S. HRG. 108–919

AN EXAMINATION OF SECTION 211 OF THE OMNIBUS APPROPRIATIONS ACT OF 1998

HEARING

BEFORE THE

COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

JULY 13, 2004

Serial No. J–108–88

Printed for the use of the Committee on the Judiciary

U.S. GOVERNMENT PRINTING OFFICE
42–491 PDF WASHINGTON : 2008

For sale by the Superintendent of Documents, U.S. Government Printing Office
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AN EXAMINATION OF SECTION 211 OF THE OMNIBUS APPROPRIATIONS ACT OF 1998

TUESDAY, JULY 13, 2004

UNITED STATES SENATE,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The Committee met, pursuant to notice, at 2:03 p.m., in room SD–226, Dirksen Senate Office Building, Hon. Lindsey Graham, presiding.

Present: Senators Graham, Kyl, Craig, and Leahy.

Senator GRAHAM. The hearing will come to order. Thank you all for coming and attending today, and if it is okay with you, Senator Nelson, I will just delay my opening statement and allow you to make any remarks you would like and introduce anyone you would like. So with great pleasure, I recognize Senator Bill Nelson from Florida.

STATEMENT OF HON. BILL NELSON, A U.S. SENATOR FROM THE STATE OF FLORIDA

Senator NELSON. Thank you, Mr. Chairman. And I see I have 5 minutes, but I will make it very quick.

Senator GRAHAM. You can run over if you like.

Senator NELSON. I will just get right to the point on the question of Section 211 and trying to make the fix that has been necessitated as a result of groups on the international stage having made certain interpretations.

The fix is basically so that if Castro had confiscated a trademark, that confiscated trademark would not be allowed to be used and sold in the United States. And that is the bottom line. And, of course, what we have is a series of personal experiences that will be told to the Committee where that has occurred. It is going to my pleasure—and it will be up to you as to the order that folks proceed, but at your pleasure, Mr. Chairman, Mr. Ramon Arechabala from Miami is going to tell you the personal and very sad story about when he and his family were forced to leave Cuba in 1960 and how they were forced to leave everything that his family had built over the years because they confiscated and claimed ownership of his family's business.

Unfortunately, there are too many of those sad kind of tales, and now there are those who want to profit from that by taking those confiscated trademarks and using them in the sale of items in the United States. And I am here to tell you that this Senator, representing a lot of constituents who have, in fact, had their property confiscated, this is a property rights issue, Mr. Chairman. This

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technical fix that we need to make in Section 211 ought to be done. That is my position.

Now, Senator Craig and I have a different position with regard to the embargo of Cuba. He is in favor of lifting the embargo. I am not. But that is not what this is. This is a property rights issue of confiscating property and who is the rightful owner of that property, in this case trademarks.

So that is what I am here to speak on, and I thank you for letting me come and make my statement.

Senator GRAHAM. Thank you very much, Senator Nelson.

Senator NELSON. I am going to enter, if you do not mind, a series of letters from various Florida interests, in addition to Mr. Arechabala and his testimony. If I may enter this into the record, I sure would be appreciative.

Senator GRAHAM. Absolutely, without objection.

Senator NELSON. Thank you, Mr. Chairman.

Senator GRAHAM. Thank you, Senator Nelson.

Senator Craig, would you like to make a statement at this time?

STATEMENT OF HON. LARRY E. CRAIG, A U.S. SENATOR FROM THE STATE OF IDAHO

Senator CRAIG. I will make it briefly because I want to hear from those who are giving testimony.

Bill, before you leave the room, Senator, I must tell you I totally agree with you. This is a property rights issue. It is nothing to do with lifting embargoes, and that is what we are here to discern.

I voted for S. 211. I was here at the time of the happening, and I heard one side of the story. I have now reviewed international law and a failure to file a trademark and the trademark to expire and somebody else filing for it. And I do believe there is a legitimate argument to be made on a property rights issue. And that is what I hope we can hear from today.

I totally agree with you and the passion you expressed about confiscation of property by Fidel Castro. That, in my opinion, is no longer the issue here. Clearly, he confiscated the physical properties of Havana Club. But the property right trademark resided in this country, not in Cuba. It was registered here. And it appears that the ability to re-register that with a $25 check did not happen. And years after that failure, the Cuban Government picked it up, some 3 or 4 years later.

So our question is: How do we resolve this issue and still protect the hundreds of U.S.-based companies that have a legitimate concern about their trademark? Do we tweak this? And if we do, are we in compliance with WTO, or as my legislation does, simply abolishes 211? Because it now appears that I have fully examined the issue after having once voted for it. Some Senators find themselves in those positions over time when they look at the whole scope of the history, the issue and the law, to determine that my vote might have been ill-cast and that the legitimate position is the responsibility of going forth with refiling and keeping your trademarks current, and when they lapse they become anyone else's property who wishes to pick them up. And, in fact, can you then reclaim legitimacy to a property right that you lost by what appears to be a legitimate failure to act and a property right gained by someone else?

It is a property rights issue, and I am not sure whether we can clearly demonstrate that all today. But hopefully with our witnesses and with testimony, we can move ourselves toward determining whether we can tweak 211 or, in fact, eliminate it altogether.

Thank you.

STATEMENT OF HON. LINDSEY O. GRAHAM, A U.S. SENATOR FROM THE STATE OF SOUTH CAROLINA

Senator GRAHAM. Thank you, Senator Craig.

Ladies and gentlemen, I would like to welcome you to an examination of Section 211—that is a good lead-in—of the Omnibus Appropriations Act of 1998. Today, we will examine the complex issues surrounding Cuban trademarks and their continued viability in the United States and international commerce.

As most of you know, Congress enacted Section 211 of the Omnibus Appropriations Act of 1998 to effectively prohibit Cuban nationals or their successors in interest from protecting certain trademarks or trade names in the United States. Under Section 211, unless the original owners have expressly consented, the United States Patent and Trademark Office is prohibited from accepting or renewing the registration of a trademark, trade name, or commercial name confiscated by Fidel Castro's regime during or after the 1959 revolution. U.S. courts are also prohibited from considering or enforcing claims involving such trademarks.

Section 211 was challenged by the European Community and the WTO as being inconsistent with U.S. obligations under WTO agreements. A WTO panel issued a decision finding that Section 211 was inconsistent with certain WTO requirements in some respects, but was either not consistent in other respects or not proven to be inconsistent in other respects by the European Community. I think that is what Senator Craig was trying to tell us.

The European Community appealed the panel's ruling, and the appellate body issued a decision which reversed the lower panel's ruling in some respects. Essentially, the appellate body held that certain sections of Section 211 concerning court recognition or enforcement of trademark rights were inconsistent with U.S. responsibilities regarding the national treatment of trademarks and other commercial registry information, which brings us to where we are today.

There are currently two different approaches to bringing the laws into compliance. Senator Craig has described one. Senator Nelson has described the other. And with that said, I would like to introduce our panelists now, and I will try not to butcher your names.

Ms. Nancie Marzulla, please come forward. She is the president of Defenders of Property Rights, a national public interest legal foundation based here in D.C.

Mr. William Reinsch—come forward, William—is the president of the National Foreign Trade Council based here in D.C.

Mr. Arechabala—did I say it right, sir? Okay. Come forward. Thank you, sir. I think you have already been introduced.

And Mr. Kenneth Germain and Mr. Bruce Lehman.

Thank you all for coming and giving your time to the Committee, and if it is okay with Senator Craig, we will try to do 5-minute statements to the Committee, and we will start with Ms. Marzulla and work our way—oh, I am sorry. I have got to swear you in. Would you please stand up and raise your right hand? Do you solemnly swear that the testimony you are about to give to the Committee is the truth, the whole truth, and nothing but the truth, so help you God?

Ms. MARZULLA. I do.

Mr. REINSCH. I do.

Mr. ARECHABALA. I do.

Mr. GERMAIN. I do.

Mr. LEHMAN. I do.

Senator GRAHAM. Please take a seat.

Now, with that being done, we will start with Ms. Marzulla.

TESTIMONY OF NANCIE G. MARZULLA, PRESIDENT, DEFENDERS OF PROPERTY RIGHTS, WASHINGTON, D.C.

Ms. MARZULLA. Well, thank you very much. It's my pleasure to be here, and I am going to speak generally to the issue of the proposed technical correction to Section 211 of the 1998 Omnibus Appropriations Act. And from our perspective, these corrections, while they are small and very technical, are crucial because they give tangible expressions to this country's unwavering support of individual rights and liberty or property rights. And, therefore, to the extent that there's any question in anyone's mind as to which side Congress should err on, obviously it should be in support of property rights.

I'm here testifying as president of Defenders of Property Rights on behalf of the public interest. And Defenders was founded in 1991, and we actively work to protect individual rights in the form of tangible and intangible property in the courts, in the marketplace of ideas, and, of course, here in Congress.

And I'm especially pleased to be here testifying once again before the Senate Judiciary in support of the legislative proposal which, in our mind, will strengthen and enhance property rights protection. I have two points to make.

First, S. 2373, which will amend Section 211 to comply with the World Trade Organization's ruling, will forbid, as we heard earlier, recognition in the United States of trademarks unlawfully seized by Cuban officials. And that proposal is supported by a long and rich body of law. Federal courts have emphatically supported the notion that our courts will not give extraterritorial effect to a confiscatory decree of a foreign state against its own citizens. Federal courts have refused to join in partnership with foreign tyrants who seize property "actuated by coercion and fear of political reprisals."

There's a wonderful case out of the Second Circuit in which the Federal court reviewed the taking of a trademark following the communist takeover of Hungary, in which a company was nationalized. And the Second Circuit said Hungary could not give its decree extraterritorial effect and thereby emasculate the public policy of the United States against confiscation.

Likewise, Judge Wisdom of the Fifth Circuit in a case involving, again, Cuban seizure of trademarks associated with a brewery, said, "We hold that it is our duty to assess, as a matter of Federal law, the compatibility with the laws and policies of this country of depriving the original owners of the Malta Cristal trademark of that property without compensating them for it. We conclude that such a deprivation without compensation would violate bedrock principles of this forum, embodied in the Fifth Amendment to the Constitution."

My second point is that although Federal courts have refused to recognize the validity of trademarks unlawfully seized in foreign countries, Section 211 is still needed. This is because—and we have seen this repeatedly—that reliance on litigation in Federal courts as the sole means to protect one's property rights is unsatisfactory. It places an unfair burden on the property owner. Litigation to protect one's property right is slow, arduous, and extremely expensive.

Take, for example, the Fifth Circuit decision I just mentioned, the case I quoted from Judge Wisdom. In that case, the original owner of the trademark was forced to litigate for over a decade to protect his rights in this country. He eventually prevailed, but it took over a decade to accomplish this. He went up to the Fifth Circuit over three times litigating procedural issues and technical defenses, all in an effort to protect his property rights.

Likewise, I might underscore for this Committee that the same is true for property owners today who seek compensation for the unlawful taking of their property rights by their own government.

Congress needs, this Committee needs to step up to the plate, enact laws that clearly direct Federal agencies—here it is the Trademark Office—to protect property rights and to protect the constitutional rights of our citizens.

Thank you.

[The prepared statement of Ms. Marzulla appears as a submission for the record.]

Senator GRAHAM. Mr. Reinsch?

TESTIMONY OF WILLIAM R. REINSCH, PRESIDENT, NATIONAL FOREIGN TRADE COUNCIL, WASHINGTON, D.C.

Mr. REINSCH. Yes, thank you, Mr. Chairman. It is a pleasure to be here. I would like to ask, in addition to my full written statement, if I could also insert a letter that a number of our members have written on this subject.

Senator GRAHAM. Without objection.

Mr. REINSCH. And one of a number of law review articles critical to Section 211. Not the whole book, Mr. Chairman.

Senator GRAHAM. Without objection.

Mr. REINSCH. Thank you for the opportunity to be here. I am here on behalf of the National Foreign Trade Council representing 300 American companies who work and trade globally. Today, you are going to hear a story about the Havana Club trademark, and it is going to be a sad one, as Senator Nelson said, and it is going to tug at our emotions.

My task is to try to take you beyond the politics and the emotion that surround this dispute between two companies and suggest that there are more fundamental issues that affect all of us here, both in the United States and around the globe. Those are: How do we protect the interests of thousands of American trademarks currently registered in Cuba? How do we ensure that the U.S. complies with all of its international obligations? And most importantly for this Committee, how do we ensure that our U.S. court system has the full authority to settle trademark disputes?

That is why the NFTC supports S. 2002. It is the only way both to comply with WTO rules and to protect the interests of the more than 400 U.S. companies holding 5,000 trademarks in Cuba. In supporting S. 2002, which is Senator Craig's bill, I want to make clear that the NFTC does not take a position on the specific trademark dispute that underlies this issue. We believe it should be left to the courts and PTO to decide trademark disputes, and S. 2002, if enacted, would do precisely that, in contrast to the alternative proposal.

The Committee is no doubt familiar with the history of Section 211. Previously, both Senators have alluded to it, and I will not repeat it here. We believe that only full repeat of Section 211 will address both the WTO violation that is at issue as well as remove any pretext for the Castro regime to retaliate against American companies because of our breach of obligations under the General Inter-American Convention for Trademarks and Commercial Protection. S. 2002 would also ensure continued U.S. leadership on intellectual property issues through the establishment of heightened standards, while bringing the U.S. into compliance with all existing treaty obligations.

S. 2373, in contrast, for the benefit of a single company, asks the Congress to make it more difficult for U.S. companies to enforce their trademarks and trade names, to keep U.S. companies exposed to the risk of retaliation, and to continue putting U.S. law at cross-purposes with longstanding principles of U.S. trademark law and important intellectual property and trade policy objectives.

The key point of our argument is that Section 211 violates the Inter-American Convention because it denies trademark registration and renewal on grounds other than those permitted by Article 3 and because it also violates Articles 8, 9, 18, 29, and 30, and my written statement has a more detailed description of those problems.

In the face of those violations of the Convention, customary international law permits a party to suspend the operation of the agreement in whole or in part. U.S. Federal courts have recognized the Inter-American Convention as governing trademarks and trade name relations between the U.S. and Cuba. Its suspension will result in great uncertainty regarding the legal status of U.S. company trademarks in Cuba and, we believe, retaliation. Castro and his officials have on several occasions threatened to retaliate against the trademark rights of U.S. companies in Cuba. Whether he will do so is anyone's guess. But given our members' experience in South Africa and our country's experience with Cuba over the past 40 years, we are reluctant to bet that Castro will simply choose to be nice to American companies. Indeed, why should we even consider taking that risk?

The South Africa case is instructive. During the U.S. embargo there, U.S. companies were prohibited from paying the fees necessary to file trademark applications. When the embargo ended, a number of companies, including Burger King, Toys R Us, 7–Eleven, and Victoria's Secret, among others, discovered that their trademarks had been appropriated by unauthorized persons. Recovering the rights to their trademarks necessitated lengthy and expensive litigation and attempts to encourage the South African Government to amend its law.

Had we maintained consistent and predictable IP relations with South Africa during the embargo, which is what we are proposing to do with S. 2002 with respect to Cuba, it would have saved many companies a lot of money and a lot of time and a lot of loss of good will.

The current administration's Commission for Assistance to a Free Cuba has recognized exactly this problem, Mr. Chairman. In its May 6th report, the Commission recommended, "The U.S. Government should encourage a Cuban transition government to provide assurances that it will continue to uphold its obligations under intellectual property agreements. Doing so early in the process would be an incentive to foreign investment and thereby facilitate Cuba's move to a free-market economy."

"In the area of trademarks and patents, the U.S. Government should be prepared to assist a free Cuba to develop a modern trademark and patent registration mechanism and appropriate legal protections."

S. 2002 would do precisely that, and, Mr. Chairman, my full statement contains a description of the various provisions of the bill that would meet that standard.

Finally, with respect to the larger point of U.S. intellectual property leadership, let me simply say the United States has long been a leader in securing intellectual property rights globally, in part because we have the most to lose if they are poorly protected. Section 211, in effect, we believe, tells the world that it is okay to limit trademark protection in certain obviously political circumstances. There are no doubt a lot of other countries who would welcome that message and would be happy to use it as an excuse to remove trademarks in situations that are politically important to them. That is not a message that we should be sending.

Instead, I would urge the Committee to demonstrate its bedrock interest in secure protection of intellectual property rights by ensuring the rule of law here at home and keeping inviolate access by all parties to a fair hearing in our courts.

To conclude, Mr. Chairman, I would argue that the Committee has two clear choices before it: You can support S. 2373, which advances the commercial interests of a single Bermuda-based company, or you can support S. 2002, which will repeal Section 211 and will protect the interests of thousands of American trademarks registered in Cuba, will restore the full authority of the U.S. court system to settle trademark disputes—which is where we believe it belongs—will bring the U.S. into compliance with all of its international treaty obligations, not only the WTO, and will, finally, preserve the U.S. leadership in the global protection of property rights.

Thank you.

[The prepared statement of Mr. Reinsch appears as a submission for the record.]

Senator GRAHAM. Mr. Arechabala?

TESTIMONY OF RAMON ARECHABALA, MIAMI, FLORIDA

Mr. ARECHABALA. Mr. Chairman, good afternoon. My name is Ramon Arechabala. I am here today to testify in support of Senate bill 2373.

My great-grandfather, Jose Arechabala, was the founder of my company in Cuba in 1878, which made Arechabala and Havana Club rum. Castro, on December 31, 1959, at gunpoint, took all my assets and threw us out of the company and removed us from being able to go to work at the company. After a little while, I was doing some work in Havana, and every single time I was successful, he cut me down and took over. Finally, he threw me into jail, and I was released from jail on two conditions. He told me, "You do not belong to this society. Either you get the hell out of this country, or you are going to stay in jail with some cause that we will find for you."

So I left with my wife and my son for Spain. After I was in Spain for a little while, I came to Miami. I became an American citizen, and I have lived in Miami since 1967.

My cousin, who was a lawyer of the company, was thrown in jail in Cuba, and he is still in Cuba right now, and he was the corporate lawyer of the company, and he was the one that knew all about the assets and all about the registration of trademarks and about the whole thing.

I attempted to raise money to make Havana Club rum in this country again, but I was unable to do it. I tried joint ventures. I went all over the place, and there was no way to do it. I even went to see Orfilio Pelaez at Bacardi in Nassau, Bahamas, and I told him about what I needed, and he says, "Well, let me think about it. I will let you know. I will get back to you." A little while later, he did not get back to me, and I learned that he had got sick and he had died.

So I tried some other joint ventures with some people from Santa Domingo, but they told me, "Ramon, no dice. We do not have enough money for that."

I talked to a lawyer in Miami, and he told me—I asked him, "Can I renew the registration of Havana Club rum in the United States?" He said, "No way, unless you make the rum, you cannot register the brand." I said, "Okay, forget it." I was not going to deceive the country saying, yes, I want to register the mark because I am making rum. It was not true.

