of enforcement possibilities, the distributive spin of both regimes is different, and it sheds light on the clash that one faces if he or she wants to apply them simultaneously.

Goods for Distribution—As opposed to the creation and transfer prerogatives under both regimes, the two frameworks do not fully match with respect to the right-claims they provide. They differ as to the types of right-claims offered, as well as with respect to their scope. In terms of types of prerogatives, the right-claims distributed under U.S. domestic law consist of preventive enforcement or vindication possibilities of the right-property before U.S. domestic courts or organs. Thus, an IP right owner—whether the right originates from Cuba or not—can obtain an injunction preventing a corporation from using its trademark¹¹⁵ and seek damages for the wrongful use of its trademark by a nonauthorized person.¹¹⁶ The right-claims distributed by the TRIPS Agreement include the

115. *Id.* § 1116.

116. *Id.* § 1114.

same possibilities as alluded to for the U.S. domestic IP right protection framework.¹¹⁷

The main difference between the systems rests on the fact that the TRIPS Agreement allows for forms of international claims that are not available to people who are strictly confined to the domestic framework (i.e., U.S. nationals). The TRIPS Agreement allows States to use the WTO dispute settlement mechanism to ensure the structural conformity of another Member State's legislation with the prescriptions of the TRIPS Agreement (in terms of substantive IP rights and of enforcement possibilities). Although an indirect form of protection—as it aims at the conformity of the domestic system with the international one, more than at protection of given interests of a specific person—it still is part of the enforcement machinery and is an important feature defining the *modus* of articulation of both regimes.¹¹⁸

The right-claims formally attached to States and specifically created by the existence of the TRIPS Agreement have a distributive formula of their own: they are limited to co-signatory States of the TRIPS Agreement and are meant to serve, in practice, the interests of their national corporations. An interstate regime with an efficient dispute settlement mechanism presents the valuable advantage of creating international claims of a stronger intensity than international claims in front of domestic tribunals. The result is that the protection prerogatives of foreign Cuba-originating IP right claimants are strengthened and institutionalized at a second level.

It is interesting to note that, albeit a different and specialized branch of international law, the main protection mechanism of the TRIPS Agreement bears some similarity to the older law of diplomatic protection as applied to corporations.¹¹⁹ As in the case of diplomatic protection, the ultimate beneficiary of the international obligation imposed upon the State is an alien (corporation), even though the said corporation cannot itself initiate an international judiciary mechanism. In both cases, the fiction of a State right or interest rests on the notion of reciprocity of

117. On the right to prevent use of the trademark, see TRIPS Agreement, *supra* note 5, art. 16, para. 1. On the obligation of States to set up civil law measures to protect IP rights, see *id.* arts. 42–49. In addition to these two rights, there is also a mechanism designed to stop the free flow of goods violating IP rights protected in articles 51–60. *Id.* arts. 51–60.

118. Moreover, States could also resort to diplomatic protection of a corporation bearing its nationality the right of which—allegedly deriving from the TRIPS Agreement—would not have been respected.

119. See generally L. CAFLISCH, *LA PROTECTION DES SOCIÉTÉS COMMERCIALES ET DES INTÉRÊTS INDIRECTS EN DROIT INTERNATIONAL PUBLIC* (1969); Paul De Visscher, *La protection diplomatique des personnes morales*, 102 *RECUEIL DES COURS* 395 (1961); Manuel Diez De Velasco, *La protection diplomatique des sociétés et des actionnaires*, 141 *RECUEIL DES COURS* 86 (1974).

treatment of alien corporations and is used to bridge the gap between identity of the procedurally recognized claimant and that of the bearer of the substantive rights. Moreover, as is the case with the institution of diplomatic protection, the relative position of the actors—i.e., the corporation, the “host” State, and the State of nationality—is to be taken into account in the evaluation of the actual enforcement of those right-claims. Finally, given that rights are exchangeable transnationally, the protection of easily tradeable rights is likely to create problems and possibilities that are similar to those created by the mobility of enterprises for the institution of diplomatic protection. Transnational tradeability permits exploitation of zones or networks of interaction under which protection is better provided, given power asymmetries of States backing the claims of their “nationals.”

Distributive Formulae—The distributive formula of the right-claims of individuals or corporations, when those rights are linked to Cuba-originating IP rights, retained by the U.S. domestic regime is twofold:

- (A) right-claims are recognized or granted to people able to establish their ownership of or license for the trademark;
- (B) right-claims usually granted are unenforceable for the following category of claimants:
 - (a) designated national seeking prerogatives for a trademark obtained through use (at common law) or for a registered confiscated trademark;
 - (b) designated national or its successor-in-interest seeking treaty-based prerogatives for a trademark identical or similar to a confiscated trademark, unless the designated national has obtained the consent of either the original owner of the said trademark or the original owner’s bona fide successor-in-interest.

