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Domestic and International Trademark Implications of HAVANA CLUB
and Section 211 of the Omnibus Appropriations Act of 1999

STATEMENT OF JOHN K VERONEAU

Committee on the Judiciary
United States House of Representatives
March 3, 2010

Thank you, Mr. Chairman. I am pleased to testify before this committee today.

My name is John Veroneau. I am a partner in the Washington office of the law firm of Covington & Burling. I specialize in international trade and investment law.

From March 2003 to February 2005, I served as General Counsel in the Office of the United States Trade Representative. As General Counsel, I was responsible for advising on U.S. obligations under the World Trade Organization (WTO) and other trade agreements to which the United States is a party.

From October 2006 to January 2009, I served as Deputy U.S. Trade Representative. My responsibilities in that position included broad oversight of U.S. policy with regard to the WTO.

During my tenure as USTR General Counsel, I was involved in responding to the WTO Appellate Body findings that certain aspects of Section 211 of the U.S. Omnibus Appropriations Act of 1998 are inconsistent with U.S. obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights, commonly known as the TRIPS Agreement.

As you know, Section 211 was designed to reflect – in statute - limits that U.S. courts have placed historically on extra-territorial enforcement of expropriations by foreign governments.

In 2000, the European Commission (EC) initiated a WTO dispute, arguing that Section 211 was inconsistent with a wide range of U.S. obligations under the TRIPS agreement. The panel that was established to hear this dispute rejected nearly every claim made by the EC. The panel did find, however, that Section 211 violated the principle of “national treatment” insofar as it could cause Cubans to be treated less favorably than U.S. nationals.

The WTO Appellate Body upheld the panel’s “national treatment” findings. The Appellate Body also found Section 211 to be inconsistent with U.S. “most favored nation” (MFN) obligations under the TRIPS agreement, insofar as Cuba could be treated less favorably than other WTO members.

Complying with the WTO findings with regard to Section 211 would require Congressional action since the national treatment and MFN problems cannot be fixed through administrative action alone. Various bills have been introduced in recent years to amend or repeal Section 211 but, as you know, none has been acted upon.

In 2004, while serving as USTR General Counsel, the Senate Judiciary Committee sought my opinion with regard to the steps necessary to comply with the 2002 WTO findings regarding Section 211. In a letter to Senator Patrick Leahy, dated July 13, 2004, I stated that meeting our WTO obligations would not require repealing Section 211, but rather that “legislation to clarify that Section 211 applies to all nationals, without discrimination, would address the WTO findings.”

Of course, I no longer speak for the U.S. Government. But, as a practitioner, I continue to believe that the United States can readily meet its WTO obligations through simple amendment to Section 211 and that WTO compliance does not require repealing Section 211.

The 2002 WTO ruling exhaustively rejected more than a dozen claims made by the EC in relation to Section 211. The only deficiencies ultimately found to exist with regard to Section 211 can be easily addressed. The United States could comply with the WTO ruling simply by clarifying that the provisions apply equally to U.S. nationals and other WTO members. This can be achieved by simple amendments to Section 211, such as those proposed by H.R. 1103, originally introduced by Congressman Wexler. As a policy matter, it would seem reasonable for Congress to clarify that confiscated trademarks should not be recognized, regardless of the nationality of the party claiming rights based on confiscation.

Subsequent to the WTO proceedings, it has been suggested that Section 211 runs afoul of U.S. obligations under the General Inter-American Convention on Trademarks and Commercial Protection. There is no basis to reach this conclusion.

The Convention, established in 1929, generally requires a State Party to register and protect trademarks from another country *unless doing so would be “contrary to public order.”* The international concept of “public order” is equivalent to the U.S. concept of “public policy.”

United States courts have consistently refused to give effect in the United States to foreign confiscations of trademarks or other assets. Courts have adopted this view on the ground that doing so would be contrary to established U.S. public policy.

In adopting Section 211, Congress embraced this same public policy. It seems unassailable that a country might view non-recognition of confiscated trademarks as an appropriate expression of public policy. As such, there is no basis to conclude that Section 211 is inconsistent with U.S. obligations under the Inter-American Convention.

The United States should take all necessary and appropriate steps to meet its international trade obligations. Failure to comply with WTO obligations undermines our moral authority to insist that others meet their obligations. With minimal changes, Section 211 could be made to comply fully with our WTO obligations.

In closing, I would like to be clear that my testimony today reflects my own judgment and legal opinion. The views I express today regarding the WTO were formed in 2004 while serving as USTR General Counsel. The views I express today regarding the Inter-American Convention reflect research I have done in preparation for this hearing. I would like the committee to know, however, that the Bacardi company is a long-standing client of my firm on a wide range of matters, including intellectual property. I am a registered advisor on U.S.-Cuba trade policy but do not participate in the company's Congressional outreach regarding Section 211.

I appreciate the opportunity to testify before the committee and would be pleased to answer any questions.