So I went back to Bacardi and talked to Juan Prado, and I told him what the situation was, and he helped me out. At the time I found out before then that Pernod-Ricard—I read it in the paper—had signed a deal with Fidel Castro. I wrote a letter to Mr. Patrick Ricard and stated to him that Rum Havana Club belonged to my family, only to my family and myself, and we had never sold it to the Cuban Government, that he was doing something illegal from my point of view. No matter what, some days later, he made an offer to my family in Spain to buy the rights to distribute Havana Club rum all over the world. But it was ridiculously low, so they turned it down.

When I was talking to Juan Prado, I told him, "Look, Juan, what we need is to make Havana Club rum in Miami, to promote it and sell it in the United States." And he says, "Well, let me see what we can do about this." Finally, we made an agreement, and we hopefully would try to make some rum pretty soon. But the reason that—what happened to my family was wrong. We wanted to keep selling Havana Club rum, but we were prevented from doing so because of this confiscation of the distillery, this robbery of my distillery, my business in Cuba. Castro's wrong to me and my family continues today because the Cuban/Pernod venture continues to trade off Havana Club's reputation with a product that can never be the same Havana Club rum that we used to make. The government stole my assets, my family heritage, and much of my children's future. Section 211 prevents that wrong from spreading into the United States, and its protection should not be denied because of the veiled threats made by Pernod on behalf of its partner, Cuba. Section 211 will protect my rights and the rights of other Cubans that are in the same situation.

[The prepared statement of Mr. Arechabala appears as a submission for the record.]

Senator GRAHAM. Thank you, sir. Thank you very much.

Mr. Germain?

TESTIMONY OF KENNETH B. GERMAIN, ADJUNCT PROFESSOR OF LAW, UNIVERSITY OF CINCINNATI, CINCINNATI, OHIO

Mr. GERMAIN. Mr. Chairman and members of the Committee, my name is Kenneth Germain. I live in Cincinnati, Ohio, and I am a partner in the law firm of Thompson Hine LLP and an adjunct professor at the University of Cincinnati College of Law. Thank you for the invitation to testify today at this hearing on Section 211. I have submitted a written statement and exhibits and ask that these be made part of the record.

Since my first appearance before this Committee some 20 years ago, when I testified on the Trademark Clarification Act, my practice has focused on all aspects of trademark rights and on fair competition. I publish and speak extensively, having been invited on more than a dozen occasions to speak to the U.S. Patent and Trademark Office and to the administrative law judges of the Trademark Trial and Appeal Board. I also have served in an expert witness capacity in civil cases involving a wide variety of trademark and unfair competition issues. My qualifications and honors are further detailed in my resume, which is attached as Exhibit 1 to my written statement.

Very recently, I was retained by Collier Shannon Scott, PLLC, on behalf of Pernod-Ricard to serve in a neutral capacity, according to my typical practice as an expert witness in court cases. Aside from my usual compensation for work of this type, which is not dependent in any way upon the outcome of the controversy, neither my law firm nor I have any other financial interest in this matter. I have never previously been retained by Collier Shannon Scott, PLLC, Pernod-Ricard, or any other company that, to my knowledge, has taken a position on Section 211.

I have listened attentively to the other presentations given today. I find myself moved by the injustices of the Cuban confiscation and concerned about some of the continuing international consequences and complexities. Although I am not here today to comment on the merits of the Havana Club trademark case now pending in the courts, I am very concerned about the anomalous effects of Section 211 on established policies and doctrines of U.S. trademark law pertaining to trademark abandonment. I have concluded that U.S. courts should not be foreclosed from assessing and applying the full range of U.S. trademark law, policies, and doctrines relating to abandonment. Therefore, I believe that Congress should repeal Section 211, which S. 2002 would do. I also believe that Congress should not enact S. 2373 because it would leave Section 211 in place, albeit in amended form. Let me explain why.

Under U.S. trademark law, marks can be abandoned. An abandoned mark no longer enjoys either substantive or procedural rights because, by definition, it is no longer a mark. Therefore, an abandoned mark is available for adoption and use by anyone else and for any purpose, even for use on the identical goods in connection with which it previously was used by the abandoning party.

Courts considering abandonment typically take into account a wide range of factors which can include the intent of the purported owner and its acts and omissions with respect to the mark, as well as recognition of the mark by consumers in the marketplace. The effect of Section 211, as interpreted by the Second Circuit in its 2000 Havana Club case was and is to oust abandonment in the specific context of U.S. rights purportedly held by Cuban entities from the normal critical role it has long played in U.S. trademark law. The Second Circuit reached this result by vaulting the term "was used," found in Section 211, over pre-existing and normal understandings of the term "is used," as found in various places in American trademark law.

Section 211 is inconsistent with the central requirement of bona fide commercial use for trademark protection. Specifically, Section 211 precludes courts from considering whether a mark has been abandoned and thus no longer is eligible to be asserted to prevent third parties from acquiring rights in the mark. This gives rise to the anomaly of Section 211—deadwood marks interfering with the otherwise lawful adoption and use of similar or identical marks by others. Moreover, Section 211 runs counter to the longstanding trademark policy of permitting the courts to consider wide-ranging facts and circumstances in determining which party has superior rights to a mark.

Repealing Section 211, as S. 2002 would do, would return to the courts the full authority to consider trademark abandonment in all disputes in which the issue arises. Because doing so would be consistent with longstanding U.S. trademark law and related policy, I support repeal of Section 211. On the other hand, I oppose S. 2373 because, by leaving Section 211 in place, albeit in amended form, S. 2373 would not return this authority to the courts.

In closing, I would like to make clear that repeal of Section 211 would not decide the question of who owns any particular mark, including the Havana Club mark at issue in the Federal courts. Rather, repeal of Section 211 simply would enable the courts to consider the full range of legal and factual issues typically considered in determining which party has superior rights to a mark.

Thank you for the opportunity to talk with you today. I would be happy to take any questions you may have about my testimony.

[The prepared statement of Mr. Germain appears as a submission for the record.]

Senator GRAHAM. Thank you.

Mr. Lehman?

TESTIMONY OF BRUCE A. LEHMAN, FORMER ASSISTANT SECRETARY OF COMMERCE AND COMMISSIONER OF PATENTS AND TRADEMARKS, WASHINGTON, D.C.

Mr. LEHMAN. Thank you very much, Mr. Chairman, Members of the Committee. Thank you for the invitation to appear here today. I am Bruce Lehman, and I have been before this Committee on many occasions in an official capacity when I was actually serving in the same administration as Mr. Reinsch. But this is the second time that I have been actually asked to appear as a private citizen. The first was several years ago, actually before I went into my last round in Government, when Senator DeConcini was Chairman of the Intellectual Property Subcommittee and asked me to offer testimony somewhat like this as an expert on an issue involving legislative patent term extensions.

The views that I am expressing today are my own. They do not necessarily reflect those of any other member of the board of directors or any other person associated with the International Intellectual Property Institute, of which I am chairman. The institute does not take positions on legislation. Further, I am not being and have not been compensated by any party for this testimony, nor am I representing any party in interest as an attorney or lobbyist or, for that matter, as an expert witness in a case, in this case or a related case.

Now, during my tenure as President Clinton's Commissioner of Patents and Trademarks from 1993 through 1998, I was often the U.S. Government's point person on international negotiations on intellectual property rights. The United States' negotiating position always was clear—and this carried through all the administration in modern times that I am familiar with—that piracy and confiscation of intellectual property rights should be outlawed. And, indeed, that was the great accomplishment of the TRIPs Agreement, which was probably the greatest accomplishment of my life to be involved in negotiating that treaty. And so I believe to the core of my soul that intellectual property rights need to be respected, and it is very much in the interest of the United States.

Now, we are dealing here with a situation, of course, in which the mark involved, the Havana Club mark, originally was confiscated; it was taken without compensation by the Cuban Government. And then we have a whole lot of litigation and various activities that have followed that, and you have heard something about that. But the point that I would like to make to you here first is why are we sitting here today.

Well, we are sitting here because we have a WTO decision in a case brought by the European Union that challenged whether or not Section 211 of the Appropriations Act of 1998 was consistent with the TRIPs Agreement.

Now, the interesting thing to me about the WTO decision was, for the most part—and, by the way, that is a 100-page-plus decision; I do not know if you have read it—that the WTO appellate body did not disagree or find in noncompliance the fundamental thrust of Section 211. They really did not take exception to the policy of Section 211, which was to give non-recognition to these confiscated marks.

The WTO decision very narrowly suggested that the flaw in Section 211 was that it violated the principle of national treatment because non-Cuban nationals were treated differently under Section 211 than Cuban nationals. And that is an understandable thing, by the way, because if you read Section 211, it incorporates or references back to our embargo law and regulations, and they are obviously addressed to Cuba. So it was just really a drafting mistake.

Now, if we do not pass any legislation to correct this, the U.S. will be in violation of the TRIPs Agreement and there will be retaliation. So Congress must act to correct this. But, clearly, the best way to act to correct it will be to make the very modest changes that are proposed in the Domenici bill, which really go to this National treatment issue. It is as simple as that.

Now, I have looked at the other bill, and I would want to, you know, indicate my respect for Senator Craig. But I really think that if that is the route that Congress wants to go, we have a very serious problem because I think that it is rife with many difficulties and, indeed, might even in itself violate the TRIPs Agreement.

Just one aspect, for example, of that bill that I am very troubled by is that it requires that we would create a registry of well-known marks in the United States that would have to be submitted in Cuba. Now, you know, this is an issue that came up in the negotiation of the TRIPs Agreement and has come up since, because the TRIPs Agreement, one of the nice things about it is that it grants rights to well-known marks that we did not have before. And many countries, many developing countries particularly, have wanted us to say which marks are well-known marks, we have to have a registry. And we have generally resisted that because we want that to be determined on a case-by-case basis. So that is just one example of the flaws—and I could go into others—in Section 211.

So I really think, Mr. Chairman, that we really need to focus on why we are here. It is that we have a problem with the WTO panel decision that has to be corrected. The bill before you, Senator Domenici's bill, corrects that. The other approaches would, I think, just get us into a lot more trouble.

[The prepared statement of Mr. Lehman appears as a submission for the record.]

Senator GRAHAM. Thank you very much. Thank you all for your testimony.

Senator Kyl, would you like to make a statement at all?

Senator KYL. No, Mr. Chairman. I came here to learn.

Senator GRAHAM. Okay. Well, so did I.

Our Ranking Member, Senator Leahy, would you like to make a statement or would you want to lead off in questions?

Senator LEAHY. I will insert a statement, Mr. Chairman, and basically in that statement, I want to make sure that we are handling this issue carefully. The Section 211 provision we are examining did not go through the normal process. Usually, if things go through the normal process, it may look slow at first, but they come out better and you do not have to keep going back to them.

This provision was put in an appropriations bill under the radar. Most of us never got to see it. And I am afraid of what it might do, especially after WTO found that it violated the Agreement on Trade-Related Aspects of Intellectual Property Rights, it may have even further problems. That is why I objected when even more wanted to be done, I think it was the defense appropriations bill. So I am glad you are doing this. I am glad we are having a full hearing. If I am unable to stay, I will put my questions in the record because I do not see any provision moving until we have had a chance to actually get a lot of questions answered. And then we may well have legislation that should move.

Senator GRAHAM. We will introduce your statement, without objection.

[The prepared statement of Senator Leahy appears as a submission for the record.]

Senator GRAHAM. Would you like to ask any questions now?

Senator LEAHY. Well, Mr. Chairman, did you want to inquire?

Senator GRAHAM. I will defer to you.

Senator LEAHY. Well, I appreciate that. I appreciate that very much.

My first question would be for Ms. Marzulla. In today's edition of The Hill, your husband, who is also, as you know better than anybody else, general counsel to Defenders of Property Rights, stated that your organization has no knowledge of whom this bill helps or hurts. Would your opinion that you have already stated of S. 2373 change if it turned out from study of this that U.S. trademarks in Cuba are put at risk? I believe there are about 5,000 U.S. trademarks in Cuba. Would your opinion change at all if it turned out that was the case?

Ms. MARZULLA. Well, thank you, Senator Leahy. I have not read—I guess there was an article that was published this morning. I have not read it, so I do not know what it says. Based on your statement as to what he allegedly said, I guess that we are not aware of who the bill either protects or who it is designed to protect—

Senator LEAHY. But my question was—let's assume that it was a statement given by anybody.

Ms. MARZULLA. Okay.

Senator LEAHY. Would that statement be a valid one if it turned out that 5,000 U.S. trademarks in Cuba were put at risk?

Ms. MARZULLA. Well, let me clarify, Senator, what our support is of this bill and what it means when I say we support this proposal.

I have read the portion of the WTO's decision regarding Section 211, and I understand what this proposal is designed to do, which is a very narrow, technical fix for a provision which purports to codify a principle which is well established in Federal law, and that principle is that Federal courts will not enforce the validity of a trademark that is in the United States that was confiscated by a tyrant abroad.

So to the extent that you are suggesting that a tyrant in Cuba, Castro, is going to retaliate against American companies if we enforce our constitutional principles here, I would say that would be horrible, that would be terrible, it would be unfortunate. But we in this country must stand firm on the constitutional underpinnings upon which this country was founded.

Senator LEAHY. Have we had any situations where a confiscated U.S. trademark was upheld by the courts prior to the passage of Section 211?

Ms. MARZULLA. I do not know the answer to that question.

Senator LEAHY. I was not able to find any. That is why I asked the question.

Ms. MARZULLA. Are you saying are there cases before this decision?

Senator LEAHY. Yes.

Ms. MARZULLA. I am sorry. I misunderstood your question. There are cases throughout the century in which courts have upheld the validity of trademarks—or, excuse me, have not upheld the validity of trademarks that were confiscated elsewhere.

Senator LEAHY. I am asking if you can think of any where they were upheld. In other words, you have a confiscated U.S. trademark. Are there any situations that you are aware of prior to Section 211 where that was upheld, that trademark was upheld by a U.S. court?

Ms. MARZULLA. Yes. There are district courts that have upheld them. They have been reversed on appeal. Now, if there are district courts that have not been reversed on appeal, I do not know. I have not done that exhaustive of a survey.

Senator LEAHY. So the appellate law, which, of course, would then control all the district courts within that circuit, has not upheld them?

Ms. MARZULLA. Correct, but I will underscore the fact that I have not done an exhaustive survey of every decision.

Senator LEAHY. I just could not find any, and so I just wanted to know if you have more expertise in this than I have. And as I said, I could not find any, but I just wanted to check.

Mr. Reinsch, you say that Section 211 in S. 2373 violates the IAC and puts U.S. trademarks in danger of retaliatory action by Cuba. Some have said such a claim is inaccurate, that S. 2373 has been extensively vetted within the administration. Is the administration wrong to conclude S. 2373 would comply with the Inter-American Convention, in your opinion?

Mr. REINSCH. My understanding is that they have not concluded that, Senator Leahy. I know in my conversations with the administration, they have indicated that both bills would adequately deal with the WTO problem. Obviously repeal deals with it. And they have taken the position that S. 2373 would deal with the WTO problem.

I am not aware that the administration has made a statement about compliance with the Inter-American Convention.

Senator LEAHY. Mr. Chairman, I will just submit for the record one of the questions I will submit for everybody: Would a simple repeal of Section 211 solve the problem of WTO sanctions and potential violations of IAC? And does S. 2372 solve the WTO problem? I would be delighted to have your answers because, like everybody else, I figure I am wrestling with this issue.

Thank you.

Senator GRAHAM. Without objection, that question will be submitted, and everyone will have a chance to answer it.

Senator LEAHY. Thank you for the courtesy.

Senator GRAHAM. Senator Craig?

Senator CRAIG. Mr. Chairman, thank you very much.

In the process of all of this, probably Ramon Arechabala and I are the non-attorneys in the room and know less about this issue than most of you who have at least held yourselves out to be experts in the field, and we trust and respect that. But because I, like Senator Leahy, once voted one way—did you vote for 211, do you recall, Pat?

Senator LEAHY. I did.

Senator CRAIG. He did. I did. And as I began to examine the issue, it is very difficult for those of us who vote one way to look at something and decide maybe we voted wrong and ought to look at it a different way. And I have tried to do that to understand the issue.

So, Nancie, what I would like to do, and Bill and Ramon and Kenneth and Bruce, is walk us through a timeline of events. That is how I think I can better understand this issue. And please feel free to interject as it relates to my misinterpretation or misunderstanding of this issue.

I also, in the art of full disclosure, will tell you that Nancie and her husband's Defenders of Property Rights group, I have served as an adviser to, have worked very closely with them in the past, and as someone who is a staunch defender of property rights, I do not take second place to that. I probably do not take second place to the anger and the emotion of a dictator and revolution and a confiscation of private property, as I am sure my colleagues both to my right and left do and agree with me on.

So what I would like to do to try to understand this—and, again, we are talking about fine-tuning versus repealing and what best fits the protection of property rights, not only universally, but I have to be a bit parochial and say U.S. company property rights in compliance with the WTO and other international trade organizations and/or conventions.

It is 1959, and Castro takes over Cuba under a revolution, and Mr. Arechabala has just expressed that by December 31 of 1959—

Mr. ARECHABALA. That is correct, sir.

Senator CRAIG. —he was kicked out of his company, thrown out, taken over by a communist government. That is 1959. In 1960, officially, the Cuban Government takes over Havana Club.

In 1973, 14 years later, the Arechabala family fails to renew claim to Havana Club trademark with the U.S. Patent and Trademark Office, as required, and that is a letter of intent and a $25 check to re-register. That did not occur, 14 years later. To our knowledge, Castro had not tried at that time to lay claim or any time during that 14-year period to the trademark. He had confiscated the property, the production unit, but he had not gone after the trademark. He had confiscated the property, the production unit, but he had not gone after the trademark. In fact, it was not until 17 years later, 3 years after the abandonment—and that is what it has to be called because that is what is called inside the system and legally. In 1976, the Havana Club trademark registered with the Patent and Trademark Office by Cuba Export, a Cuban state enterprise, 17 years after the taking of the property, does Cuba go after the trademark that had been abandoned and claims it. And then part of the rest of it is history, but in 1993, you have got a French company who develops a relationship with the Cuban enterprise, works its way down through it, and then you have got the Bacardi family attempting to market the U.S. rum made in Bahamas under the Havana Club label. And then it gets into the courts, and while it is in the court, the Senators from Florida introduce 211 into an appropriation bill, and I vote for it. And that stopped the court action at that time because the Congress has spoken specifically and only to this entity. To our knowledge, it had no impact on any other U.S. company. In fact, this was not even a U.S. company. Bacardi is registered in the Bahamas. We are not dealing with a U.S. company here. To our knowledge, S. 211 does nothing for any U.S.-based company.

Now, if I am wrong, please feel free to interject when I have finalized here. To our knowledge today, we are speaking of an entity, not U.S. companies. In fact, that is why U.S. companies are coming out and saying, wait a moment, here, protect us, make sure we are in compliance so that our trademarks and rights are protected. And, of course, I think you, Mr. Lehman, mentioned that in 1990, 2000, a U.S. district court judge rules that Section 211 prevents her ruling in the French and Havana Club joint venture, and Bacardi wins the lawsuit in that instance. And you were mentioning how the law was tweaked with "was used" versus "is used."