The main question at stake here is that of the principle of articulation or the *facteur de rattachement* of the various principles. Is the variable on which the choice of the principle of distribution rests acceptable and compatible with what the TRIPS Agreement exacts? In the present case, some of the principles of distribution of right-claims are articulated along a principle of nationality, which is clearly problematic given the endorsement of the national treatment principle and the MFN clause in the TRIPS Agreement.

Community of Distribution—With respect to the *ratione personae* dimension of the distribution, the interplay of the regimes operates

differently. The design of the U.S. regime allocates right-claims in such a way that it segments the community of distribution. In tune with the decision of the Appellate Body of the WTO, one can divide the possibilities according to whether the rights of an original owner or of a successor-in-interest are at stake. With respect to original owners, the various segments of the community of distribution are:

- (1) U.S. national as original owner;
- (2) Cuban national as original owner:
 - (a) residing in the United States;
 - (b) residing in a foreign country (except Cuba);
 - (c) residing in Cuba;

With respect to successors-in-interest, the segments of the community of distribution created by section 211 are:

- (3) U.S. successors-in-interest;
- (4) Foreign successors-in-interest.

The articulation of the distributive formula can be considered relative to the various segments of the community of distribution. For claims formulated under purely domestic vehicles (registration and common law), the articulation is as follows:

An owner of type (1) always benefits from the principle of distribution A and so does an owner of type (2)(a), through the unblocking mechanism; however, an owner of type (2)(c) is subjected to the principle of distribution B, whereas an owner of type (2)(b) can benefit from principle A, subject to a specific administrative requirement.

An owner of type (3) could potentially be able to benefit from all the right-claims associated with a Cuba-originating trademark (principle of distribution A), whereas an owner (4) is condemned to nothing, under principle B.

When a claim is formulated on a treaty basis, the articulation is slightly different. The first type of distinction exists as such, whereas there is no longer a difference of treatment between categories (3) and (4), both of them being subjected to the distributive formula B.

This is where the U.S. embargo against Cuba and the TRIPS Agreement most seriously clash. The former was designed to prevent corporations of the larger distributive community to obtain or enforce prerogatives against corporations of a community of distribution deemed to have priority. The latter was set up with the precise objective of desegmenting communities of distribution and merging them into a larger one, even if it operated on the basis of many distributive formulae. The TRIPS Agreement not only limits the ability of the domestic polity to enact personality-attached conditions for participation in the distributive scheme, it mandates the extension to all people who are nationals of a State participating in the international regime. As Chiappetta puts it, “[i]f the WTO is viewed as a shared common economic enterprise, the distributional boundary expands to include all members.”¹²⁰ Through the legal institutions of the national treatment principle and of the MFN clause, the domestic regime of allocation or distribution of substantive IP rights is extended to a larger community. It does not prevent States, in the absence of denationalized economies, to design IP rights modalities so as to benefit the more immediate national distributive boundaries.¹²¹ But the TRIPS Agreement prevents the segmentation—or to put it more in a historical context, forces the unification—of the community of distribution through the application of different terms or modalities of IP rights. The dynamics of the two regimes are clearly opposite.

C. *Explaining the Clash in Terms of Values and in the Light of History*

The dissection of the two regimes to unveil their inner workings has shown important divergences. Traditional principles of resolution of conflicts between regulatory frameworks (later-in-time doctrine, trumping of *lex specialis* over *lex generalis*, institutional status as paramount, interpretative techniques, and related doctrines) can contribute to lessen the intensity of the conflict their simultaneous application would create. The conflicts among distributive schemes are less easily solved when they involve not only different distributive principles and communities, but are also aimed at attaining different objectives through distribution. The creation of a particular scheme as part of a rectificative enterprise provides a particular instance of such intricate conflict. In such cases, the distributive *ethos* is a function of the perceived non-respect of the principles of justice in acquisition and justice in transfer, and aims at countering the effect of those violations. When such a distributive scheme clashes with one simply setting the proper terms of acquisition

120. Chiappetta, *supra* note 14, at 357.

121. *Id.* at 368.

and transfer, the conflict is not merely structural or one of design; rather, the clash is fed by the fact that the two regimes reflect different historical considerations and collective roles or identities that are not necessarily reconcilable. In this sense, it becomes essential to take account of the values or social objectives underpinning the two regimes under examination in order to cast the *ethos* or driving logic of the two distributive schemes in their proper context.

