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WTO Fails to Settle Havana Club Dispute

by LADB Staff

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The long-running fight over who owns the Havana Club rum trademark is not over, even though the Appellate Body of the World Trade Organization (WTO) issued a ruling that is considered final. In a complex decision, the body gave both the Bermuda-based Bacardi firm and the French-Cuban firm Pernod Ricard reason to claim victory. However, the fight could now return to US courts.

The European Union (EU), representing Pernod Ricard, appealed a ruling by a WTO dispute settlement panel that largely favored Bacardi, which bolsters its claims to the label citing Section 211 of a 1998 Omnibus Appropriations Act (see NotiCen, 2001-08-16). Section 211 prohibits US courts from protecting trademarks that are "the same as or substantially similar to" trademarks held by companies confiscated by the Cuban government. The legislation was specifically written to permit Bacardi, through its Miami affiliate Bacardi-Martini Ltd., to sell rum in the US under the Havana Club label without fear of any legal action against it by Pernod Ricard (see NotiCen, 1999-05-13).

Tribunals skirt substance of Havana Club dispute

Neither the US courts nor the WTO has ruled definitively on the merits of Pernod Ricard's complaint. Therefore, the substantive question of who owns the Havana Club trademark is still unsettled. Interpreting the dispute in narrow terms, the Supreme Court in October 2000 upheld lower-court decisions and ruled that Section 211 could legitimately prevent US courts from adjudicating the matter, thus clearing the way for Bacardi to use the trademark in the US (see CubaSource, 2000-10-20). Pernod Ricard remains the recognized owner of the label everywhere else.

In August 2001, a WTO dispute settlement panel released its decision on an EU complaint against Section 211. The panel ruled that the law substantially complies with global intellectual-property rights. At the same time, the panel said Section 211 unfairly prevents a claimant from seeking trademark protection in US courts as guaranteed by the WTO's Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. However, the dispute panel did not rule that the US law was noncompliant with TRIPS, but rather advised the US to revise it. The ruling left open the possibility that Pernod Ricard could take its case back to US courts.

The EU then appealed a part of the panel's decision that said trade names are not covered by TRIPS and TRIPS cannot be used to decide who owns them. The EU says that view could reduce trademark protection everywhere as member states determine for themselves which trademarks to protect. Likewise, the Appellate Body issued a highly technical and narrow decision upholding several of the dispute panel's rulings that found Section 211 consistent with various articles of the TRIPS Agreement but reversing the panel on several others.

In the final WTO ruling, issued Jan. 2, the Appellate Body reversed the dispute panel's finding that trade names are not covered by TRIPS. "WTO Members do have an obligation under the

TRIPS Agreement to provide protection to trade names," it said. The ruling said Section 211 was inconsistent with the US obligation to protect and enforce intellectual-property rights under TRIPS, which prohibits discrimination against foreigners and guarantees most-favored-nation treatment. Further, the appeals ruling recommended that the Dispute Settlement Body, which oversees the process, "request" that the US bring Section 211 "into conformity with its obligations" under TRIPS. Both the panel and the Appellate Body avoided making any judgment about confiscated property or whether a member state should recognize trademarks in its own territory that may have belonged to confiscated businesses.

Nevertheless, said the ruling, any law dealing with that issue must comply with TRIPS whenever it affects other member states. Such measures as the 1998 law would therefore have to give "no less favorable treatment to the nationals of all other WTO members than it accords to its own nationals, and must grant to the nationals of all other WTO members any advantage, favor, privilege, or immunity granted to any other WTO Member."

Mark Orr, vice president of North American affairs for Pernod Ricard, said, "We are extremely pleased that the EU has prevailed in this proceeding." He said the decision strengthens Pernod Ricard's ability to defend its right to the Havana Club trademark in the US.

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