Am I right in my assumption that obviously a dastardly deed was done to this family? No question about it. Confiscation of property in revolution. But I also am told and my research reflects—and here I get a little critical of your family, sir—its failure to honor and register and keep current trademarks. I am told that Havana Club, the trademark registrations for Havana Club in Spain and the Dominican Republic were allowed to expire in 1955. That is 5 years before the Cuban Government nationalized the company in Cuba. There was an appearance of a failure to do due diligence all the way through here, and now we have 14 years after the confiscation of property an abandonment, and 17 years later the non-entity, if you will, the new entity coming in and registering and claiming the trademark. In other words, here, Nancie, we are talking property rights. And while none of us here will agree that Fidel Castro should have done what he did and all of us are angered, and for 40 years we have been angered by the fact that he confiscated or stole property under the name of a Cuban communist government, the record demonstrates to me that he did not come after the property rights that we control or claim on behalf of a company until well after they were abandoned and, therefore, it appears legitimately claimed them with a $25 check.

Where am I wrong in that timeline and scenario as it relates to what this is and what it is not? I knew what it was told to me to be when I voted for 211. What I have read and researched is the rest of the story. Am I accurate or am I inaccurate? Kenneth?

Mr. GERMAIN. Thank you, Senator.

Senator CRAIG. Turn your mike on if you would, please.

Mr. GERMAIN. Thank you, Senator. I do not think you are wrong, and I also do not think that the focus should be on the failure of the Arechabala family to file a document and pay a small U.S. PTO fee, although that was a significant non-action.

Senator CRAIG. But doesn't that determine abandonment versus non-abandonment?

Mr. GERMAIN. It does determine whether the registration was abandoned, and, clearly, the registration was abandoned. It could have been continued on the basis of excusable non-use in the United States with a proper declaration and the payment of the appropriate fee, which was not very much.

But the more important thing from my perspective is: Was there truly a mark in the United States, a Havana Club mark, at that time? And I answer that question in the negative. The reason for that is that trademark law fundamentally is common law. At bottom, it is based on use in a marketplace.

Now, they had been using this mark in the marketplace, in the United States marketplace, before the confiscation occurred. Then it stopped. Now, when a mark no longer is in use, you lose it, especially if it goes on that way for many years such that the marketplace probably forgets that that mark is a mark, was a mark. It is not anymore.

So what happened here is for many years this family allowed its registrations in various countries to lapse, made few, if any, efforts to bring this mark back into existence in the United States—

Senator CRAIG. We did hear by Mr. Arechabala's testimony that there was an effort personally on his part to get something going again.

Mr. GERMAIN. Right, but the law of trademark use does not recognize back-door, back-seat, back-room efforts, deals that do not happen, that do not occur in the marketplace. It only recognizes what really happens in the marketplace. And after that registration lapsed, then the other company came forward and filed a perfectly legitimate application using Section 44 of the Lanham Act, not based on U.S. use but based on registrations elsewhere, received the registration; and although it could not sell Havana Club rum in the United States either, when it came time for that registration to have what we call the 6-year affidavit filed, it filed it on the basis of excusable non-use. It did things right. It did the most it could do to create a trademark or trademark rights in the United States at that time.

Senator CRAIG. Okay. Mr. Lehman?

Mr. LEHMAN. Senator, you asked about the timeline, and you specifically referred—I think a lot of your concerns went back to the 1976 registration by Cuba Export of the Havana Club mark in the U.S. PTO.

Senator CRAIG. Well, my first concern was: Was there a legitimacy of the argument of abandonment of the mark?

Mr. LEHMAN. Yes, there is a legitimacy of the argument of abandonment.

Senator CRAIG. Then you talked about the need to demonstrate its activity and all of that in a market.

Mr. LEHMAN. It is very clear that there was a problem with abandonment of the original Havana Club mark. But I think that you have to look at the circumstances there. I think the secretary of the company was in jail for 10 years under Mr. Castro. It was kind of hard to carry out some of the business activities. But I think the real issue here—I want to say something about the PTO here. The PTO did indeed register this mark in 1976 for Cuba Export. But when the PTO registers marks, it does not look into things like is the mark a confiscated mark, does it violate the embargo regulations, and so on and so forth. All it looks at is really the question of whether the trademark standards have been met. In other words, is this a mark that is not confusingly similar with another mark and so on and so forth? It does not make any judgments about the veracity of the ownership of the mark. And that is really what is at issue here.

Senator CRAIG. Is it required to?

Mr. LEHMAN. No, it is not. But that is—it is not, and that is really what is at issue here, and that is really what the policy of Section 211 was. Now, you know, maybe there is—

Senator CRAIG. Well, let me ask this, then, Mr. Lehman: Is it important that they determine whether the mark is currently registered and/or abandoned before they would issue it to someone else? Did they have to do due diligence there?

Mr. LEHMAN. Well, obviously, had the original Arechabala mark still been in effect, then they would not have been able to give the mark to Cuba Export, absolutely. The point is they did give it to Cuba Export, and the policy of Section 211 that we are dealing with is: Should Cuba Export or any Cuban company have a mark or be able to transfer the rights to a mark that was confiscated? And that is the policy of Section 211, and I happen personally to agree very strongly with that policy because that is the very central policy of U.S. intellectual property trade diplomacy for the last 20 years, and it is embodied in the TRIPs Agreement.

I want to just say a word here about—because it goes to this very question. Mr. Reinsch said we are here for one company. That is not true. There are two companies involved. There is Pernod-Ricard and there is Bacardi. Pernod-Ricard derives its rights from a Cuban confiscation, from a Cuban company, which, as we just heard Mr. Germain said, cannot even sell or use the mark in this country because we have a public policy against permitting them to do so. And so are we to let Pernod-Ricard do so?

Now, the WTO looked at this. They looked at that policy, the very policy that I just described, and they said that policy is TRIPs-consistent. The only problem with Section 211, the only problem is that it treats Cuban nationals different from non-Cuban nationals, and that is the correction that is made in the legislation before you.

Were you to adopt the position that Senator DeConcini just—I mean Senator Leahy. Sorry, I am still back in the old days—that Senator Leahy just enunciated and, that is, repeal Section 211, I am afraid you would send a terrible message to the TRIPs Council, to WTO, to everybody else, that, you know, a policy which they had approved of we are all of a sudden abandoning, and we are saying that it is okay to trade in confiscated stolen marks.

Senator CRAIG. Well, Mr. Chairman, you have been very lenient with time here. Let me only comment. I appreciate the passion that Mr. Lehman brings 38 years after the fact, 14 years, 17 years after the fact. Now, there has to be a period of time of reasonableness here. You know, my passion and yours would be the same and is the same as it relates to confiscated properties, especially if the confiscating government comes immediately after the mark or attempts to immediately justify it. They clearly waited until it was well expired before they moved.

Now, my point is, I guess, can I draw the same passion at that point? Does there need to be a consistency? Or are we, by repealing 211, denying the very thing that Nancie spoke of earlier, that we go after tyrants, we do not recognize tyrants. Now we are 38 years later, and the question is at hand. That is what we have got to deal with here.

Thank you, Mr. Chairman. Anyone else who wishes to comment, I will reserve my time and come back to them.

Senator GRAHAM. Thank you. I am going to have to leave at about quarter after, and it is probably to be continued.

Senator Craig, your knowledge of this far exceeds mine. It has nothing to do with going to law school. You obviously have done your homework. And I am a very novice lawyer when it comes to trademark law, so I have been trying to listen to this, and I have a bias, obviously. I am not a big fan of Fidel Castro. That is a bias. But I do respect the rule of law.

It seems to me that the equities of the situation, you know, we are having a mini-trial about what abandonment is. The best place to probably have a trial is in court, not here. I think that is what you are trying to tell us.

Mr. REINSCH. Exactly, Mr. Chairman.

Senator GRAHAM. However, from a public policy point of view, there is an equitable scenario that has to be dealt with. Basically, does Fidel Castro deserve protection of the rule of law after he originally created a scenario where he could care less about the law? Because basically he is deriving benefit from the abandonment law, and the way that this all came about is that he took your property by the force of a gun. And I do not know as a judge how I would rule on that, but as a policymaker, I have a very hard time looking at the law of abandonment in this case as you would in any other case, simply because what got the Arechabala family into the situation was somebody who took the law into their own hands.

My question to you, Mr. Reinsch, is: For 6 years, Section 211 was the law of the land here. Did Mr. Castro during that 6 years ever use it to retaliate against an American company?

Mr. REINSCH. He has not yet. He has threatened to do so personally, as I recall on at least one occasion, and some other of his minions have done so on other occasions. Our belief is that he is waiting for the outcome of this issue. It has been apparent, as you probably know, Mr. Chairman, that when the WTO made its decision, it has regularly provided for 6-month periods for us to comply, and it has regularly extended those periods for the last several years. Each time there is a little debate at the WTO over the extension. It has been apparent each time that the Cuban Government is watching this process very closely and has been—

Senator GRAHAM. Do you agree with the statement that Mr. Lehman made that the WTO and their ruling upheld the concept that it is lawful to not let a country or regime benefit from seizing property legally?

Mr. REINSCH. Well, I have looked at the ruling. I am also not a lawyer, I should say to Senator Craig, so I am at a disadvantage vis-a-vis Bruce. My interpretation of the ruling has been to look at it from the other point of view. What they found was that we were in violation of the most fundamental WTO principle, which is the principle of national treatment. What they found was that we were discriminating against different classes of people.

Senator GRAHAM. Right, but he has given a reason for that.

Mr. Germain, you represent the French company—what is the name of the company?

Mr. GERMAIN. I do not represent that company. Pernod-Ricard.

Senator GRAHAM. Okay, I am sorry. I thought you did. Did you testify on their behalf? Did I miss something there?

Mr. GERMAIN. Yes, there is a difference, Senator.

Senator GRAHAM. Okay, truly a difference. I am not saying you—

Mr. GERMAIN. Yes. I am testifying as an expert witness—

Senator GRAHAM. I do not want to even associate you with a company if you are not. And it is okay to testify. I am a lawyer. I like people who give testimony. That is a good thing.

Did the company try to buy anything from Mr. Arechabala?

Mr. GERMAIN. I understand at one point from what he said that Pernod-Ricard did approach him and his company and tried to buy some rights.

Senator GRAHAM. What rights were they trying to buy, if he had none?

Mr. GERMAIN. Oh, it is not that unusual for a company that wants to have a trademark and have it free and clear and without problems to seek to buy whatever rights might possibly exist somewhere.

Senator GRAHAM. Do you know how much they were going to pay for those rights?

Mr. GERMAIN. No, I do not.

Senator GRAHAM. Okay. Mr. Lehman, do you stand by your statement that the WTO's ruling upholds the concept that it is legal to make sure a regime does not benefit from confiscating trademarks?

Mr. LEHMAN. The WTO ruling is that the U.S. policy in that regard is consistent with the TRIPs Agreement, and Mr. Reinsch himself pointed out that the only defect in Section 211 is its different treatment of different nationals. It is a very technical, very narrow thing, and that is what is addressed in the legislation before you.

Senator GRAHAM. Now to the issue of abandonment.

Mr. REINSCH. May I say something about that, Mr. Chairman?

Senator GRAHAM. Yes, you may.

Mr. REINSCH. I would just encourage you to go back to something else I said. I think the real issue here is not how to solve the WTO problem. The real issue is how to solve the Inter-American Convention problem. The concern that my members have is retaliation pursuant to the Inter-American Convention. Either bill will solve the WTO—

Senator GRAHAM. By Castro.

Mr. REINSCH. Yes.

Senator GRAHAM. Okay. What is your opinion of the abandonment argument here?

Mr. LEHMAN. I think that the abandonment issue is virtually irrelevant to this, Mr. Chairman. The way I think you should look at it is—and I think, by the way, Mr. Reinsch did us a big favor by talking about companies. Let's face it. There are two companies involved here. In a sense, this is almost like a litigation that is taking place before Congress—Bacardi and Pernod-Ricard. And the issue here is what is the chain of title for the rights that they assert, and I think it is unquestionable that the chain of title that Pernod-Ricard asserts is a defective chain of title because it goes back to the confiscation.

Senator GRAHAM. Well, that was the equitable argument I was making, the unclean hands argument, that you cannot assert at a later point in time a legal right when you start in motion events that were based on illegal activity. I do not know if that is part of trademark law, but that is certainly part of equitable law.

Mr. LEHMAN. We are dealing with a statute that Congress passed.

Senator GRAHAM. Right.

Mr. LEHMAN. And that statute, as I indicated, was consistent with longstanding U.S. policy regarding how intellectual property rights should be treated, a policy against confiscation, compulsory licensing, et cetera. And so I am sort of mystified at what the problem is to some degree. That is, the policy was very legitimate. It was approved by the WTO. We have a very minor defect in the way that was carried out that has been brought to our attention by the appellate panel at the WTO. And we have legislation to correct it.

Senator GRAHAM. Well, with all due respect, what Senator Craig is saying, the problem is that many years later under the rule of law that exists of how you register and continue a trademark, nothing was done, and the Cuban Government legally—or the Cuban entity in question legally under our laws came in and took up the trademark. And—

Mr. LEHMAN. Well, I would respectfully disagree with that assertion, Mr. Chairman.

Senator GRAHAM. Why?

Mr. LEHMAN. That went back to the 1976 registration and all of the activities that happened at the U.S. PTO. There are really two separate issues here.

There is, one, the question of whether or not the Arechabalas, because they did not engage in certain filings at the U.S. PTO, abandoned their rights to the mark. That is an open question.

The other is the way in which Pernod-Ricard gets its rights, which go originally back to the filings in the U.S. PTO, the original filing in 1976 from Cuba Export, an entity of the Cuban Government, which, under our law, could not actually exercise the right here.

And the point I want to make very strongly is that the U.S. PTO, when it makes these registrations, and even more recently in the TTAB decision on the same case, does not really go into those issues. It simply is—if this were filed by anybody, does this trademark—does this mark meet the test of trademark-ability?

Senator GRAHAM. I have got you.

Anything else, Senator Craig? Then I will have to go.

Senator CRAIG. Mr. Chairman, I have to go, too. I guess 2373 modifies 211, but it keeps the courthouse door locked. So this trial that is now underway at this moment in the Judiciary Committee cannot go forward. And there are legitimate arguments out there. There are opinions. There are, if you will, judgments made by all of you. My legislation, S. 2002, unlocks the courthouse door and allows a legitimate legal pursuit of rights to go forward under law. I will agree S. 211 is the law of the land today, and you heard Senator Leahy speak to how it got there. I do not question its illegitimacy. I am going to work as hard as I can to defend the right of a company in my State when I am told, let me put it this way, half of the story. The question is: Is it the whole story and is it the right story? I would suggest that we open the courthouse door.

My legislation does that, Mr. Chairman.

Senator GRAHAM. Thank you, Senator Craig.

We will hold open for a week any comments or statements that would like to be introduced into the record. And to conclude this matter—I am sure we will hear more about it—Mr. Arechabala, I am very sorry that your family went through the experience that it did. And what I will look at as a Senator is not only the rule of law aspects here about whether or not Cuba filed after you abandoned and whether or not I think the abandonment claim is appropriate, but the equitable nature of what is going on here. I do not believe it would be good public policy to have in any scenario a dictatorship at any time, anywhere, anyhow, benefit from stealing someone's property unless the equities would require that result.

Thank you all.

[Whereupon, at 3:16 p.m., the Committee was adjourned.]

[Questions and answers and submissions for the record follow.]

QUESTIONS AND ANSWERS

THOMPSON HINE BRUSSELS CINCINNATI CLEVELAND COLUMBUS DAYTON NEW YORK WASHINGTON, D.C.

August 20, 2004

VIA ELECTRONIC MAIL
AND OVERNIGHT COURIER

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RE: "An Examination of Section 211 of the Omnibus Appropriations Act of 1998"

Dear Senator Hatch:

Please find enclosed my answers to the questions transmitted to me by your letter dated July 21, 2004. I wish to thank Mr. Hueffner for granting me an extension of time to complete these answers.

It has been my great privilege to testify before the Committee on the Judiciary. Thank you once again for extending this opportunity to be of service.

Very truly yours,

Kenneth B. Germain

Enclosures: Written Testimony, 5 Exhibits

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Answers to Questions Submitted by Senator Patrick Leahy at the Hearing Entitled "An Examination of Section 211 of the Omnibus Appropriations Act of 1998" on July 13, 2004

***Question 1**: Mr. Arechabala's distillery was confiscated, his lawyer was thrown in jail, and he was for all practical purposes exiled from Cuba without any money. What protections do the U.S. Courts provide a person like Mr. Arechabala from losing rights to their U.S. registered trademarks?*

Answer 1: United States courts have demonstrated a longstanding equitable practice with respect to the U.S. trademark rights of foreign nationals, such as Mr. Arechabala, whose businesses at home have been confiscated by their governments. This equitable approach has preserved the U.S. trademark rights of people who have suffered expropriation at home pending appropriate and prompt efforts to resume using the trademark in the United States, and is reinforced by important provisions of the Lanham Act and the practice of the U.S. Patent and Trademark Office ("U.S. PTO") with respect to renewal of U.S. trademark registrations. The courts' conduct also demonstrates that these disputes typically involve traditional issues of federal trademark law and that it is fully within the power and competence of the courts to execute whatever decision they may deem proper.

First, the courts have refused to give legal effect to the purported confiscation of U.S. trademarks by foreign governments. As observed by the Court of Appeals for the Fifth Circuit:

> [I]t is settled by a long line of cases that "our courts will not give 'extra territorial effect' to a confiscatory decree of a foreign state, even where directed against its own nationals." [citations omitted] Thus, "foreign confiscatory decrees purporting to divest nationals and corporations of the foreign sovereign of property located in the United States uniformly have been denied effect in our courts . . ." [citations omitted].

Maltina Corp. v. Cawy Bottling Co., Inc., 462 F.2d 1021, 1025 (5th Cir.) *cert. denied*, 409 U.S. 1060 (1972), *citing F. Palicio y Compania, S.A. v. Brush*, 256 F. Supp. 481, 488 (S.D.N.Y. 1966), *aff'd mem.*, 375 F.2d 1011 (2d Cir. 1967); *Tabaclera Severiano Jorge, S.A. v. Standard Cigar Co.*, 392 F.2d 706 (5th Cir.), *cert. den.* 393 U.S. 924 (1968); *Compania Ron Bacardi S.A. v. Bank of Nova Scotia*, 193 F. Supp. 814 (S.D.N.Y. 1961); *Zwack v. Kraus Bros. & Co.*, 93 F. Supp. 963 (S.D.N.Y. 1954), *aff'd*, 237 F.2d 255 (2d Cir. 1956).

Indeed, since the beginning of the 20th century, U.S. courts have applied this principle to trademarks registered in the United States, based on the proposition "that 'trademarks registered in this country are generally deemed to have a local identity – and situs – apart from the foreign manufacturer'." *Maltina, supra*, at 1026, citing *F. Palicio, supra*, at 49; *Carl Zeiss Stiftung v. V.E.B. Carl Zeiss Jena*, 293 F. Supp. 892, 896 (S.D.N.Y. 1968), *mod. on other grounds*, 433 F.2d 686 (2d Cir. 1970); *Zwack, supra;* and *Baglin v. Cusenier Co.*, 221 U.S. 580, 596 (1911). Accord, *Williams & Humbert Ltd. v. W. & H. Trademarks (Jersey) Ltd, 840 F.2d* 72, 75 (D.C. Cir. 1988).