The U.S. Embargo Against Cuba—The design of a specific regime for Cuba-originating IP rights is part of a general policy of curtailment of a government deemed politically and ideologically undesirable by the United States. But it goes beyond that. Through the embargo against Cuba, the United States performs both a retributive form of justice and a corrective one. The regime is based on the preexistence of a perceived damage, a tort or a fault, originally committed by the Cuban government. In Nozickian terms, the embargo indirectly asserts the existence of fundamental principles of acquisition and transfer, claims that the expropriation disregards such principles, and sets the principles for rectification. The special IP regime is a response designed to protect specific property interests of U.S. nationals or Cuban nationals residing in the United States, injured by a contested form of acquisition or transfer of property rights.¹²² The importance—likely measured in terms of identity and economic salience—for the United States of certain classes of injured interests is reflected in their enjoyment of greater benefits under the gradation of protection measures incorporated in the regime.¹²³ That explains the gradation of protection retained for principle A in function of the closeness of the interests at stake, measured by a sense of identity. The original owners whose protection is sought, mainly U.S. nationals and Cubans now residing in the United States, are rendered vulnerable by the combination of the expropriation and the ability to exploit the expropriated rights through international mobility (trade) schemes. This seems a plausible way to read the distinction drawn between original owners and successors-in-interest and the policy of nonprotection attaching to the rights of the latter. Thus, the target of economic measures taken therein has been expanded to foreign actors participating in business schemes involving Cuba-originating IP rights. As the court of appeals in the *Havana Club* case put it:

Finding that the Castro government was “offering foreign investors the opportunity to purchase an equity interest in, manage, or enter into joint ventures” involving confiscated property in order

122. Macaw, *supra* note 103, at 330–32.

123. See *supra* Section IV.B.

to obtain “badly needed financial benefit, including hard currency, oil, and productive investment and expertise,” 22 U.S.C. § 6081, (5), (6), Congress established a civil remedy for any United States national owning a claim to “property” confiscated by the Cuban government after January 1, 1959, against “any person” who “traffics” in such property, *id.* § 6082 (a)(1)(A), and broadly defined “property” specifically to include “trademarks,” *id.* § 6023(12)(A). By doing so, Congress intended “to create a ‘chilling effect’ that will deny the current Cuban regime venture capital, discourage *third-country nationals* from seeking to profit from illegally confiscated property, and help preserve such property until such time as the rightful owners can successfully assert their claim.”¹²⁴

The TRIPS Agreement—Contrary to the U.S. embargo against Cuba, the TRIPS Agreement does not proceed from the logic of rectification. It does not seek to correct or counter imbalances or injustices caused by unfair methods of acquisition or transfers of goods. It does not really seek to introduce an element of substantive correction in the current or future distribution of IP rights.¹²⁵ To put it in more positive terms, the TRIPS Agreement—like the embargo—is process-based in its design. But whereas the concern with process of acquisition and transfer of the embargo seems to take root in the past, the process of the TRIPS Agreement disregards the past and is geared toward the future. To use again the Nozickian lexicon, the objective of the TRIPS Agreement is not to respond to past distribution, but to set up the terms of fair acquisition and transfer.

The rationale for protection of IP rights depends on the characteristic of the knowledge that is involved.¹²⁶ For instance, trademarks and marks of origin allow product differentiation through the creation of brands and thus provide information to consumers.¹²⁷ However, those logics, even in a fluid world, do not necessarily warrant that IP right protection should be territorially expanded. The desire to entrench certain practices in order to protect and expand the wealth of the corporate citizens and the technological edge of industrialized economies no doubt is the driving force behind the TRIPS Agreement.¹²⁸ It is therefore ironic that the clash

124. *Havana Club Holding v. Galleon*, 203 F.3d 116, 125 (2d Cir. 2000) (emphasis added).

125. There is a slight such element in the TRIPS Agreement if one thinks of the few accommodations made to developing countries. *See* sources cited *supra* note 104.

126. Chiappetta, *supra* note 14, at 361–62.

127. HOEKMAN & KOSTECKI, *supra* note 35, at 275.

128. On this point, Abbott writes:

between expansionist and protectionist regimes takes place in a dispute in which the target of expansion is the United States, while it is obvious that the vector of economic expansionism usually goes in the opposite direction.

