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US Patent Office Confirms Cuban Rights To Havana Club Trademark

by LADB Staff

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On Jan. 29, the Trademark Trial and Appeal Board (TTAB) of the US Patent and Trademark Office ruled in favor of a Cuban-French firm that sells rum in some 80 countries under the Havana Club trademark. The ruling undermines special-interest legislation favoring Bacardi-Martini Inc., which claims the Havana Club label as its own.

Havana Club Holdings is a joint venture between Cuban state-owned Havana Rum and Liquors and the French firm Pernod Ricard. The original producer of Havana Club rum, Jose Arechabala, left Cuba after President Fidel Castro came to power. The Arechabala family never revived its business and abandoned the trademark in the US and other countries. The Bacardi company, expropriated in Cuba in 1960, moved its distillery operations to Puerto Rico under the name Bacardi Ltd., and its headquarters to the tax haven of Bermuda. In North America, it operates through Miami-based Bacardi-Martini.

Bacardi paid the Arechabala family a reported US\$1.5 million for rights to the trademark and began selling rum under the Havana Club label in the mid-1990s, though it suspended sales when Pernod Ricard took legal steps to block use of the trademark. In effect, the TTAB ruling said the attempt to void Havana Club Holdings' registration of the trademark had no legal merit because the Cuban state-owned Cubaexport had duly registered it in Cuba and transferred registration to the US in 1976, three years after the Arechabala family allowed it to lapse.

In 1993, Cubaexport and Pernod Ricard formed Havana Club Holdings, which renewed the trademark in 1996. When Pernod Ricard took Bacardi to court over its use of the label, Bacardi lawyers argued that the 1996 Havana Holdings' renewal had been obtained fraudulently. In 1999, a US District Court judge in New York agreed with them (see NotiCen, 1999-05-13). The ruling was later upheld on appeal and in the US Supreme Court.

The courts based their rulings largely on a 1998 law known as Section 211, which was intended to favor Bacardi interests (see NotiCen, 2000-10-29). Section 211 is a brief provision inserted by Florida senators in the 1,000-page 1998 Omnibus Appropriations bill, which was passed without debate either in committee or on the floor of Congress. Section 211 prohibits US courts from recognizing any "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 a mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented."

WTO rules for and against Bacardi

In 2001, a World Trade Organization (WTO) dispute-resolution panel, ruling on a complaint brought by the European Union (EU) on behalf of Pernod Ricard, decided largely in favor of Bacardi. The panel accepted the US view that Section 211 does not violate the WTO agreement on Trade-Related Intellectual Property Rights (TRIPS) and that TRIPS does not offer trademark protection. The EU then appealed that part of the decision to the WTO Appellate Body, arguing that the panel's decision weakened trademark protection by encouraging states to selectively honor trademark rights.

In the final WTO ruling, issued January 2002, the Appellate Body reversed the dispute panel's finding. "WTO Members do have an obligation under the TRIPS Agreement to provide protection to trade names," said the ruling. The Appellate Body instructed the US to change Section 211 or face fines and trade sanctions (see NotiCen, 2002-01-24). Bacardi lobbies Gov. Bush, Bush lobbies Patent Office Patent Office regulations prohibit ex-parte efforts to sway a decision on behalf of one side in a dispute.

Nevertheless, The Washington Post reported in October 2002 that the Florida Democratic Party had secured documents showing that Florida Gov. Jeb Bush had intervened on behalf of Bacardi to block Pernod Ricard from securing rights to the label by taking the case to the TTAB. While Gov. Bush was in the process of helping Bacardi, the company donated large sums to the Florida Republican Party.

Bacardi president Jorge Rodriguez Marquez wrote Bush, "Someone needs to tell PTO [Patent Office] to stop interfering." Gov. Bush then asked Patent Office director James Rogan to have the TTAB make a quick ruling in favor of Bacardi. "I am writing on behalf of Florida-based Bacardi-Martini, USA, Inc. to ask that the Patent and Trademark Office take quick, decisive action on a pending application," Bush wrote. He added that "the outdated registration belongs to a company owned by Fidel Castro called CubaExport and should be canceled immediately." Rogan is a political appointee of President George W. Bush.

Emails from Gov. Bush's office showed that he and his staff had correspondence and secret meetings with other Patent Office officials, and Rodriguez Marquez has acknowledged that he met with State Department officials, Vice President Dick Cheney's office, and White House political advisor Karl Rove concerning the case. The Post also reported in December 2002 that Rodriguez Marquez belatedly filed a required federal report on his personal lobbying. By law, CEOs must report their lobbying efforts if they spend 20% or more of their time doing it. Rodriguez Marquez reported that he had spent US\$500,000 in lobbying since 1998.

In addition, Bacardi spent US\$2.2 million more hiring lobbyists. The governor's spokeswoman, Elizabeth Hirst, denied Bacardi's campaign contributions had anything to do with the case and explained that Bush was working in his official capacity to represent a constituent, "a company that is based in Florida, which employs a significant number of people and generates revenue to our economy." It depends on what "confiscation" means. Section 211 hinges on Cuba's confiscation of Havana Club assets. But the various rulings in the case were mostly based on narrow aspects of the controversy and do not seriously inquire whether the trademark was ever confiscated.

Pernod Ricard maintains that the Havana Club trademark was not confiscated but was simply allowed to expire by the Arechabala family. In his book *Bacardi: The Hidden War*, Hernando Calvo Ospina writes that in 1995, four years before the Castro government came to power, the Arechabala family began allowing its trademark to lapse as the business faced financial and other setbacks. The argument is that the government intervened to assume control of a nonfunctioning company. However, in a detailed analysis of the legal debate, Stephen J. Kimmerling suggested a case could be made that the Arechabala family never abandoned its claims to the trademark.

Kimmerling writes, "Because the Cuban government forcibly expropriated the Arechabalas' business (including the trademark), the family did not voluntarily cease using the Havana Club mark." Furthermore, "one could argue that...subsequent lack of capital to resume business would excuse the mark's nonuse." Congress has yet to act on the WTO's conclusion that the US must change Section 211. US businesses pointed out that the law was an open invitation for Cuba or any other country to ignore foreign registered US trademarks. Castro has announced that Cuba would sell rum under the Bacardi label and sell Cuban-made AIDS medicines patented by US companies (see *NotiCen*, 2001-04-19).

Bill would invalidate Section 211 A bipartisan bill (US-Cuba Trademark Protection Act of 2003) to invalidate Section 211, now before Congress, has the support of 670 businesses organized under the coalition USA Engage. The bill would force the administration to initiate talks with Cuba to ensure that both countries adhere to trademark-protection agreements. The bill would also expressly direct the courts to enforce trademark rights and disregard Section 211. "Cuba and the US have honored each others' trademarks for 75 years," said Rep.

Charles Rangel (D-NY), one of the bill's sponsors. "It's shameful to think that the US Congress might throw this area of cooperation away by pandering to one special interest at the expense of hundreds of American trademark holders. Our legislation has gained support so quickly because it ensures that, as the US honors Cuban trademarks, Cuba will honor ours." Because of the trade embargo, repeal of Section 211 would not mean Havana Club Holdings could sell its rum in the US. However, it would prevent anyone else from selling under that label.

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