Second, U.S. courts also have consistently upheld equitable considerations by recognizing the legal right of the original owners – regardless of the technicalities of their business organizations – to maintain their U.S. trademarks. In particular, the courts have repeatedly ruled that the confiscation of a foreign corporation and its subsequent dissolution or reorganization neither cancels the U.S. trademark registration nor deprives the acknowledged former owners and fiduciaries of the corporation of the right to exercise control and maintain the U.S. trademark. *Williams & Humbert Ltd., supra*, 840 F.2d at 75-76; *Maltina, supra*, 462 F.2d at 1030; *F. Palicio, supra,* 256 F. Supp. at 492; *Zwack, supra,* 237 F.2d at 259.

Third, this equitable approach by the courts works in tandem with laws enacted by Congress to provide a basis for owners of U.S. trademark registrations to preserve their rights pending appropriate efforts to resume using the trademark after suffering the dislocation of expropriation at home. Under the Lanham Act, 15 U.S.C. § 1051 *et seq*., as amended, the mere fact that a trademark is not in current use will not disqualify a trademark registrant from maintaining or renewing its registration in the U.S. Patent and Trademark Office. Both in 1973 and today, Section 8 of the Lanham Act, 15 U.S.C. § 1058, permits the owner of a trademark registration to file for renewal by submitting an affidavit "showing that any such nonuse is due to special circumstances which excuse such nonuse and is not due to any intention to abandon the mark."

Consequently, people in the circumstances of Mr. Arechabala, whose physical property (in his home country) has been confiscated but whose United States intellectual property--specifically, U.S. trademarks--has *not* been taken or destroyed, easily and inexpensively can maintain their existing U.S. trademark registrations by filing fairly simple documents attesting to Excusable Nonuse (of such trademarks) with the U.S. PTO. This documentary action will keep the registrations alive and, in turn, such registrations will effectively maintain the U.S. trademark rights that existed before confiscation.

These modest efforts ensure that people are not disenfranchised from protecting their U.S. trademark rights because they do not possess the physical premises (earlier associated with their businesses) or because they do not have access to any particular documents of ownership, etc. Indeed, they are allowed to make the necessary filings under their own names, explaining that they were officers, etc., of the U.S. registrants--people who were ousted by the confiscatory conduct and whose companies may have been dissolved or reorganized involuntarily. In fact, U.S. trademark law permits *repeated* renewal of registrations of and/or by people in the position of Mr. Arechabala in the event that circumstances justifying excusable non-use exist.

Consequently, Section 211 is not necessary to obtain equitable results with respect to the U.S. trademark and trade name rights of foreign nationals whose businesses were confiscated. In fact, Section 211 differs significantly from this longstanding line of cases. Rather than *preserving* U.S. trademark rights *pending prompt and appropriate efforts to resume* using the trademark in the United States, Section 211 *creates perpetual legal rights* for marks and names that were *not subject to prompt and appropriate efforts to resume use* and indeed *may never have been used or previously protected in the United States*. Indeed, by precluding courts from considering trademark abandonment and, by extension, equitable defenses such as laches,

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Section 211 creates the potential for courts to reach results unfair to those who have otherwise lawfully adopted certain trademarks and trade names.

In applying the equitable approach explained above, courts have noted with approval that the dislocated businesses took reasonably prompt action to preserve existing trademark rights and to resume using their trademarks in the United States. See *Williams & Humbert Ltd., supra*, 840 F.2d at 73 (family took legal action in U.S. within three years of foreign confiscation); *F. Palicio, supra*, 256 F. Supp. at 492-93 ("the former owners have continued to carry on some business in the name of the plaintiff entities and have taken prompt steps to enforce any trademark rights they might have"); *Zwack, supra*, 237 F.2d at 258 (noting district court finding that "plaintiff was in a position to manufacture in and/or import Zwack products into the United States and had arranged for the necessary financing therefor" by 1950, two years after foreign confiscation); *Maltina, supra*, 462 F.2d at 1023-24 (within nine years, former owners reorganized company, renewed and assigned rights in U.S. trademark, and produced product under trademark in U.S.).

These diligent efforts to preserve trademark rights contrast markedly with the over three decades of inaction in the ongoing dispute over the HAVANA CLUB trademark. Earlier this year, the Trademark Trial and Appeal Board of the U.S. Patent and Trademark Office ruled that:

> JASA's right to use HAVANA CLUB in 1974 was not by any means clear. JASA's four United States trademark registrations which included the HAVANA CLUB mark had all expired prior to 1974, and eleven years had passed since the Cuban embargo commenced, barring the importation of Cuban rum. Additionally, petitioner's pleadings only allege an *association* of the mark with JASA, not actual use of the mark in the United States by JASA. As association with an entity does not allow an entity to indefinitely claim trademark rights once it has stopped using the mark. Rather, at some point, the mark is deemed abandoned.

Galleon, S.A. v. Havana Club Holding, S.A., Cancellation No. 92-024108 (Jan. 29, 2004, slip. op. at 45-46) [copy attached]. Indeed, there are other equitable considerations recognized by the courts, namely that it would be unfair to for an original owner to profit from the investment and effort of a later trademark user after doing nothing but stand by and watch for decades. See, e.g. *Joint Stock Society v. UDV North America, Inc.*, 53 F. Supp. 2d 692, 721-22 (D. Del. 1999) (laches precludes trademark claim delayed for 60 years), *aff'd on other grounds*, 266 F.3d 164 (3rd Cir. 2001).

Question 2: *Would a simple repeal of Section 211 solve the problem of World Trade Organization sanctions and potential violation of the Inter-American Convention?*

Answer 2: As I testified, I consider myself an expert in U.S. domestic trademark law and policy, but I acknowledge that my expertise does not include international trade or international trademark law. Consequently, I prefer not to venture an opinion on questions such as this one, that are outside my expertise. In response to your question, I would like to submit for the

Committee's consideration the attached letter from Prof. Donald Dinan of the Georgetown University Law Center. I understand that Prof. Dinan is an adjunct professor of international trade law and has been a practicing international trade lawyer for 30 years.

> ***Question 3:*** *In your statement, you mention "deadwood" trademarks, a term used to describe trademarks that "have been abandoned and thus are no longer eligible to be asserted in order to prevent third parties from acquiring rights in the mark." Can you explain to the committee exactly how S. 2373 would create deadwood trademarks? What are the realistic consequences of having a large number of this type of trademark?*

Answer 3: By leaving Section 211 in place, S. 2373 would perpetuate the presence of "deadwood" marks on the U.S. Trademark Registry and expand their capability to disrupt lawful trademark acquisition in the United States. The result would be to complicate the clearance and lawful acquisition of trademarks by third parties and create new opportunities for nuisance suits contesting legal rights in lawfully acquired trademarks and trade names. Indeed, by extending Section 211 to U.S. nationals, the effect of S. 2373 would be to make these "deadwood" trademarks the problem of every trademark owner in the United States.

In amending the Lanham Act over the years, Congress has chosen to reduce the potential for "deadwood" trademarks because they impede the selection and adoption of trademarks by American businesses. Consider, as examples, the changes brought on by the Trademark Law Revision Act of 1988 (and more recent amendments). In 1988, Congress (i) clarified the definition and test of trademark abandonment; (ii) discontinued "token" (not true commercial) use in favor of "bona fide" (real) use; (iii) reduced the length of trademark registration renewal terms from 20 years to 10 years; and (iv) required a party to demonstrate use of a trademark in commerce to register a mark in most cases and to maintain a trademark registration. Indeed, Congress even has seen fit to require trademark applicants to attest to a bona fide intent to use the trademark in "commerce" in certain trademark applications based on treaty rights.

Section 211, however, runs counter to the longstanding efforts of Congress to reduce the drag of "deadwood" trademarks on American business by keeping the Trademark Registry up-to-date with trademarks actually in commercial use.

First, Section 211 has created new rights outside of the Lanham Act for a class of marks and names with an uncertain claim for protection under U.S. trademark law and policy. The size of this class is difficult to estimate, but could be quite large. Many businesses were reported to have been confiscated in Cuba in 1961, and there would have been a trademark, a trade name, or a commercial name used in connection with nearly all of them, no matter how large or how modest. Any and all of these trademarks, trade names, or commercial names that were used in connection with these confiscated Cuban businesses can be the basis for a claim under Section 211. Consequently, this class of marks and names giving rise to a claim under Section 211 is potentially large, but – given the passage of nearly 40 years and the effects of the trade embargo – practically difficult for U.S. businesses and other third parties to investigate and evaluate.

Second, Section 211 enlarges this pool of "deadwood" trademarks by giving powerful legal rights to parties that do not currently have, and indeed may *never* have had, any legal rights to their marks and names in the United States. This is a dramatic departure from longstanding trademark law and policy. Indeed, Section 211 runs counter to the repeated determinations of Congress that trademark rights under U.S. law requires the trademark to be "used in commerce" or, in the case of certain registrations based on treaty rights, that there exists a "bona fide intention to use the mark in commerce." Consequently, the pool of "deadwood" trademarks created by Section 211 is not limited to marks and names of confiscated Cuban businesses that possessed trademark rights in the U.S., but also include the marks and names of any such Cuban businesses that possessed trademark or trade name rights *anywhere in the world over forty years ago*.

Third, Section 211 precludes courts from reducing the size of this pool of "deadwood" trademarks because they are not subject to customary legal challenges provided by the Lanham Act. As explained in my testimony, the statutory doctrine of trademark abandonment is a key way in which the Lanham Act keeps trademark "deadwood" to a minimum – it provides a means for courts to recognize that a party has relinquished rights to a previously used trademark and that the mark has thus become available for another party to adopt lawfully. In a similar manner, equitable defenses such as laches and acquiescence comprise another way to eliminate "deadwood" because courts use them to dispense with "stale" trademark claims that have not been asserted in a timely manner. The importance of these defenses in trademark law and policy is illustrated by the fact that Congress expressly included them in Section 33(b) of the Lanham Act, 15 U.S.C. § 1115(b), among the defenses available against claims of trademark infringement.

However, the Court of Appeals for the Second Circuit ruled in *Havana Club Holding, S.A. v. Galleon, S.A,*. 203 F.2d 116 (2d Cir.), *cert. denied*, 531 U.S. 918 (2000), that trademark abandonment is not a defense to Section 211. Therefore, Section 211, as it is written and as it would be amended, enables these potential claimants to contest the recognition and enforcement of otherwise lawful trademark and trade name rights of third parties even if the claimant abandoned its rights long ago. It is conceivable that the theory of the *Havana Club* decision could be used to argue that other defenses against stale claims, such as laches, estoppel, and acquiescence, are no defense to Section 211. Indeed, even the absence of a likelihood of confusion – the principal defense to trademark infringement – does not appear available against a claim under Section 211.

It is in this way that Section 211 differs significantly from the longstanding line of cases discussed in my answer to Question 1, in which cases U.S. courts have refused to give legal effect to the purported confiscation of U.S. trademarks by foreign governments. The equitable approach taken in those cases was intended to *preserve* the U.S. trademark rights *pending prompt and appropriate efforts to resume* using the trademark after suffering the dislocation of expropriation at home. Nearly all of these cases emphasize the importance that the dislocated businesses took reasonably prompt action to preserve existing U.S. trademark rights. As explained above, however, Section 211 does not preserve existing trademark rights pending efforts to resume use. Rather, Section 211 *creates perpetual legal rights* for marks and names that were *not subject to appropriate efforts to resume use* and indeed *may never have been used or protected before* in the United States.

For these reasons, Section 211 has created a potentially large pool of "deadwood" trademarks that are exempted from the fundamental requirements that Congress has seen fit to enact, in particular use in commerce, and that is immune from challenge for abandonment or other grounds provided by Congress in the Lanham Act.

What are the consequences of this pool of "deadwood" trademarks? Section 211 creates potentially insurmountable problems for clearing new trademarks because, at this point in time, there is no practical way to identify every trademark and trade name used in 1960 by businesses in Cuba that were confiscated by the Castro regime. In addition, because the legal rights created by Section 211 are based on events that took place over 40 years ago – with no requirement of action since that time – Section 211 also exposes longstanding trademarks of third parties to possible challenge based on nothing more than their similarity to marks and names used in connection with confiscated Cuban businesses.

In the modern, global environment, finding commercially acceptable and legally available trademarks is harder than ever. Potential new marks must be vetted very carefully, first for inherent defects (such as ordinary descriptiveness or profanity in a foreign language), then for lack of likelihood of confusion and/or dilution with existing marks--this being an area of some expansion. Beyond that, the global nature of many businesses, and the omnipresent and expansive effect of Internet commerce add to the difficulty of "clearing" marks. Accordingly, "deadwood" marks aggravate an already restrictive situation (by taking up "space"); such marks also becloud ownership and assignment issues.

A final, sobering note is in order. S. 2373 would extend the application of Section 211 to U.S. nationals. U.S. companies are among the leading trademark owners in the world, and many of their brands are the most widely recognized. Because of this, U.S. companies are likely to be attractive targets for nuisance suits by opportunists challenging their trademark rights under an expanded Section 211. As demonstrated by the Trademark Trial and Appeal Board's unpublished decision in *Havana Club Holding v. Buffett*, Opposition No. 91-116,754 (March 13, 2003) [copy now attached], Section 211 can be successfully used by individuals and businesses with absolutely no relationship to businesses confiscated in Cuba to preclude U.S. courts and the U.S. Patent and Trademark Office from recognizing trademark and trade name rights. Instead, S. 2373 would offer only the meager assurance that Section 211 would not apply if the U.S. company lacked knowledge of the similarity. In light of the difficulty of identifying the "deadwood" trademarks created by Section 211, it is very unlikely that this provision will spare U.S. trademark owners from the spate of expensive, time-consuming nuisance suits spawned by S. 2373.

***Question 4**: Are you aware of any situations where a confiscated U.S. trademark was upheld prior to Section 211? Also, are you aware of any other litigated case in which section 211 has played a decisive role?*

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Answer 4: I am not aware of any situations in which a confiscated U.S. trademark was upheld prior to passage of Section 211.* Indeed, in the long line of cases stretching from 1911 to the present, I am aware of only two (apparently unreported) district court decisions - both reversed by reported decisions of appellate courts – that departed from the equitable approach discussed in my answer to Question 1. See *Williams & Humbert Ltd., supra*, 840 F.2d at 72; *Maltina, supra*, 462 F.2d at 1021.

I note that the cases cited and discussed by Ms. Marzulla as supportive of Section 211 would not have been affected by that Section, as the deciding courts were able to protect legitimate interests in U.S. trademarks quite adequately without Section 211. In my opinion, Section 211 creates an unnecessary detour (around ordinary judicial handling) that undermines the need to reactivate use of trademarks, thus running counter to modern concepts of use/abandonment-- and does so in a way tends to create "laches" (unreasonable delay resulting in injury to others) problems.

I am aware of one other litigated case in which Section 211 has played a decisive role. In an unpublished (and "not citable as precedent") opinion in *Havana Club Holding, S.A. v. Buffett*, Opposition No. 91-116,754 (March 13, 2003), the Trademark Trial and Appeal Board of the U.S. Patent and Trademark Office relied on Section 211(b) to dismiss Havana Club Holding's opposition to a later filed trademark application for the mark HAVANAS AND BANANAS. This decision demonstrates that Section 211 can be successfully used by individuals and businesses with absolutely no relationship to businesses confiscated in Cuba to preclude U.S. courts and the U.S. Patent and Trademark Office from recognizing trademark rights.

It is unclear what role was played by Section 211 in the case Mr. Lehman mentioned in his testimony involving the trademark TTT TRINIDAD & Design. He must have been referencing the Trademark Trial and Appeal Board decision in *Trinidad v. Empresa Cubana del Tabaco*, Cancellation No. 27,174 (June 14, 2001) [copy attached]. However, my reading of several unpublished decisions in that case shows that while Section 211 was asserted by one of the parties, the Board did not consider the merits of Section 211, but rather granted default judgment on this and several other claims when the other party failed to respond as required by applicable procedural rules. It is worth noting that the issue of trademark abandonment was asserted in this case – as it was in the *Havana Club* case – *before* Section 211 was enacted. See Answer to Petition for Cancellation, Fourth Affirmative Defense, at 5 [copy attached].

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* In proceedings related to the EXAKTA trademark in the United States, the courts were not asked to uphold a confiscated U.S. trademark. Instead, a single *shareholder* in a company confiscated by the East German government was disallowed from asserting rights in the U.S. trademark in his capacity as a *partner in a predecessor business* and his U.S. registration was cancelled for lack of use. However, the shareholders later asserted trademark infringement claims following reorganization and recognition as a West German company. See *Omega Importing Corp. v. Petri-Kine Camera Co., Inc.*, 451 F.2d 1190, 1192-93 (2d Cir. 1971).

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May 19, 2008

VIA UPS NEXT DAY AIR

The Honorable Patrick Leahy
Chairman, Committee on the Judiciary
United States Senate
Washington, DC 20510-6275

Dear Mr. Chairman,

Please accept my apology for my oversight in apparently failing to respond to questions that you addressed to my by letter following the July 13, 2004 hearing on Section 211 of the Omnibus Appropriations Act of 1998. The following are my answers to your questions.

1. Are you aware of any situations where a confiscated U.S. trademark was upheld by the courts prior to the passage of Section 211? Also, are you aware of any other litigated case in which Section 211 has played a decisive role?

I am not aware of any case in which a U.S. court has given effect to the attempted expropriation, without compensation, of a U.S. trademark by a foreign government where that issue has been squarely presented to the U.S. court.

Besides the *Bacardi* case, the Trademark Trial and Appeal Board in *Havana Club Holding S.A. v. Jimmy Buffett,* Opposition Proceeding No. 116,754, granted Jimmy Buffett summary judgment based on Section 211 in a matter involving the mark HAVANAS AND BANANAS.

2. Would Section 211 as amended by S. 2373 place the United States in violation of the Inter American Convention? If not, why not?

Article 9 of the Inter-American Convention only applies where the refusal of a state to register a trademark is based on a prior registration obtained under the Convention. In that case, Article 9 provides that the applicant may prove that the prior registration has been abandoned for lack of use during such period as may be established by the local law or, if no such period is established, by a period set forth in the Convention. Article 9 has nothing to do with Section 211, which deals with ownership. Section 211 limits registration and denies recognition of purported trademark rights not because of a conflict with a prior registration, but because that

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claimed trademark is the same or similar to one that was confiscated by the Cuban government or, put differently, because the registrant's claim of title is based on a Cuban confiscation.