V. EXPLOITING MOBILITY AND THE CONSTITUTION OF A META-DISTRIBUTIVE SCHEME

In order to understand the prevalent rules among State actors pertaining to the constitution, recognition, and enforcement (or denial thereof) of international prerogatives linked to IP, it is undeniably helpful to analyze the regimes as systems or structures of entrenched rules that have come about through a form of socialization involving ideational and material inputs. However, such an analysis presents a rather static (and somewhat statist) picture of the relationships covered by the interplay of both regimes. A more compelling and textured analysis needs to take account of additional factors pertaining to the behavior of actors and their unfixed character. In other words, it must integrate the following dynamic that is inherent to the conduct of international business: as highly mobile entities, corporations are capable of taking advantage of variations in regimes (i.e., different zones of protection or creation of higher or more profitable prerogatives). This allows for more attention to the dialogically constitutive relation in which actors and structures interact.

While most States “derive [] . . . their external authority from their internal system,”¹²⁹ the obverse phenomenon presides over the operations of transnational corporations: they derive their internal (but nondomestic) prerogatives from the international system or from an internationalized system made up of a number of regimes. Those multiple regimes often do not set a unified organized central distribution (especially for private actors); rather, they compose a loose system encompassing a large number of subsystems. Within this structure,

Multilateral acceptance of enforceable ownership rights in intellectual property is necessary because the industrialized countries strongly perceive a need to protect their national wealth, not because natural law dictates protection, nor because such protection in itself will yield economic and social benefits to developing countries. Failure by the GATT to recognize and enforce such rights will only intensify pressures to achieve alternative solutions—through, for example, increased industrialized country reliance on unilateral sanctions—that will most likely destabilize the liberal trading system.

Abbott, *supra* note 34, at 695; *see also* Durán & Michalopoulos, *supra* note 104, at 853.

129. PHILLIP ALLOTT, *EUNOMIA: NEW ORDER FOR A NEW WORLD* para. 13.105(14), at 247 (1990).

distribution will often be in flux and will often involve invoking one scheme or another. As distributive schemes all have a constitutive or defining element linked to “community” or identity, capacity of mobility from one community to another has become a key feature permitting actors to play distributive schemes against each other. In other words, zones of overlap, of mutual reinforcement, or of clash and antagonism between regimes seem to be the zones more likely to be exploited by actors who have the ability to move thereto in order to gain a stronger legal prerogative or to obtain access to a more powerful or intrusive enforcement machinery. We should not assume that actors are static and are simply “covered” or not by a legal regime. Quite the opposite, non-State actors are mobile and can exploit their mobility not only to obtain a more favorable distributive outcome over the rights that they claim, but also to create new rights or claims to their advantage. The possibility of altering one’s position by moving within a plurality of distributive schemes is not simply an element the outcome of which is to be taken into account in applying the distributive principles of a regime; rather, it can become a constitutive element of the dispute over which regime governs.

In that sense, there is a two-level distributive game. On the first level, actors are recognized (or not) as allowed to participate in the allocation of goods under given distributive schemes and are able (or not) to secure goods under that scheme. This may create “pressure for change aris[ing] from the dissatisfaction of some actors or class of actors with the distributive consequences of a prevailing regime.”¹³⁰ Given the coexistence of various more or less overlapping distributive schemes, actors dissatisfied with their share of goods have the option and ability, rather than to challenge a regime internally, to move so as to fall into the zone of application of a regime more favorable to them or susceptible of trumping the other regime. It is, in essence, a process similar to forum shopping. That second-level distributive game, when it is available, is thus an actor-led self-selection of a distributive scheme. Functionally speaking, the opening of possibilities through such type of mobility itself operates as a distributive scheme. It is a form of distribution, although not centralized, of schemes distributing more concrete IP rights.

To put it in the context of the regimes studied in this Article, the strategy for actors who want to maximize their possibilities of using Cuba-originating IP rights is to move from a zone of curtailment of their prerogatives to a zone of enforcement or protection of prerogatives they can claim. For instance, a Cuban original owner residing in Cuba ((2)(c))

130. Oran R. Young, *International Regimes: Problems of Concept Formation*, 32 *WORLD POL.* 331, 351–52 (1980).

seeking to enforce an IP right created domestically will gain better enforcement possibilities by moving to a foreign country ((2)(b)), and possibilities that are better still by moving to the United States ((2)(a)). The United States has sought to bar transactions between Cuban original owners and foreign corporations by not authorizing transfers (unless the express consent of the original owner is granted) and by always denying enforcement possibilities to foreign successors-in-interest. Given the possibility for U.S. corporations to become successors-in-interest by way of a specific license, the advantage of mobility is curtailed in all but one direction. The vectorial dimension resulting from such construction is therefore rather clear.

