

10-20-2000

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<https://digitalrepository.unm.edu/noticen/8764>

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## **U.S. Supreme Court Refuses to Hear Appeal in Havana Club Trademark Case**

*by LADB Staff*

*Category/Department: Cuba*

*Published: 2000-10-20*

Owners of the Havana Club rum label have failed for a third time to get US courts to protect their trademark against use by Bermuda-based Bacardi Ltd. The World Trade Organization (WTO) has agreed to set up a dispute panel to hear European Union (EU) complaints against the US law banning protection of the label. The legal battle is between Bacardi Ltd. and the French company Pernod Ricard, which, in a joint venture with Cuban Havana Club Holdings, sells rum as the legally recognized trademark owner everywhere except in the US.

In February, the US Court of Appeals in New York upheld a lower-court ruling giving Bacardi Ltd. the right to sell rum in the US under the Havana Club label through its Miami-based subsidiary Bacardi-Martini. Both the lower court and the Appeals Court rulings were based on a US law prohibiting the US government from protecting trademarks used by businesses confiscated by the Cuban government (see NotiCen, 2000-02-17).

Section 211 of the 1999 Omnibus Appropriations Act prohibits US courts from protecting trademarks that are "the same as or substantially similar to" trademarks used by companies confiscated by the Cuban government, even if the original owner gave up the trademark rights as the Arechabala family heirs to the Bacardi founder did by allowing the trademark to lapse in 1974.

The law is generally regarded as special-interest legislation to benefit the Bacardi-Martini company, which claims to have bought the label from the Arechabala family. The law forms part of the larger quilt of trade and other restrictions against Cuba but is in apparent disregard of international treaties that seek to protect trademark rights. Pernod Ricard argued that Bacardi was violating the federal law and the General Inter-American Convention for Trade Mark and Commercial Protection.

On Oct. 2, the Supreme Court refused to overturn the lower-court rulings, giving the go-ahead to Bacardi-Martini to market Bahama-produced rum under the Havana Club label in the US. Mark Orr, spokesperson in the US for Pernod Ricard, said he was not surprised by the Supreme Court ruling but noted that it did not say Bacardi owns the trademark, only that Section 211 prevents it from deciding who does.

However, the Supreme Court is no longer the final court of appeals on international trade, and its decision does not prevent a WTO dispute panel from ruling in favor of Pernod Ricard. In July, the EU asked for a panel to review Section 211 as a violation of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). The EU also complained that the law forces companies, such as Pernod Ricard, to get permission from the original trademark owners even if

those owners had abandoned their rights to it. On Oct. 26, the WTO decided to hear the case. A ruling is expected early next year.

### *Legal aspects of the case*

The Appeals Court ruling subordinated international law to domestic law and foreign policy. Writing in the *Tulane Journal of International and Comparative Law*, Daniel Carroll wrote that, because the court deferred to US foreign-policy concerns, as embodied in the 1996 Helms-Burton and other acts. The judge in the case "apparently does not consider external factors such as treaty obligations or trade implications," said Carroll. He warned that the court's failure to give weight to international obligations "exposes US corporations in foreign countries to retaliatory measures that threaten trademark protection.

The Cuban government has repeatedly warned that if the Pernod Ricard rights to the Havana Club label are not protected in the US, Cuba might take action against some 400 US-owned trademarks still protected in Cuba. Commenting on the case, *The National Law Journal* emphasized the political nature of the controversy and the role of corporate contributions to members of Congress.

Bacardi, which persuaded Congress to put Section 211 in the Omnibus bill, "has risked embroiling Washington in another trans-Atlantic trade war and jeopardizing the wider interests of the US business community, said the Journal. "Such is the power of the anti-Castro lobby that Congress has been willing to run these risks on behalf of a company based in an offshore tax haven." (Sources: *Business Wire*, 06/06/00; *Reuters*, 07/03/00; *The National Law Journal*, 09/11/00; *US Newswire*, 09/26/00; *The Miami Herald*, 10/03/00; *Associated Press*, 07/04/00, 10/06/00; *Tulane Journal of International and Comparative Law*, Spring 2000)

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