3. You argued that Section 211 protects U.S. trademarks that have been "fraudulently seized" by the Castro regime and it is clear that the Cuban government confiscated the rum-making assets of the Arechabala family. However, the Patent and Trademark Office's Trial and Appeal Board unanimously rejected the claim that the "Havana Club" trademark was obtained by fraud or seizure and ruled that the mark had been "abandoned." Mr. Reinsch argued that trademark abandonment is an important issue of intellectual property law and that S. 2373 would prevent the courts from adjudicating on these matters. How do you respond to this argument?

It is not correct that the Trademark Office's Trial and Appeal Board "unanimously rejected the claim that the 'Havana Club' trademark was obtained by fraud or seizure and ruled that the mark had been "abandoned." My understanding of the record is that the Trademark Trial and Appeal Board never has had the occasion to rule on the issue of whether the HAVANA CLUB mark was abandoned by Jose Arechabala, S.A. The U.S. District Court for the Southern District of New York held and the Second Circuit Court of Appeals affirmed that Havana Club Holding, S.A., the Pernod-Cuba joint venture, never obtained any rights in the U.S. HAVANA CLUB trademark and that since the Cuban assets of Jose Arechabala S.A. had been illicitly seized, without compensation, Havana Club Holding, S.A. had no rights in the HAVANA CLUB trade name here.

Abandonment is an equitable defense to claims of trademark infringement that can be asserted in appropriate circumstances, but only by those who do *not* trace their claims of ownership of similar marks back to the Cuban confiscation. Cuba and those who, by purportedly purchasing trademarks from Cuba, stand in Cuba's shoes, are barred by Section 211 from asserting the equitable doctrine of abandonment. The U.S. trademarks covered by Section 211 were all used in businesses forcibly seized by Castro. These confiscations resulted in the break in the usages of these marks. Abandonment through non-use is an equitable doctrine that can only be asserted by a party who relied on the prolonged non-use of a mark to conclude reasonably that the original owner had no intention of ever using that mark again.

To appeal to equity, a party must itself act fairly. The unclean hands doctrine rules out equitable relief to those whose claim to ownership rests upon a forcible seizure, without compensation. The guiding equitable maxim is that "'he who comes into equity must come with clean hands.'... It is a self-imposed ordinance that closes the doors of a court of equity to one tainted with inequitableness or bad faith relative to the matter in which he seeks relief...." *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 814

(1945). Consequently, abandonment is not a defense to Section 211, because Cuba and those claiming title through Cuba have "unclean hands" because Cuba relied on force, not non-use, as the basis for asserting rights in the U.S. marks used by the businesses Cuba confiscated in 1960. Cuba never got good title to the confiscated marks and could not convey good title to anyone else.

4. On a related note, Mr. Reinsch discussed the problem of "zombie trademarks" in his written testimony, dead trademarks that can be revised more than 30 years after they have been abandoned. Would Section 211, as amended by S. 2373 or otherwise, create such a problem?

Mr. Reinsch's argument is premised upon an assumption that Section 211 somehow resurrects "dead" trademarks. Section 211 is directed to claims by Cuban state enterprises or their successors to ownership of U.S. trademarks owned by the victims of Cuban expropriations in 1960. No Cuban-owned trademark has ever been lawfully used in the United States since the embargo on trade with Cuba was put in place by President Kennedy. This admitted non-use of nearly 30 years has not resulted in those marks owned by Cuban state enterprises being abandoned, because the U.S. Patent and Trademark Office has decided that the excusable non-use doctrine kept all such marks alive despite the admitted non-use. The same excusable non-use doctrine applies to any non-use of the HAVANA CLUB mark by Jose Arechabala, S.A. or to the non-use of their marks by other victims of Castro's expropriations. So neither marks legitimately owned by the Cuban government (i.e., marks that were independently conceived and adopted), nor marks owned by the victims of Castro's expropriations are "zombie" marks.

5. There is a well settled common law principle that confiscated trademarks are not honored in U.S. courts. Why is it not enough to simply repeal Section 211 and let the courts continue to enforce this common law principle? Are there any cases where a confiscated trademark was upheld prior to Section 211?

There is indeed a well-settled common law principle that courts will not give effect in the United States to a foreign confiscatory measure that purports to affect, directly or indirectly, U.S. property, including U.S. trademarks. To cancel an extant trademark registration that is based on a foreign confiscation, however, a petition for cancellation must be filed with the Patent and Trademark Office (PTO). The PTO is authorized to refuse registration and renewal of trademarks solely on the grounds specified in 15 U.S.C. §§ 1052 and 1059, which do not include a foreign confiscation. The PTO is reluctant to apply even well settled non-statutory doctrines like the one that bars recognition of extraterritorial effects of a foreign confiscation. Section 211 -- the only statute that protects United States trademarks and their legitimate owners from the effects of illegal confiscations -- provides that statutory authority.

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6. Why is Section 211 good public policy? What benefits does it provide that are not already afforded by common law doctrine?

Section 211, as amended, will underscore the principle – firmly established in our law and the laws of virtually all Western nations – that foreign confiscatory measures will not be given extraterritorial effects. This law reinforces the fundamental principle that intellectual property rights must be respected and governments may not take them from individuals and companies, whether nationals or foreigners, without payment of prompt, adequate and effective compensation.

Beyond the common law, Section 211 provides a bright-line rule on trademark ownership regarding Cuban confiscated property. S. 2373 makes it clear that Section 211 applies to all parties claiming U.S. rights in confiscated Cuban trademarks, regardless of nationality, and prevents the Cuban government from extending the effects of confiscations to trademarks that the Cuban confiscation victims own in the U.S. This law protects true intellectual property owners from piracy and serves as a deterrent to those who seek to profit from uncompensated confiscations. Section 211 simply seeks to protect U.S. trademarks and their original owners from the effects of a confiscation by the Castro regime. Unless the original owners have given consent, the U.S. should not recognize a trademark based on an illegal confiscation in Cuba.

Cuba has steadfastly ignored international and U.S. law and insists that Cuba has the right to sell U.S. trademarks at fire sale prices in Europe and elsewhere. Section 211 by providing a bright line rule shuts down this black market for "confiscated" U.S. marks. Hopefully, by protecting the U.S.-based property rights of victims of Cuban expropriations, we can prevent such problems from arising elsewhere in the future.

7. In discussing S. 2002, you argued that "the provision regarding registry of well-known marks in Cuba and reciprocity would violate TRIPS because it gives preferential treatment to Cuban nationals and their successors and no one else." But the registry created by S. 2002 would be a registry of well- known trademarks "each of which is owned by a United States national and met the requirements for a well-known mark in the Republic of Cuba." It thus appears that the registry would not, as you assert, give preferential treatment to Cuban nationals because all of the marks in the registry would be owned by U.S. nationals. How do you respond?

The provision regarding the registry of well-known marks owned by U.S. nationals in the Republic of Cuba must be read in conjunction with the reciprocity provision of S. 2002 which provides that Cuban nationals that own allegedly "well-known" marks in the U.S. will be

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accorded the same treatment that Cuba accords to "well-known" marks in Cuba. I am concerned that the effect would be that, Cuba by setting a low standard for what determines a well-known mark in Cuba, could have a negative effect beyond the facts of this case. It could cast a shadow on other marks in the U.S.

Thank you for the opportunity to present these views to the Committee.

Sincerely,

Bruce Lehman /RC

Bruce Lehman

Answers of Nancie G. Marzulla
To Questions Submitted by Senator Patrick Leahy
Hearing before the Committee on the Judiciary
"An Examination of Section 22 of the Omnibus Appropriations Act of 1998"

1. You testified that "Trademarks are property," but abandoned property has generally been disfavored by the law. Section 211, even if it were amended, seems to create a situation in which a company that abandoned a trademark for over 30 years could attempt to reclaim that mark. Would S. 2373 foreclose the issue of abandonment? Would it deny the court the ability to develop equitable solutions in abandonment situations?

As I understand it, Section 211 as drafted would not deprive federal courts of jurisdiction over claims that had been voluntarily abandoned. Rather, Section 211 establishes a substantive rule of decision for cases brought before courts involving trademarks, trade names, or commercial names used in connection with businesses confiscated by Cuba. Thus, Section 211 does what legislation is meant to do: it sets forth a rule for judges to apply. It does not strip the judiciary of its adjudicatory role. In deciding whether it is appropriate to apply the substantive rule established by Section 211, a court must first make appropriate factual findings and legal determinations, as courts normally do. However, we stress that the Senate should include language that prohibits courts from considering any non-action attributable directly to Cuba's expropriation; such non-action should not be admissible evidence of abandonment. Where a right to a confiscated trademark is challenged on the grounds of abandonment, any non-use of the victim's marks can still be tested under the excusable non-use doctrine, in the same manner that Cuba's non-use of the U.S. marks Cuba legitimately owns is justified by that same doctrine.

2. In your testimony, you cited *Maltina Corp. v. Cawy Bottling Co.*, a 1972 circuit court case that dealt directly with the owners of a confiscated Cuban brewery seeking to preserve the right to use their United States trademark against the Cuban government. The court held that U.S. common law protected the former owners of the Cuban brewery. In light of this and other precedents, why do we need special legislation for Cuba? Should Congress pass similar legislation for other countries, and how should such determinations be made?

To cancel an extant trademark registration that is based on a foreign confiscation, a petition for cancellation must be filed with the Patent and Trademark Office (PTO). The PTO is authorized to refuse registration and renewal of trademarks solely on the grounds specified in 15 U.S.C. §§ 1052 and 1059, which do not include a foreign confiscation. The PTO is reluctant to apply even well settled non-statutory doctrines like the one that bars recognition of extraterritorial effects of a foreign confiscation. Section 211 -- the only statute that protects United States trademarks and their legitimate owners from the effects of illegal confiscations -- provides that statutory authority.

Cuba is a special situation because all registrants of Cuban-origin trademarks have been given an exemption from the requirement that the trademarks be used in U.S. commerce. This exemption, which is based on the existence of the U.S. embargo of trade with Cuba, is known as the excusable non-use doctrine. 15 U.S.C. § 1058(b)(2). This doctrine has been applied by the PTO to permit registration and renewal of Cuban-owned registrations without actual use in U.S.

commerce, allowing them to remain on the register for decades without any such use. Since the PTO is reluctant to apply non-statutory principles regarding extraterritorial confiscation and since the Lanham Act provides no subject matter jurisdiction for a claim for cancellation as the sole basis for a suit in federal court, the legitimate owners of Cuban-origin trademarks have been left with no practical forum to vindicate those rights, even though they have clear rights under long established U.S. law to the U.S. trademarks. Section 211 has corrected this anomalous situation by providing the legitimate owners with a clear statutory remedy.

Questions Submitted by Senator Patrick Leahy at the Hearing Entitled "An Examination of Section 211 of the Omnibus Appropriations Act of 1998" on July 13, 2004

Question 1. You testified that "Fidel Castro and his foreign relations officials have on several occasions threatened to withdraw the protections afforded by the Inter-American Convention." If Section 211 violates the IAC, why has Cuba not already retaliated? Who made these threats and in what context were they made?

Response: Not having had direct discussions with representatives of the Cuban government, I cannot say with certainty why Cuba has not withdrawn protections afforded U.S. trademark owners by the Inter-American Convention. However, a reasonable inference to be drawn from the statements of Cuban officials is that Cuba is awaiting the specific mode of U.S. compliance with the WTO decision holding Section 211 to violate the TRIPS Agreement. If the U.S. cures its violations of the TRIPS Agreement by repealing Section 211, that surely will be the end of the matter. If, however, Congress merely amends Section 211 to make it TRIPS compliant but does nothing to cure that law's breach of the Inter-American Convention, then Cuba may well view that action as Congressional ratification of Section 211's breaches of its rights under the Convention. At that point the danger of a Cuban withdrawal of the protections currently afforded U.S. trademarks becomes acute.

Fidel Castro and his foreign relations officials have on the following occasions threatened either explicitly or implicitly to withdraw the protections afforded by the Inter-American Convention:

1. May 11, 1999, *Miami Herald*: Following a U.S. federal judge's dismissal of the HAVANA CLUB case based on Section 211, Fidel Castro said: "'**They should not complain if we start using any North American brand to produce and commercialize products. We are not going to remain of course with our arms crossed,' Castro said in a four-hour speech last week. 'Maybe there are some who say, Caramba! Let's taste Cuban Coca-Cola. Or brand name perfumes, or other goods sold in duty-free shops,' he said.**"

2. June, 1999, *New York Times*: Fidel Castro is reported to have denounced Section 211 as a "**bold-faced violation of international law.**" The article goes on to say that he "**threaten[ed] to end protection for hundreds of American trademarks registered in Cuba.**"

3. In an address to the U.N. General Assembly on November 4, 2003, Cuba's Minister of Foreign Affairs said: "**The United States must prevent the Bacardi company from stealing the HAVANA CLUB rum brand name. Its Government should not be interested -- and I want to state this clearly here -- in a conflict of trademarks and patents with Cuba.**"

4. In a letter dated June 14, 2004, Cuba's Chief of Mission in Washington, D.C. wrote to members of the Senate Judiciary Committee and said: **"My government has waited with considerable patience on effective U.S. action to cure Section 211's violations of two separate treaties -- the Inter-American Convention and the TRIPS Agreement. To date we have seen no progress in repealing Section 211. As a result Cuba issued a statement on April 2 of this year condemning '*the total indifference and lack of willingness with which the United States Government reacted to the Dispute Settlement Body's rulings*.' The position of Cuba is clear: Section 211 must be repealed."**

5. In a document titled *Additional Information on Section 211* that was attached to his letter of June 14, the Chief of Mission said: **"The current usurpation of the rights of Cuban holders of trademarks registered in the United States and their inability to effectively defend them in U.S. courts [i.e. as a result of Section 211], undermine the relations of respect and reciprocity that have existed between both countries in terms of trademarks and patents, and relieves Cuba from any liability in this regard."**

Question 2. Would a simple repeal of Section 211 solve the problem of World Trade Organization sanctions and potential violation of the Inter-American Convention? Would S. 2373 solve these problems?

Response: There appears to be no disagreement that a simple repeal of Section 211 would bring the United States into compliance with its obligations under the TRIPS Agreement, thus complying with the WTO ruling. Ambassador Zoellick has at least twice said that, once in answer to questions from the Senate Foreign Relations Committee and subsequently in testimony before the Commerce, Justice, State Subcommittee of the House Appropriations Committee on March 25, 2004. I also understand from that testimony that Ambassador Zoellick believes enactment of S. 2373 would also comply with the WTO ruling.

Equally clearly, simple repeal of Section 211 would also address the violations of the Inter-American Convention because it would entirely remove the offending language. It is my belief, as I explained in my testimony, that S. 2373 is fatally flawed because it would not address the Inter-American Convention violations at all. I also note that none of the written testimony by witnesses supporting S. 2373, or their oral statements at the hearing, refuted that belief or made any claim that S. 2373 even attempted to address the Inter-American Convention.

S. 2373, by leaving in place the inconsistencies with the Inter-American Convention identified in my testimony, would leave exposed the trademark and trade name rights of U.S. companies to possible prejudice and loss in Cuba, and the U.S. government may find its practical ability to help severely constrained.

To further elaborate on my view that simple repeal of Section 211 would bring the U.S. into compliance with the WTO ruling and with the Inter-American Convention for Trademarks and

Commercial Protection, I am attaching a letter from Prof. Donald Dinan of the Georgetown University Law Center.

Question 3. On March 23 of this year, the Committee held a hearing on counterfeit goods, at which we heard a great deal about how counterfeiters are able to take advantage of loopholes in the law in order to peddle their wares. You contend that S. 2373 would create such a loophole. Do you know of any U.S. companies that might find their trademarks at increased risk if this particular solution is adopted?

Response: In addition to the 300 members of the National Foreign Trade Council, a number of trade associations and companies support repeal of Section 211 because it exposes the invaluable brand names of U.S. businesses to potential loss of protection in Cuba, which in turn could lead to counterfeiting of these brands by Cuban producers, and, at the very least, would subject American companies to time-consuming and expensive litigation to regain their marks once normal commercial relations with Cuba are restored. As noted in my testimony, these trade associations include the Grocery Manufacturers of America, CapNet, the Coalition for Employment through Exports, and the Organization for International Investment. Among the major U.S. companies supporting this legislation are Caterpillar, Dupont, Eastman Kodak, and the "Big Three" automakers, DaimlerChrysler, Ford Motor Company, and General Motors.

More than 400 American companies have registered over 5,000 U.S. trademarks in Cuba. Attached for your review is a partial list of these companies and their trademarks that is published by the U.S.-Cuba Trade and Economic Council, Inc. The trademarks identified include some of the best-known brand names owned by American business.

Question 4: While I agree with your concern that the U.S. should not undermine the rights of American trademarks registered in Cuba, I also think it is important to make sure our courts do not recognize expropriated marks. Are common law principles enough to make sure our courts do not do this, or is legislative action necessary?

Response: The National Foreign Trade Council does not condone expropriation of private property by foreign governments. Our membership has considerable credibility on this questions because it include many U.S. companies with facilities abroad, some of whom have had business assets confiscated by foreign governments. Based on this experience, NFTC concluded that Section 211 is not necessary for the courts to reach equitable results with respect to the trademark and trade name rights of foreign nationals who have suffered from confiscation of their businesses at home.

This is because, since long before the enactment of Section 211, it has been a longstanding practice of the courts to reach equitable results in decisions spanning nearly 100 years, which include disputes arising from expropriations by the Soviet Union and its satellites in the former East Germany and Hungary during the early days of the Cold War to those by the Castro regime in Cuba in the early 1960s. The cases demonstrate without question that the Judicial Branch has long exercised jurisdiction over property with an American situs, namely U.S. trademarks, sought to be confiscated by foreign states. I am not aware of any case prior to the enactment of Section 211 in which the courts have given legal effect to the proposed confiscation of U.S. trademarks by foreign governments.

Question 5: Your make reference to "zombie trademarks" that come back to life under Section 211. Do you know of any situations where Section 211 has raised up a previously dead trademark? Or can you provide us with an illustrative scenario where a "zombie trademark" could pose a problem?

Response: The Havana Club trademark is a perfect example of a "zombie trademark." Section 211 seeks to restore rights to the original owner, regardless of whether the original owner took the necessary steps to maintain the U.S. registration in good order. In this instance, Section 211 precluded a federal court from considering whether the trademark "Havana Club" had been abandoned, even though the original owners took no action to maintain their prior federal trademark registration or to resume using the mark.

Because the language of Section 211 is so broad, the former owners of every business that was confiscated by the Castro regime are potential claimants. NFTC members are concerned that Section 211, as it would be amended by S. 2373, would perpetuate these "zombie trademarks" and make the trademarks and trade names of U.S. businesses a potential target for nuisance suits by opportunists and competitors. As demonstrated by the Trademark Trial and Appeal Board's unpublished decision in *Havana Club Holding v. Buffett*, Opposition No. 91-116,754 (March 13, 2003), Section 211 can be successfully asserted by individuals and businesses with absolutely no relationship to businesses confiscated in Cuba, and used by those individuals and businesses to preclude U.S. courts and the U.S. Patent and Trademark Office from recognizing trademark rights.