That scheme could not, however, counter an external challenge such as one taking place before the Dispute Settlement Body of the WTO. By moving from Cuba to an economically powerful State—and member of the WTO—IP rights are transferred to a zone in which enforcement possibilities are stronger, and in which arguments of national defense do not hold water (because it is a secondary boycott). For the European Communities, strongly opposed to the measures in Title III of the Helms-Burton Act,¹³¹ challenging a cousin-measure under international trade law is a golden opportunity to take action on its discontentment with Washington's policies on Cuba and to obtain enhanced protection for the investments of its corporate citizens in Cuba. Here, the interests of European corporations, of the European leaders, and of the Cuban government converge.

If the United States wishes to comply with the request of the Appellate Body, it must now either prevent *any* transfer of Cuba-originating IP rights, or permit such transfers under certain conditions to which both U.S. and foreign corporations would be subject. If some transfers are permitted, the same consequences in terms of IP enforcement possibilities must be attached to all successors-in-interest, U.S. or foreign. Thus foreign corporations will either gain certain limited prerogatives in the United States attached to their IP rights, or obtain that U.S. competitors be subjected to the same measures. In both ways, what is at stake is the leveling of the playing field.¹³² In distributive terms, the mobility of rights has been used to trigger a mechanism—that of the WTO Dispute

131. See *Atuahene*, *supra* note 24; van den Berg, *supra* note 24.

132. Another way for foreign corporations to obtain some form of protection in the United States while doing business with Cuba could be to register in the United States a trademark similar to a Cuban one (without contending that it results from a transfer), then exploit it by producing equivalent goods outside Cuba and exporting them to the United States, and finally sign with its Cuban partner a pact of "future merger" of the Cuban and the U.S. trademarks (for when the embargo will be lifted). This technique would preserve the future exploitation of Cuba-originating IP rights in the United States by a Cuban or foreign corporation.

Settlement Body, to which the United States is attached given the gains that it derives from it—able to challenge a protectionist definition of the community of distribution.

VI. CONCLUSION

The interaction between the rules set up in the U.S. embargo against Cuba and the TRIPS Agreement is an important issue for Cuba. On the eve of a change of regime likely to lead to a modification of its socioeconomic structure, the battle for the control of the post-socialist economy of the island and for its eventual integration into the global liberal economy is well under way. Meanwhile, for Cuba itself, lessening the stringency of the economic measures taken by the U.S. government toward itself and its economic partner is an important objective. With very little technology, and apart from tourism and sugar, Cuba's economy rests on very few products, some of which are of great reputation. Among them is Cuban rum, but one can also think of its famous cigars for which a similar battle is taking place around the Cohiba trademark.¹³³

The clash under study shows that the design of rules and regulatory schemes, as well as the behavior of actors within those schemes, cannot be reduced to considerations of best practices. In that sense, it is a truism that the clash results from conflicting pressures between those who want to consolidate or improve their situation through the continued application of principles that served them well and those who want to improve their situation through new rules. Regime creation is in a sense always a form of reaction vis-à-vis a prevailing situation.

In a context of partially overlapping regimes, we must also pay heed to the strategic behavior of actors able to formulate claims under those regimes. A regulatory scheme can be considered an environment whose constraints shape behavior and expectations. When, as part of the environment, there are various schemes that impose different types of constraints, actors will often seek to exploit the disparities to their advantage. Given the multiplication of actors, norms, and regulatory frameworks, the international society is likely to be the theater of an increasing load of challenges articulated around the proper principles of definition of the community of distribution.

133. Mark D. Nielsen, *Cohiba: Not Just Another Name, Not Just Another Stogie: Does General Cigar Own a Valid Trademark for the Name "Cohiba" in the United States?*, 21 *LOV. L.A. INT'L & COMP. L. REV.* 633 (1999).

In that sense, celebrating the decision of the Appellate Body as the triumph and strengthening of a universal and universalizing rule of law¹³⁴ camouflages the reasons why breaking the protectionist policy of the United States was desirable, given that the decision equally pleased both apostles of a universal liberal economy and opponents of specific U.S. policies toward Cuba. For those who condone undermining the anachronistic Cuban embargo while remaining concerned with maintaining the possibility of creating non-universal distributive schemes and forms of protection of historically rooted peculiarities, the decision might end up being a mixed blessing. In terms of precedential value, there is indeed a danger to overfocus on the universalizing spin of the *Section 211* decision and to end up condemning particularistic policies that would be defensible given a different distribution of economic power, notably in a situation of serious structural vulnerability to economic penetration. Disregarding the vectoral dimension of economic regimes—manifested in dominant flows of actors and rights—by using the veil of universalism would be, in the given context of growing global inequalities, nothing short of irresponsible.

134. See, e.g., Dinan, *supra* note 57, at 373–76.