Turning to overseas, Section 211 also threatens to create "zombie trademarks" abroad because it gives Cuba the legal right under international law to suspend the protections of the Inter-American Convention. As explained in my testimony, the Inter-American Convention requires the United States, Cuba and other treaty signatories to enable one another's nationals to cancel trademark registrations on grounds that they have been abandoned. This is an important right that is not required under the Paris Convention or the TRIPS Agreement, and it is a useful means for U.S. trademark owners to cancel trademarks registered in foreign markets by opportunistic trademark "squatters." Much as "cyber-squatters" do with Internet domain names, trademark squatters register trademarks similar to U.S. brand names, even though they have no intent to use the trademark in business. Instead, they plan to extort U.S. trademark owners for significant payments in return for a transfer of the trademark.

NFTC members are concerned that the response of the Cuban government to Congressional action maintaining Section 211 would be to suspend the Inter-American Convention to deprive U.S. trademark owners of the right to cancel identical or confusingly similar trademarks registered by Cuban nationals. Because Section 211 is inconsistent with this obligation, Cuba could - among other possible measures - conceivably do the same, in which case U.S. trademark owners would be deprived of an important legal tool for clearing foreign trademark registries of trademark squatters waiting to be bought out by U.S. right holders. Indeed, without the right to cancel based on abandonment, U.S. trademark owners would more often need to pay blackmail to trademark squatters to obtain the right to market their branded products abroad.

Question 6: Are you aware of any situations where a confiscated U.S. trademark was upheld prior to Section 211? Also, are you aware of any other litigated case in which section 211 has played a decisive role?

Response: As stated in the answer to Question 4, I am not aware of any case prior to the enactment of Section 211 in which the courts have given legal effect to the purported confiscation of U.S. trademarks by foreign governments. Indeed, the courts have developed a multifaceted equitable approach to enable foreign nationals who have suffered the dislocation of expropriation at home and own U.S. trademark registrations to preserve their rights pending appropriate efforts to resume use. That is why Section 211 is not necessary for the courts to reach equitable results equitable results with respect to the trademark and trade name rights of foreign nationals who have suffered from confiscation of their businesses at home.

I am aware of one other litigated case in which Section 211 has played a decisive role. In an unpublished opinion in *Havana Club Holding, S.A. v. Buffett*, Opposition No. 91-116,754 (March 13, 2003), the Trademark Trial and Appeal Board of the U.S. Patent and Trademark Office relied on Section 211(b) to dismiss Havana Club Holding's opposition to a later filed trademark application for the mark HAVANA AND BANANAS.

It is unclear what role was played by Section 211 in the case Bruce Lehman referred in his testimony involving the trademarks TTT Trinidad. I assume he meant the Trademark Trial and Appeal Board in *Trinidad v. Empresa Cubana del Tabac*, Cancellation No. 27,174 (June 14, 2001), but I understand that, while Section 211 was asserted by one of the parties, the Board did not consider the merits of Section 211, but rather granted default judgment on this and several other claims when the other party failed to respond.

Question 7: In your statement you invoked "a cautionary tale" of the aftermath of the South African embargo as an example of the "mischief that results when trade embargos inhibit reciprocal trademark recognition." What lessons should be drawn from that experience in balancing the need to protect domestic trademarks from confiscation versus the protection of U.S. trademarks abroad?

Response: The South African trademark disputes referred to in my testimony did not derive from confiscation of property but from the aftermath of U.S. unilateral economic sanctions. The business community learned that while a sanctions regime is in place, trademarks could be, and were in South Africa, pirated by individuals who illegitimately register marks (e.g. Burger King, McDonalds, Victoria's Secret, Toys R Us, Roy Rogers, Hardees). The South Africa case illustrates that the threat of the loss of a mark for a significant period of time is a very real one.

The legitimate owners of the marks ultimately regained the rights to their marks, but only after a time consuming and expensive process involving either a lawsuit or repurchasing the mark from the pirate. Both were time-consuming, expensive, and detrimental to the companies' image.

The lesson to be drawn from this experience is the importance of maintaining consistent and predictable intellectual property relations even with countries with whom we otherwise have a difficult relationship. The reason is to preserve the continuity of U.S. intellectual property rights pending the eventual normalization of trade relations when Congress deems fit. Indeed, the Bush Administration's Commission for Assistance to a Free Cuba quite rightly has recognized the potential problem that U.S. companies may encounter in Cuba. In its report issued on May 6, the Commission states "Ensuring protection for intellectual property and pursuing vigorous enforcement of IPR laws and regulations will be one key to attracting additional foreign investment."

The continuation of this essential policy paves the way for future U.S. commercial engagement and guards against prejudice to valuable intellectual property rights in the interim. Despite the over four-decade-long embargo on trade with Cuba, both countries have reciprocally recognized trademark and trade name rights since 1929 as signatories to the General Inter-American Convention for Trademarks and Commercial Protection. Both Cuba and the United States are parties to the Inter-American Convention, and the treaty remains in force between the United States and Cuba notwithstanding the embargo on trade between the two countries. U.S. federal courts recently reiterated the enduring vitality of the Inter-American Convention and treated it and the Paris Convention for the Protection of Industrial Property as cornerstones of trademark and trade name relations between the two countries.

Currently, under the Trade Sanctions Reform and Export Enhancement Act of 2000, American companies are legally exporting branded food and medical products to Cuba for the first time since the adoption of the embargo, making these protections all the more essential. But Section 211 contradicts this prudent policy in far-reaching ways that threaten to expose the trademarks and trade names of U.S. companies to retaliation in Cuba.

Had the trademark rights of U.S. companies been preserved South Africa during the U.S. sanctions, it would have spared many U.S. companies significant legal expense and loss of trademark goodwill. It would be unfortunate if the South African experience were replicated in Cuba because Congress failed to repeal Section 211. According to a recent survey conducted for the American Intellectual Property Law Association, the median inclusive costs of a trademark infringement suit in the United States ranged from $298,000 to over $1 million.

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Trademark and Patent Registration Procedures

As of 1 August 2002, there were approximately 4,000 trademarks registered within the Republic of Cuba by United States-based companies. There remain an unspecified number of trademark applications (some dating from the end of 1998 through the beginning of 1999) by United States-based companies that were expected to soon be registered. There are a total of approximately 60,000 trademarks registered within the Republic of Cuba.

Selected Trademarks Registered Within The Republic Of Cuba (1918 To Present)

Brand Name	Year Registered	Brand Name	Year Registered	Brand Name	Year Registered
Aunt Jemina	1918	Kraft	1949	Rubbermaid	1957
Tabasco	1931	Oracle	1991	Starbucks Coffee	1997
Magic Johnson	1996	Nine Lives	1950	Hallmark	1956
MVP	1996	Radisson	1995	Dale Carnegie	1959
All You Need	1995	Weight Watcher	1989	General Motors	1921
The Home Depot	1993	Bartles & Jaymes	1994	Black & Decker	1985
Planet Hollywood	1991	Palm Beach	1950	Time Warner	1990
T.G.I. Friday's	1992	Gillette	1950	Foot Locker	1994
Ralph Lauren	1992	ConAgra	1996	Mr. Peanut	1962
Paul Mitchell	1992	Healthy Choice	1996	GQ	1997
Hilton	1989	UL	1990	Nike	1996
Patrick Ewing	1992	Chun King	1996	Six Continents Club	1996
DuPont	1945	Quaker Oats	1951	Eskimo Pie	1973
Sunkist	1996	Western Union	1996	Texaco	1922
Pepsi	1992	MCI	1996	Louisville Slugger	1958
Raytheon	1946	Minute Maid	1952	Wendy's	1978
Timex	1946	Sbarro	1997	Aramis	1978
Polaroid	1946	Velvetta	1953	Batman	1980
Tyson	1996	Brillo	1996	Macy's	1983
J. Walter Thompson	1996	Ace Hardware	1996	Scientology	1983
M&M's	1947	Jockey	1996	Rockport	1993
Sealy	1947	United Airlines	1996	Hershey's Kisses	1923
Wonder Woman	1947	Kodak	1954	The Sports Authority	1995
Ford	1947	Cartoon Network	1993	Eli Lilly & Company	1926
Wrigley	1974	Forever Yours	1939	Baxter	1989
Blue Cross	1988	Hertz	1954	Hawaiian Tropic	1992
Whitman's Sampler	1947	Old Spice	1996	Iridium	1994
Pfizer	1947	Heinz	1996	Tommy Hilfiger	1995
Levi's	1994	Parkay	1955	Little Caesars	1996
Dockers	1994	Miracle Whip	1953	Otis	1930
Bud	1991	United Parcel Service	1996	Diners Club	1956
Playboy	1996	Caterpillar	1955	Bud	1996
Jell-O	1948	HBO	1954	Goya	1992
Adultvision	1996	Visa	1996	Mastercard	1990
Kleenex	1948	Avis	1956	Sun Microsystems	1994
Huggies	1994	Pizza Hut	1996	McDonald's	1996
Carolina Herrera	1994	Kmart	1994	Revlon	1958

Available at http://www.cubatrade.org/

SUBMISSIONS FOR THE RECORD

STATEMENT OF RAMON ARECHABALA
Senate Committee on the Judiciary
An Examination of Section 211 of the Omnibus Appropriations Act of 1999
July 13, 2004

Mr. Chairman, good afternoon, my name is Ramón Arechabala. I am here today to testify in support of S. 2373. My life was changed forever on New Year's Day 1960 when the Castro government took over the rum business that my family founded in 1878. The revolutionary regime called it intervention. They promised us we would eventually be paid, but we never got a red cent. The simple truth is our property was stolen.

I am a Cuban American and U.S. citizen. My family moved to Cuba from Spain when I was a boy. My father went to work for our family company, Jose Arechabala, S.A. (JASA), in Cardenas, Cuba, which made fine rums sold under the ARECHABALA and HAVANA CLUB brands. We exported HAVANA CLUB rum that was made by JASA according to a secret family formula to the U.S. and elsewhere. JASA began selling HAVANA CLUB rum in the U.S. in the early 1930's. I believe that the HAVANA CLUB mark, at one time, was registered in the United States, Spain, Cuba and other countries. My cousin, Javier Arechabla, the company's lawyer, took care of those things. After the Bay of Pigs, Javier was thrown in jail on trumped up charges and did not get out for many years.

I worked as a sales manager at JASA after I got out of school. Special forces led by Calixto Lopez broke into JASA's offices and seized the company on December 31, 1959. Calixto pointed a machine gun at me and said from now on he was "Pepe." Pepe is my uncle who has since moved to Spain. He was JASA's President then. Calixto meant he was now the boss. All JASA's books and records were seized. My brother, Jose Miguel, who also worked at JASA, and I were searched when we left to make sure we did not sneak out any important papers. As soon as I could, I telephoned my uncle and other family members who were in the U.S. and Spain for the Christmas holidays to let them know what had happened and to tell them not to return to Cuba. I was afraid that if they returned, they would be tossed in jail.

The next day I went back to work. Lopez and his cronies knew nothing about making rum. He even gave away the oak barrels used to age the rum. For several months I stayed at JASA without pay, but Lopez didn't want me there. I had to leave.

The company's business was booming when Castro took it over. My uncle, who was responsible for selling HAVANA CLUB rum in the U.S., had gotten HAVANA CLUB on the shelves at the Stork Club and other famous restaurants in U.S. I later learned that in October 1960, the Cuban government issued Law No. 890, to try to legitimize the confiscations of the assets of JASA and dozens of other private companies. Law No. 890 promised that my family and I would be paid a fair price for the property that was taken but that promise was false. No one in my family was ever paid anything.

My family never gave up hope of getting our rum business back. The rule of law, we felt sure, would be restored to Cuba and with it, our stolen property. In the meantime, I worked at

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odd jobs in Cuba. But every time my business showed signs of getting off the ground, the government closed me down. My background made me unreliable, particularly after the Bay of Pigs. Eventually, I was thrown in jail by the Castro government after I organized a party for foreign embassy employees. My jailer then gave me a choice, leave Cuba or face the prospect of staying in jail indefinitely on some phony charge.

I left Cuba with my wife and infant son, Miguel. By then I had lost everything, including my home and Cuban bank account. The clothes on our backs were the only things we were allowed to take. The guards at the airport even took Miguel's diaper bag because it looked expensive. What the guards couldn't take was my knowledge of the secret formula for making HAVANA CLUB rum. My brother and I had committed this secret formula to memory when Lopez took over our company and I was determined to put it to good use.

My family and I first went to Madrid and then left for the United States. After a brief stay in Philadelphia with my brother we moved in 1967 to Miami where I still live. I kept trying to put enough money together to make HAVANA CLUB rum, but I was penniless when I arrived in the United States. I worked hard to build a car dealership, but when my franchise was canceled, I was forced into bankruptcy in 1974. Throughout this period, I kept looking for a partner for a joint venture to make HAVANA CLUB rum. In 1974, I flew to Nassau to meet with Orfilio Peláez of Bacardi, to discuss the possibility of Bacardi making HAVANA CLUB rum for us. When I toured Bacardi's distillery, I broke down in tears as it was the first time I had seen a rum distillery since I left JASA. I discussed this meeting with my brother, José Miguel, but we never heard back from Mr. Peláez. I later found out that after our meeting he had fallen ill and died.

Also in 1974, I discussed with a lawyer, whose name I have forgotten, whether JASA's U.S. registration of our HAVANA CLUB label could be renewed. Javier, my cousin and the company's lawyer, was still in a Cuban prison and I knew nothing about the corporate law. I was told I could not file a renewal statement under oath because we had no means of making HAVANA CLUB rum at the time.

While trying to get the family rum business going again, I worked as an auto repairman and in sales. In the late 1980's I set up a freight forwarding company. But I had to retire in 1997 after I suffered a major stroke. In 1993, a Miami newspaper article said that Pernod-Ricard was negotiating a joint venture with the Cuban government to make and sell HAVANA CLUB rum. I was furious. I wrote a letter to Mr. Patrick Ricard, the head of Pernod, to let him know my family owned JASA and the HAVANA CLUB mark. Pernod could never make real HAVANA CLUB rum without the family's secret recipe. Mr. Ricard did answer my letter, but he basically told me that he would not let the injustice done to my family interfere with the bargain Pernod was getting from Castro. However, Pernod was worried about us taking legal action. In 1993, a lawyer for Pernod, Emilio Cuatrecasas, approached the Arechabalas in Spain about buying the worldwide rights to the HAVANA CLUB mark. The family turned down Pernod's offer as it was ridiculously low.

Before hearing about Pernod's deal, I had met with Mr. Juan Prado of Bacardi to pick up on my earlier talks with Mr. Peláez. My discussions with Mr. Prado eventually led to an agreement in principle in 1995 between the members of my family, who owned JASA, and

Bacardi, giving Bacardi the right to make and sell HAVANA CLUB rum. As part of that deal, JASA assigned to Bacardi our rights to the HAVANA CLUB mark, the related goodwill of the business and other remaining JASA assets, including the family's secret HAVANA CLUB recipe. With our permission, Bacardi began selling HAVANA CLUB rum in the U.S. in mid-1995. A formal agreement was signed with Bacardi in 1997.

The Pernod-Cuban joint venture sued Bacardi in federal court in New York. I testified at the trial on February 3, 1999. I basically said then what I am telling you today. The court ruled in Bacardi's favor partly because of Section 211. Section 211 prohibits recognition in the U.S. of claims to own rights in a trademark or commercial name like HAVANA CLUB that had been confiscated by the Castro government unless the one claiming the trademark had gotten the consent of the original owner of that mark in the U.S. which in the case of HAVANA CLUB was the Arechabala family. In other words, rights to the U.S. trademark JASA owned cannot be transferred by Cuba, which confiscated JASA's Cuban assets, to the Cuban-Pernod joint venture or anyone else without JASA's consent as the original owner of the related U.S. trademark. This seems fair. I am told that paintings discovered in the U.S. that had been seized by the Nazis in World War II, are returned to their true owners. While the Castro regime has denied us our rights in Cuba, Section 211 has protected our U.S. trademark and shows that in the United States, at least, private property cannot be taken away at the whim of a foreign tyrant. This is why I am so proud to live in America.

Pernod says we abandoned the HAVANA CLUB trademark when we failed to file the renewal papers with the U.S. government. I am not a lawyer and I did not have the money to have a lawyer research the law for me. I was told that unless JASA was making and selling HAVANA CLUB rum in the U.S. the registration could not be renewed. I believed this and was not going to make a false statement to the U.S. government, which had given me and my family refuge. I do know, however, that Pernod was aware that the Arechabala distillery and the HAVANA CLUB trademark was seized at gun point. Pernod's attempt to buy the mark from us also shows Pernod knew that we never abandoned our trademarks and that we were trying to get our business back. Why else would Pernod have tried to buy our rights in 1993? What Pernod apparently concluded was that we did not have the means to fight them in court. Pernod is a huge company and I and my brother and cousins only made modest livings. But Bacardi, which also was victimized by Law No. 890, knew we were morally and legally the rightful owners of the HAVANA CLUB mark. Bacardi paid us fairly for our HAVANA CLUB rights and took up the court fight.

What happened to my family was wrong. We wanted to keep selling HAVANA CLUB rum but were prevented from doing this because of the confiscation of our distillery. Castro's wrong to me and my family continues today because the Cuban/Pernod venture continues to trade off HAVANA CLUB's reputation with a product that can never be the true HAVANA CLUB rum. Castro's government stole my assets, my family heritage, and much of my children's future. Section 211 prevents that wrong from spreading into the United States. Its protection should not be denied because of veiled threats made by Pernod on behalf of its partner, Cuba.

ADDITIONAL STATEMENT OF RAMON ARECHABALA
Senate Committee on the Judiciary
An Examination of Section 211 of the Omnibus Appropriations Act of 1999
July 13, 2004

After I gave my statement, I did not understand that I could respond to the questions asking for more information as to what the Arechabala family did after our distillery was taken at gunpoint to keep the HAVANA CLUB mark. I would like to do so now.

One of the Senators said he understood that Cuba did nothing with the HAVANA CLUB name until 1974. To the best of my knowledge, this is not correct. HAVANA CLUB rum was being made at the José Arechabala S.A. ("JASA") distillery on the day Castro's troops took over. The distillery continued to make rum called HAVANA CLUB for the couple of months, I was allowed to stay on, without pay. But the man who was in charge, Calixto López, was a former delivery man who knew nothing about making rum.

After I was told to keep away from the distillery for good, I understand the distillery continued to make HAVANA CLUB rum. It was an inferior product because the white oak barrels we had used for aging the rum were sold or given away by Calixto and no one left at the JASA distillery had the secret formula, but it still was sold as HAVANA CLUB rum.

Naturally, my brother and I were afraid to speak against Cuba's use of the HAVANA CLUB brand while we were in Cuba. Our cousin Francisco Javier, JASA's lawyer, was already in jail for no reason. You must understand that no one in Cuba could protest then or now against what the Castro regime did without being thrown in jail. Since the Arechabala family had been business people before the revolution, we were already treated as outcasts. So there was nothing we could do to prevent the Cuban government from making and selling HAVANA CLUB rum in Cuba or for that matter in the Soviet Union or any other communist

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country. After the Bay of Pigs, I had to go into hiding. I was later thrown in jail myself and forced to leave.

After our company was confiscated, we did not have any of the corporate records or accounts of JASA available to us. We did not know who JASA's lawyers were abroad. We did not even know whether our distributors owed us money or not. As Francisco Javier was in jail and no Cuban lawyers dared give any advice to the owners of confiscated businesses, we also did not know what had to be done to take action to protect our rights.

Still, my family hoped, as every Cuban who loved freedom did, that this nightmare would pass. If the Cuban laws were restored, we knew our property would be returned. Then we could resume making HAVANA CLUB rum. Unfortunately, most of the corporate officers of JASA at the time of the confiscation have not lived to see a free Cuba.

After I came to the U.S., I kept in touch with the Arechabalas in Spain and told them I was trying to raise money to make HAVANA CLUB rum here. In 1972, I spoke to Chester Davis about Gulf and Western producing HAVANA CLUB rum. But it did not work out. As I mentioned before in 1974, I went to Nassau to talk to Bacardi, but Mr. Peláez died before an agreement could be reached.

I believe the Senator also said that the HAVANA CLUB U.S. Registration could have been kept for $25.00 and a letter to the Trademark Office. As I said I am no lawyer, but that was not what I was told. I was told I had to swear an oath that JASA was then making and selling HAVANA CLUB rum in the United States and file that oath with the U.S. Trademark Office. The JASA distillery was then in Castro's hands, so we could not make HAVANA CLUB rum. And as much as I wanted to protect our family's rights, I would never make a false statement to the U.S. government, which allowed me and my family to have a new home here.

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As I testified, I kept trying to find a partner to help us make HAVANA CLUB rum to sell in the U.S. and my family in Spain was doing the same thing. Luis Arechabala and his father, I was told, contacted Brown-Forman, through a consultant named Wyndham Carver, about the possible sale of the HAVANA CLUB mark. Certainly, due to our efforts, our rights to the HAVANA CLUB brand were well known in the U.S. liquor industry. International Distillers and Vintners ("IDV"), a large company, spoke to my family in Spain about doing a venture with us to produce and sell HAVANA CLUB rum. But we think Pernod scared them away. Pernod itself tried to buy rights to the HAVANA CLUB mark from my family members in Spain.

The question was asked last week, did my family abandon the HAVANA CLUB mark? The answer, from my heart, is No! We did everything we could do to resume making HAVANA CLUB rum even though Castro had his foot on our throat. Our efforts to keep the HAVANA CLUB rum business going were heartfelt, continued, and public. The whole liquor industry heard of our rights. Why else did IDV, Pernod, and Bacardi all talk to us about entering a deal for HAVANA CLUB rum.

I am a proud man from a proud family that worked for years to achieve something in life. Everything was taken away from us in one swoop. It was not easy for me to go hat in hand to Chester Davis, whom I knew from Cuba, and other potential investors, to get money for HAVANA CLUB. But I did it, and other members of my family did it, because we had to preserve our family rum business. And we succeeded in 1995, when our HAVANA CLUB rum appeared again on U.S. shelves.

One of the witnesses for Pernod said a trademark lasts as long as it has significance. The reputation of our HAVANA CLUB rum never died. There are still people in the United States who remember our HAVANA CLUB rum fondly. Certainly, when Bacardi

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resumed selling HAVANA CLUB rum in 1995, a number of American consumers, particularly in the Cuban-American community, still recognized our product. On the other hand, Pernod's knock off of HAVANA CLUB rum has never been sold here.

What happened to my family, quite simply, was that Castro took our HAVANA CLUB mark and our family heritage for making rum by putting "founded in 1878" on the labels for that product. Cuba never paid us for the U.S. HAVANA CLUB mark and reputation, which it tried to sell to Pernod for many millions of dollars. What Cuba did, to me, amounts to theft. Cubaexport is an arm of the Cuban government. How in justice can Cubaexport claim to own the HAVANA CLUB mark in the United States, when Cubaexport, for all intents and purposes, stands in the shoes of the thief and we are the victims. Cubaexport never thought we gave up the name by not using it. Cubaexport knew very well Cuba took it from us.

I cannot answer the question about the law relating to abandonment as I am not trained as a lawyer. I asked Bill Golden, who I met through the *Havana Club Holding* trial to answer this question for me. A copy of his response is attached.

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Max Baucus

Testimony of U.S. Senator Max Baucus
Senate Committee on the Judiciary
July 13, 2004
An Examination of Section 211 of the Omnibus Appropriations Act of 1998

Mr. Chairman,

Thank you allowing me to offer testimony today on a matter of great importance to me, and to the integrity of U.S. trademark law.

As you know, the subject of today's hearing - Section 211 - has already run afoul of U.S. obligations under the WTO.

The U.S. has agreed to take action to bring itself into compliance with our WTO obligations by the end of this year.

Last year, Senator Craig and I introduced the U.S.-Cuba Trademark Protection Act, S. 2002, which would bring the U.S. into compliance and, more importantly, reassert the integrity of U.S. trademark law.

Another bill, S.2373, introduced by my good friend, Senator Domenici, has also been introduced for the same purpose. On their face, either bill appears to satisfy the basic WTO concerns.

Nevertheless, we would be remiss to leave the debate on that question, as Section 211 poses a danger to the U.S. far beyond its membership in the WTO.

Specifically, Section 211 stands in gross violation of our long-standing role as the global leader in protection of intellectual property rights. In fact, were it not for its unfortunate and largely irrelevant association with the Cuban embargo, it is doubtful Section 211 would never have come into existence.

This small provision of law came into being as a last-minute insertion into the Omnibus Appropriations Act of 1999. Section 211 carved out a unique dispensation for a single, Bermuda-based company engaged in a dispute with a French company over the trademark rights to Havana Club rum. Even though the French company had lawfully acquired the rights to Havana Club, Section 211 was enacted in order to pre-empt a court battle.

From the beginning, Section 211 has been a pointless and dangerous anomaly in U.S. law. Any question about who *ought* to own the rights to Havana Club has been resolved by the U.S. Patent and Trademark Office (PTO) which ruled this past February against Bacardi. Yet, Section 211 persists in law, to the peril of our legal tradition, and to the thousands of U.S. inventors, manufacturers, and companies that rely on the integrity of our intellectual property standards. I have with me a copy of a letter sent to me by Tim Hugo, Executive Director of Cap Net, which is an organization representing U.S.

companies whose own intellectual property interests are imperiled when intellectual property standards are abrogated. I asked that this letter, which is attached to my written statement, be included along with my statement as a part of the hearing record.

All along, the appeal of this dispute has been founded mostly on the emotions surrounding U.S.-Cuba relations. But the Cuban embargo has nothing to do with the merits or de-merits of Section 211. Instead, this debate ought to be about the integrity of U.S. law and about whether Congress will continue to subvert more profound U.S. interests in a misguided effort to pursue the Cuban embargo.

For more than 200 years, the U.S. has been the world's leading proponent of intellectual property rights. Our respect for, and promulgation of, these rights has helped foster technological innovation, as well as an economic and material well-being, unprecedented in human history.

The foundation of this success, of course, was built on the rule of law, indifferent to political winds and enduring through the decades. Unfortunately, for six years, this historical respect for intellectual property has been undermined by a trivial and misguided appeal to supporters of the Cuban embargo.

Any remedy short of a full repeal of Section 211 would only further enshrine this breach of U.S. intellectual property tradition. That would be a shame. I urge my colleagues to support the Baucus-Craig bill and fully repeal Section 211.

Thank you, Mr. Chairman, to this opportunity to express my thoughts.

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June 10, 2004

The Office of Senator Max Baucus
Hart Senate Office Building
Room 511
Washington, D.C. 20510-2602

Dear Senator Baucus:

As CapNet is a leading supporter of free trade and a staunch defender of intellectual property rights, I am writing today to express deep concern over legislation that would endanger some of the most valuable information technology trademarks in the world.

On behalf of CapNet, I urge you to reject S. 2373, legislation that seeks to preserve Section 211 of the 1999 Omnibus Appropriations Act. This law threatens thousands of U.S. trademarks currently registered in Cuba, including many owned by information technology companies, as it violates several U.S. intellectual property obligations.

We strongly believe that a consistent policy for the recognition and protection of trademarks in other countries is in the best interest of the information technology industry. However, it is clear that Section 211 has opened the door for patchwork intellectual property protection, a problematic scenario that undermines the current and future vitality of the U.S. information technology industry.

To ensure consistency in intellectual property protections, I am also writing to thank you for your support of the "U.S-Cuba Trademark Protection Act" (S. 2002). This bi-partisan legislation will prevent Cuba from becoming a haven for illegal cyber squatting and also will protect American trademarks registered there.

S. 2002 is very important to the technology community and to all those who rely on and value the international protection and recognition of intellectual property rights. If enacted, this legislation will help ensure that Cuba continues to adhere to its international agreements protecting intellectual property rights, recognize well-known marks and accept international procedures for addressing domain name disputes in the future.

Capital Network Political Action Committee
P.O. Box 40355, WASHINGTON, DC 20016 TELEPHONE (202) 393-1099
INTERNET ADDRESS: http://www.CAPNET.org
The Political Voice for the Nation's Technology Industry

As you are aware, S. 2002 will also repeal Section 211 and bring the U.S. into compliance with our international treaty obligations. This eliminates the possibility of trade sanctions and other retaliation. It also re-affirms the U.S. as the world leader in protecting intellectual property.

Thank you for supporting this vital legislation. If you have any questions or concerns, please do not hesitate to contact me at (202) 393-1099 or Tim.Hugo@capnet.org.

With kindest regards,

Tim Hugo

Tim Hugo
Executive Director
CapNet

CapNet is a bipartisan organization dedicated to educating and electing public officials who recognize the concerns of the technology community. It is building a coalition that makes a difference for the technology industry by ensuring technology businesses are enhanced and protected by legislation or regulations.

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CPR Weekly Update

MAY 13, 2004

PROPERTY RIGHTS AND RUM?

We know property comes in many forms. Our Founders crafted painstaking documents to protect citizen and non-citizen alike in their ownership and pursuit of ownership of all types of property. Of course, CPR's efforts have focused on tangible property, specifically real estate. Today we'll dip our toes into a different arena, Intellectual Property Rights.

Let's define Intellectual Property as intangible; you can't touch it, but you can still own it. Some examples are securities, patents, businesses, trademarks and copyrights. Our legal system intends to give owners of these equal protection as an owner of a house, horse, car or ranch.

Today's case is presented in overview, with only highlights of a long, complicated story;

The Arechabala family made rum in Cuba since 1878. When one of the Arechabala heirs showed up for work one day in the '60s, he found the government had taken over his distillery and he no longer owned it. He and his family fled Cuba. Castro seized not only the physical assets, but the valuable trademark (intellectual property) of Havana Club rum. The family had registered Havana Club with the U.S. Patent and Trademark Office in 1935, so they retained U.S. ownership once here, even though their Property at home was stolen.

In the meantime;

In 1993, Castro enters into an agreement with Pernod Ricard, a French company, to market Havana Club worldwide. The family sold its trademark rights to Bacardi Company in 1997. Bacardi and Castro have had legal skirmishes across the globe since 1960 over ownership of the Bacardi trademark (also seized in Cuba by Castro). Through many sophisticated legal maneuvers, Pernod Ricard (and, therefore, Castro) have tried to reserve access to the American market for Havana Club once the embargo is lifted.

For obvious and good reason, most countries have laws protecting the rights of owners who've had trademarks seized in a government coups. For that reason, Bacardi has done very well in its trials against Castro elsewhere. Bacardi is now recognized worldwide (except in Cuba) as the owner of the Bacardi name.

America likewise has laws protecting owners' access to our markets when intellectual property has been seized overseas. We even have a Cuba-specific law (Omnibus Appropriations Act of 1998, section 211 (b)) against granting U.S. trademarks to the plethora of pilfered names in Castro's bag, unless consent is secured from the original owner.

Incredibly, there is a move in Congress to REPEAL sec. 211 in order to favor Pernod Ricard and the Cuban government in its efforts to gain access to our market. The obvious unintended consequence of such a move would be to give easier access to our markets to Castro and his treasure chest full of valuable but underutilized pirated intellectual assets.

The good news is a widely bipartisan bill is now progressing through committees of both the House and Senate to make some simple technical corrections and further buttress this good law. The sponsors range from some of our most principled conservative, constructionist legislators to some of the most liberal voices on the hill. There are some issues even the most opposed forces can agree on, and its good to know both sides of the aisle can at least stand together long enough to support the rights of people who have had property stolen by a tyrant.

CPR has long said we need to be concerned for Property Rights even when we are not directly affected. Here is one such case. Probably less of the readers are affected by this issue than any other cause championed here. Probably no reader's life, unless you're hopelessly addicted to Havana Club, will be impacted by the outcome of these efforts, but the Property Rights movement is about preserving our system, not simply looking out for ourselves. Contrarily, the best way to look out for ourselves is to make sure we take part in the war to preserve our system; the best ever formulated by man; a system whose simple foundation is.........PROPERTY RIGHTS!.....Surprised?

It helps us to hear from you. Respond to: doug@proprights.com.

Doug Doudney, President
Coalition For Property Rights
824 N. Highland Ave. Orlando, FL 32803
407-481-2283
www.proprights.com

Opening Statement
Senator Craig
July 13, 2004
Judiciary Committee
S. 2002

Mr. Chairman, Mr. Leahy, thank you for holding today's hearing.

This hearing is a first step in resolving the problems Section 211 poses for the U.S. in terms of honoring the commitments we have undertaken in various international trademark agreements.

Clearly we must do something legislatively about Section 211 and we must do it by December 31 if we are to meet the WTO's deadline for the U.S. to cure that law's violations of the Trade Related Aspects of Intellectual Property Rights Agreement (TRIPS).

To that end, Mr. Chairman, *S. 2373* modifies Section 211 slightly based on the notion that minor amendments will make the law compliant with TRIPS and in so doing will put an end to the EU's WTO case.

By contrast, a bill I introduced last year, *S. 2002*, repeals Section 211 outright. We took that approach for a simple reason: Even if *S. 2373* is successful in amending Section 211 to bring it into compliance with the TRIPS Agreement -- and I understand there is some doubt about that -- a straight repeal of that law is an indisputable guarantee of a quick end to the ongoing WTO dispute.

This has been confirmed by the U.S. Trade Representative who has told Congress more than once that repealing Section 211 would bring the U.S. into immediate compliance with the TRIPS Agreement.

Therefore the question is, why forego repeal and adopt a half-measure, such as *S. 2373*, when it will most likely only breed further TRIPS-based disputes in Geneva with the EU?

Simply put, there is no case to be made for Section 211, so why preserve it?

To succeed, an argument for amending Section 211 (rather than repealing it) must demonstrate convincingly that there are positive aspects to that law. A successful argument for amending Sec. 211 instead of repeal must also demonstrate an absence of negatives in such an approach. In other words, preserving Section 211 makes sense only if: (1) it is of real benefit to U.S. intellectual property holders and (2) it can be guaranteed to do them no harm.

Without question, Section 211 fails on both counts.

First, section 211 benefits one foreign company alone. This point bears emphasis, *no U.S. company receives the slightest advantage from that law.* If anyone doubts this I suggest they ask the law's sole beneficiary, Bacardi, Inc., to name one U.S. company that benefits from and supports Section 211.

Second, Section 211 is a positive danger to U.S. trademarks because, until it is taken off the statute books, the U.S. will remain in violation of the *Inter-American Convention for the Protection of Trademarks*. Section 211's violation will place thousands of U.S. trademarks registered in Cuba in serious jeopardy.

Some may ask why the *Inter-American Convention on Trademarks* matters and why Section 211 puts U.S. Companies' Trademark Rights under the convention in danger?

Not long ago nearly 300 American companies from over 30 states – including Idaho – participated in the first exposition of U.S. agricultural products in Havana in nearly 50 years. Many of the exhibitors were producers or distributors of branded food products. For example one mid-western exhibitor, ConAgra Foods, displayed samples of such trademarked goods as *Hunt's Ketchup*, *Wesson Oil*, *Chef Boyardee*, *Orville Redenbacher* and *Swiss Miss Cocoa*. Other exhibitors included Gallo, Wrigley's, Libby's, Chiquita, Smithfield Foods, Archer Daniels Midland, Sara Lee, Cargill, Gerber, Land O' Lakes, Perdue Farms, Southcorp Wines and Unilever Bestfoods which includes *Knorr, Lipton, Hellman's* and *Ragu* brands.

The present and future importance of sales of branded foods to Cuba is recognized by the U.S. Department of Agriculture. In its guide to exporting to Cuba, under the Trade Sanctions Reform Act of 2000, U.S.D.A. states that it:

"**highly recommend[s] that U.S. exporters make every effort to register their trademarks and brand names in Cuba**."

Those marks can only be registered pursuant to the *Inter-American Convention on Trademarks*, a reciprocal intellectual property agreement signed in 1928 that governs trademark protection between the U.S. and Cuba to this day.

Even to this day, the *Convention* remains in effect despite the U.S. embargo on Cuba. The fact that a U.S trade embargo was imposed on Cuba in the early 1960's did not affect the operative status of the *Convention*.

It is important to note that the one area of continuing commercial cooperation between the U.S. and Cuba, in the forty years of the embargo, has been in the field of trademark protection. Since the Cuban embargo's inception, specific provisions of U.S. laws and regulations have made it legal for American companies to pay fees to register, renew and even litigate the enforcement of their trademarks in Cuba. Until Section 211 was enacted, Cuban trademark owners had reciprocal rights in the U.S. under the *Inter-American Convention.*

The common sense inherent in the U.S. government's policy of ensuring reciprocal trademark protection with Cuba is irrefutable. Every U.S. embargo is meant to be a temporary halt of trade with the targeted country. U.S.-origin trademarks must be kept in good order in embargoed countries, such as Cuba, if we are to ensure a rapid and efficient resumption of trade when an embargo is terminated.

Failure to do so will inevitably produce the situation in Cuba we witnessed in South Africa where, following the end of the apartheid regime, a number of U.S. companies including Burger King and Victoria's Secret, discovered that their trademarks had been appropriated by South African companies during the apartheid era. Recovering the rights to their trademarks required lengthy and expensive litigation or buying out the South African registrant. Efforts to secure trademarks *before* the political transition would have saved many companies from improper exploitation and would have facilitated market reform.

In contrast to South Africa, a treaty – the Inter-American Convention – protects U.S. trademarks in Cuba. Section 211 unfortunately and unnecessarily puts that treaty in grave jeopardy.

What is the status of the Inter-American Convention on Trademarks?

A U.S. federal court of appeals ruled recently, in 2000, that the *Inter-American Convention on Trademarks:*

"remains in force between the United States and Cuba" and **"governs trademark relations between the two countries."**[1]

Nearly 5,000 U.S. trademarks are currently registered in Cuba under the Convention. More are being registered every day. In fact, applications for new registrations from U.S. companies have, in the four years post-TSRA, created an administrative backlog at the Cuban Trademark Office.

As I just pointed out, U.S. corporations invoke the *Inter-American Convention* regularly not only to register and renew their trademarks, but also to defend them from infringers. Examples include, *Jello*, *Winchester*, *Pizza Hut* and *Dupont.*

Until Section 211 was enacted, owners of Cuban trademarks enjoyed identical and reciprocal rights in the U.S. Section 211 removed those rights by denying U.S. courts the jurisdiction to enforce certain Cuban-origin trademarks. This was done in direct violation of the Convention, which in the ruling of one U.S. federal judge,

"compels signatory nations to grant to the nationals of other signatory nations the same rights and remedies which their laws extend to their own nationals."

What are Cuba's International Law Remedies for U.S. Violations of the *Inter-American Convention?* Well, Section 211 effectively entitles Cuba to suspend U.S. rights under the Convention.

Cuba's remedy for U.S. breaches of the *Inter-American Convention* is found in international treaty law. Article 60(2) of the *1969 Vienna Convention on Treaties* provides:

"A material breach of a multilateral treaty by one of the parties entitles a party specially affected by the breach to invoke it as a ground for suspending the operation of the treaty in whole or in part in the relations between itself and the defaulting State."

Our bill, S. 2002, the full repeal of Sec. 211, will put all questions to do with the validity of Cuban-Origin Trademarks back in U.S. Federal Courts.

I gather one of today's witnesses will be a member of a family that owned a rum business in Cuba that was expropriated by the Cuban government in 1960. He has my sincere sympathy.

As a conservative, I have no tolerance for coerced governmental takings of anyone's property anywhere. It is wrong to expropriate private enterprises without compensation.

However, I ask members of the committee to keep in mind that nothing that happened in Cuba over 40 years ago required enactment of Section 211 in 1998.

Trademarks registered in the U.S. were untouched by the expropriations in Cuba. The witness's family lost its *Havana Club* registration in the U.S. solely because family members chose not to renew it here in Washington, D.C. in 1973. That decision was made fully 14 years after the revolution in Cuba and the expropriation of the family's business there.

To the same extent that I believe in property rights, I believe in the responsibilities that accompany such rights. If someone fails to maintain a trademark as required by law, ordinarily it will be deemed abandoned and he will lose all rights to it. In saying this, I am not prejudging the ultimate outcome of Bacardi's claim to the U.S. trademark it purportedly purchased from today's witness and other members of his family twenty-five years after they let it expire at the U.S. Patent and Trademark Office.

A repeal of Section 211 simply returns the question of ownership to the courts where it belongs. Indeed if Section 211 had not been enacted several weeks before trial in the *Havana Club* dispute, the ownership of that trademark would have been judicially determined over five years ago.

It is time to repeal Section 211 and let the company that engineered that law – to the extent that it has a case – go tell it to a judge and let Congress out of the trademark dispute resolution business.

So far Cuba has continued to honor U.S. trademarks – even though it is entitled by international law to suspend the obligations it owes U.S. companies under the *Convention*. However, if Congress fails to repeal Section 211 and merely amends the law in a WTO-specific fashion (as *S. 2373* proposes), it will thereby reaffirm the U.S. breach of the *Inter-American Convention* vis-à-vis Cuba. At that point Cuban forbearance can be expected to end. The result will very likely be disastrous for U.S. companies with trademarks registered in Cuba.

As I previously stated, the problem with *S. 2373*'s approach is that even if it makes Section 211 technically compliant with TRIPS, it does nothing to remedy that provision's breaches of the *Inter-American Convention*. For that reason alone it should not be voted out of this Committee.

Some of you no doubt co-sponsored *S. 2373* from the conviction that it is necessary for the U.S. to return to compliance with the TRIPS Agreement. I agree. But, as I said earlier, not only does *S. 2002* ensure such compliance, it also preserves U.S.

trademarks registered in Cuba under the *Inter-American Convention.* Accordingly, it deserves the support of the Committee as it seeks to fulfill its mandate to protect the intellectual property rights of this country's corporate citizens, wherever in the world those assets are located.

I'll conclude with this – let's not let the hostility that exists today between Cuba and the U.S. poison trade relations in a more hopeful future.

Once again, thank you Mr. Chairman for affording me the opportunity to offer my views on the important issues before the Committee in today's hearing.

HALL
ESTILL
ATTORNEYS AT LAW

August 4, 2004

The Honorable Orrin Hatch
Chairman, Committee on the Judiciary
United States Senate
Washington, D.C. 20510

The Honorable Patrick J. Leahy
Ranking Member, Committee on the Judiciary
United States Senate
Washington, D.C. 20510

Re: Hearing on Section 211 of the Omnibus Appropriations Act of FY 1999

Dear Senator Hatch and Senator Leahy:

I am writing in connection with the hearing held by the Committee on the Judiciary on July 13, 2004 to examine the effects of Section 211 of the FY 1999 Department of Commerce and Related Agencies Appropriations Act. For the reasons explained below, I respectfully urge you to support legislation to repeal Section 211 in its entirety and to oppose legislation, such as S.2373, that would leave Section 211 in place.

As an adjunct professor of international trade law at Georgetown University Law Center and a practicing international trade lawyer for thirty years, I closely followed the international trade dispute arising from Section 211 and prepared the enclosed article entitled *"An Analysis of the United States-Cuba 'Havana Club' Rum Case before the World Trade Organization,"* which was published in the Fordham International Law Journal in 2003. In addressing the question now before your Committee, namely whether to repeal Section 211 in its entirety or to leave it in place, I concluded in relevant part as follows:

> While it would be a relatively easy technical matter to amend Section 211 to make it compatible with the TRIPS agreement, it is not entirely clear how this could be done...without adversely affecting other U.S. interests. ... To universalize the ban on enforcing trademarks confiscated by Cuba so that it applied equally to U.S. nationals as well as non-U.S. nationals would protect Bacardi's position but could hurt other U.S. business interests, especially broad.

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I stand by my conclusion. In my opinion, the best way to resolve the problems created by Section 211 is to enact legislation that would repeal Section 211 in its entirety.

On the other hand, amending Section 211, as S.2373 would do, will not solve the problem with respect to the inter-American Convention for Trademark and Commercial Protection.[1] Indeed, merely amending Section 211 will continue to complicate U.S. intellectual property policy and expose U.S. companies to the risk that protection abroad for their trademarks could be suspended.

In a number of ways, Section 211 appears to be inconsistent with the Inter-American Convention on a number of grounds. For example Section 211 would seem to expressly violate Article 8 and Article 9 because it prohibits U.S. Courts from recognizing rights arising form prior use of a trademark in another treaty country, or from determining whether an earlier U.S. trademark has been abandoned. By prohibiting U.S. courts from recognizing certain trade name rights, Section 211 could also violate Article 18, which gives the owner of an existing trade name in any treaty signatory the right to obtain cancellation of and an injunction against an identical trademark for similar products. Section 211 could also violate Articles 29 and 30 because it deprives U.S. courts of the authority to issue injunctions and other equitable relief against trademark or trade name infringement.

Unlike the TRIPS Agreement, there is no neutral arbitral process for resolving this dispute. Rather, under customary international law, the aggrieved party may resort to self-help. Therefore, as observed in the testimony of the National Foreign Trade Council, the government of Cuba would be entitled to suspend the protections afforded by that treaty with respect to U.S. trademarks registered in Cuba. Indeed, as one legal commentator observed:

> The language of Section 211 directly contradicts reciprocal trademark rights between the United States and Cuba as protected by the Inter-American Convention ... If Cuban companies are not afforded trademark protection under American law, then it is likely that Cuba will enact retaliatory legislative measures and leave approximately four hundred American companies with trademarks in Cuba unprotected.[2]

I also agree with the testimony of Prof. Kenneth B. Germain that Section 211 is inconsistent with longstanding U.S. trademark law and policy. By precluding courts form considering whether a trademark has been abandoned, Section 211 creates an anomaly in U.S. trademark law and policy - "deadwood" marks interfering with the otherwise lawful adoption and use of similar or identical marks by others. I would like to add that the removal of such "deadwood" trademarks has been an objective of the U.S. in international trade negotiations. For example, use of a trademark is generally required to maintain trademark registration in both the

[1] February 20, 1929, 46 Stat. 2907, 2930-34.
[2] Carroll, "District Court Orders Up One Havana Club Rum and Whatever Congress is Having," Tulane Journal of International and Comparative Law (2000).

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North American Free Trade Agreement[3] and in the proposed text for a Free Trade Agreement of the Americas.[4]

Finally, the defense of Section 211 has also put U.S. law at cross-purposes with longstanding principles of U.S. trademark law and important intellectual property and trade policy objectives of the U.S. Government. For example, the U.S. Court of Appeals for the Second Circuit rule din 2000 that Section 211 requires the consent of the original owner, even if that owner has abandoned the trademark at issue.[5] But in its ruling in 2001 in the trade dispute over Section 211, the WTO relied on representations by the Executive Branch made after that decision that Section 211 would not apply "where a trademark has been legally abandoned."[6] Moreover, some colleagues have observed that the U.S. defense of Section 211 "could adversely affect U.S. interest abroad in the future" because it arguably expands the discretion of foreign governments to refuse to register trademarks.[7]

Therefore, in my opinion the best course for addressing the problems created by Section 211 would be for Congress to enact legislation that would repeal Section 211 in its entirety. Repealing Section 211 will resolve U.S. inconsistencies with the Inter-American Convention and thereby eliminate the risk that the protection of U.S. trademark abroad will be suspended. Repealing Section 211 will also, as acknowledged several times by the U.S. Trade Representative, bring the U.S. into compliance with the WTO ruling. I also urge you to oppose S.2373 which would leave Section 211 in place in amended form.

Please note for the record that the views expressed in this letter and the enclosed article are my own and do not necessarily reflect those of my law firm or Georgetown University Law Center. Please also note that neither my law firm nor I have any other financial interest in this matter, and that I have not been retained by any party that, to my knowledge, is taking a position on Section 211 or the pending litigation involving the HAVANA CLUB trademark and trade name.

Sincerely,

Donald R. Dinan

Enclosures: Curriculum Vitae
Article

[3] North American Free Trade Agreement, at Art. 1708, December 8, 11, 14 and 17, 1992, __ U.S. Treaties in Force

[4] Third Draft, Free Trade Agreements of the Americas, Chap. 20, Art. B9, available at http://www.ftaa-alca.org/FTAADraft03/ChapterXX_e.asp.

[5] *Havana Club Holding, S.A. v. Galleon, S.A.*, 203 F.3d 116, 129 (2d Cir. 2000), *cert. denied*, 531 U.S. 918 (2000).

[6] WTO Dispute Panel Report, U.S.--Section 211 Omnibus Appropriations Act of 1998, WT/DS/176/R, at para.8.69 (August 6, 2001), reported, 40 I.L.M. 1493 (2001), available at http://www.wto.org/english/tratop_e/dispu_e/176r_e.pdf, modified by WTO Appellate Body Report, AB-2001-7, 41 I.L.M. 654 (2002).

[7] Bhala & Gantz, "WTO Case Review 2002" Arizona Journal of International & Comparative Law (2003).

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FLORIDA CRYSTALS

April 13, 2004

The Honorable Orin Hatch
United States Senator
104 Hart Senate Office Building
Washington, DC 20510

The Honorable James Sensenbrenner
United States House of Representatives
2449 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairmen :

I would like to bring to your attention an issue of importance to Florida Crystals concerning the non-recognition of confiscated Cuban trademarks.

Our company has been in the sugar business for five generations; first, in Cuba until 1959 when the Cuban revolutionary government confiscated our Cuban assets, and since then in the United States. Generally, we support U.S. government efforts to protect the property rights of companies and individuals of all nationalities whose property was confiscated by the Cuban government.

As you may know, the Cuban Assets Control Regulations, while restricting trade with Cuba, permitted Cuban entities to register trademarks in the United States. Unfortunately, it was never contemplated that such a provision would be used by Cuban state enterprises to register in the U.S. illegally confiscated Cuban trademarks.

In 1998, Congress passed a law, commonly referred to as Section 211, which provides generally that U.S. courts must not recognize claims by the Cuban government, or its nationals, to trademarks which were used as a part of a business whose properties were confiscated in Cuba unless the original owners have consented.

This law was challenged in the World Trade Organization by the French government. The U.S. prevailed in its central argument that the TRIP's agreement allows nations to adopt their own rules governing trademark ownership. The WTO also confirmed that the U.S. is within its rights to enforce its long-standing policy against recognizing foreign confiscations and that Section 211 does not deny parties fair and equitable court procedures to enforce trademark rights. The only issue the WTO had with Section 211 is that it did not go far enough and required that the United States ensure that all parties receive equal treatment. The WTO's concerns can be addressed in a simple technical correction to Section 211.

I believe that further clarification would reinforce the principles of property protection under U.S law, and urge you to address this issue. Strengthening Section 211 will ensure the protections of U.S. companies and eliminate ambiguities for future international disputes.

Thank you for your consideration of this matter.

Sincerely,

Parks Shackelford
Vice President, Florida Crystals

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UNITED STATES SENATE
COMMITTEE ON THE JUDICIARY

Hearing on "An Examination of Section 211 of the Omnibus Appropriations Act of 1998"	))))))))	S. 2002 (108th Congress, 1st Session) S. 2373 (108th Congress, 2d Session)

TESTIMONY AND PREPARED STATEMENT OF KENNETH B. GERMAIN

I, Kenneth B. Germain, declare and state as follows:

1. (a) My name is Kenneth B. Germain and I live in Cincinnati, Ohio, where I am a Partner in Thompson Hine LLP. From 1988 until September 30, 2002, I was a Partner in Frost & Jacobs LLP/Frost Brown Todd LLC. Since 1989 I have served as an Adjunct Professor of Law at the University of Cincinnati College of Law. In most academic years I have taught "Unfair Trade Practices," "Introduction To Intellectual Property," "Trademark and Unfair Competition Law," or "Trademark Practice and Procedure." In 1990, I created, and since that time I have coordinated, the "All Ohio Annual Institute On Intellectual Property," a two-city (typically Cincinnati and Cleveland), full-day continuing legal education seminar that features top-flight lawyers, judges, and administrators from all over the country. The 2003 program was presented in Cleveland on September 18 and in Cincinnati on September 19, to over 400 attendees. The 2004 program will take place on September 9 and 10.

(b) Through the years, I often have served in an expert witness capacity in civil cases involving a wide variety of issues relating to the selection, adoption, use, registration, maintenance, and infringement of trade designations of all kinds. Recently, I also have served as a consultant to counsel engaged in cutting-edge issues, including the U.S. Supreme Court's 2003 *Victoria's Secret* case.

(c) My credentials are to some extent detailed in my resume, a copy of which is attached to this Report as **Exhibit 1**. To summarize: I graduated from law school over 30 years ago. After spending two years as a junior faculty member at the Indiana University School of Law (Bloomington, Indiana), I spent the next 15 years as Law Professor at the University of Kentucky College of Law (Lexington, Kentucky). I taught at least one intellectual property law course almost every year. The basic course was called "Unfair Trade Practices," and it emphasized trademarks and related unfair competition. In 1973, I started to publish in the area of trademarks and unfair competition, and, beginning in 1977, I have been called upon to address various continuing legal education groups (many of them involving intellectual property law specialists) on a wide variety of topics concerning trademarks and unfair competition. To date, I have rendered approximately 185 such lectures, many of which have been presented at programs of the nation's major trademark and/or patent law associations and over a dozen of which have been presented at the U.S. Patent and Trademark Office, to Trademark Trial and Appeal Board Administrative Trademark Judges and the Trademark Examining Attorneys comprising the entire "Trademark Examining Operation." Recently, I have presented the Trademark and Unfair Competition developments lecture at the Annual Meeting of the American Intellectual Property Law Association, the largest organization of patent (and to a lesser extent, trademark and copyright) attorneys in the United States. In 2003, I lectured in San Diego, Chicago, Philadelphia, Houston, Washington, D.C., and elsewhere. In 2004, I have lectured in Washington, D.C., Dayton, Chicago, Atlanta, and Toledo, with other cities already scheduled.

(d) In 1986, I accepted an appointment as Visiting Professor of Law at the George Washington University National Law Center (Washington D.C.), a law school that is nationally renowned for its Intellectual Property program. I was invited to go there because of my reputation in the area of trademarks and unfair competition. After my year at George Washington, I became "Of Counsel" to a substantial Washington, D.C. intellectual property law firm (then known as Banner, Birch, McKie & Beckett) for a year. During both of my years in Washington, D.C., I also taught trademark and unfair competition law at the American University, Washington College of Law. (From 1982 until 1986 I also had been part-time "Of Counsel" to a small intellectual property law firm in Lexington, Kentucky.)

(e) Since 1988, I have served as a full-time practicing trademark/unfair competition lawyer, first at Frost & Jacobs LLP (which later became Frost Brown Todd LLC), and more recently at Thompson Hine LLP. My practice includes counseling regarding the selection, adoption, use, registration, and maintenance of domestic trademarks. I have prosecuted hundreds of trademarks during my career. My practice also includes consulting (and, occasionally, litigation) concerning all aspects of trademark infringement and unfair competition.

(f) In 2001, I was named a charter member of the Advisory Council to the newly-created "J. Thomas McCarthy Institute for Intellectual Property and Technology Law." This year, I was named to the Ohio Super Lawyers 2004 list (Intellectual Property).

2. I have been called upon as a potential expert witness on trademark and unfair competition matters on dozens of occasions during the past twenty or so years. I have actually testified in court on thirteen occasions, and I have been deposed as part of the discovery process in many other cases. Once before I testified before this Committee: Testimony and Prepared Statement on S.1990 (leading to the Trademark Clarification Act of 1984, P.L. 98-204, 98 Stat. 3335), Subcommittee on Patents, Copyrights and Trademarks, Committee of the Judiciary, United States Senate, 98th Congress, 2d Session (February 1, 1984).

3. When I am retained as a potential expert witness in a trademark/unfair competition case, I proceed in the following manner: After preliminary discussions with the retaining attorney(s), I carefully read, study, and analyze the relevant pleadings, reports, discovery documents, physical evidence, etc., further discuss the matter with the retaining attorney(s), and then informally present my opinion(s) on the matter(s) at hand. Thereafter, I prepare and execute formal declarations or reports, sit for depositions, and sometimes testify in court, as appropriate. In the current legislative setting, I have proceeded similarly, except that everything has been compressed (due to a severe shortness of time).

4. I very recently was retained as a trademark law expert in connection with S. 2002 (108th Cong., 1st Sess.) and S. 2373 (108th Cong., 2d Sess.) by the Washington, D.C. law firm Collier Shannon Scott PLLC. Compensation (payable to my law firm) was set at its usual level for work of this type; such compensation is not dependent in any way upon the outcome of the

controversy. Neither my law firm nor I have any other financial interest in the outcome of this case. I have never previously been retained by Collier Shannon Scott PLLC nor by the company it represents in this hearing (Pernod Ricard, S.A.) or any other company that, to my knowledge, is taking a position on these Bills.

5. A list of the specific materials I have reviewed – some more closely than others – in connection with this Statement is attached hereto as **Exhibit 2**. With regard to the law, I have conducted independent statutory, decisional, administrative, and secondary authority research, and drawn upon my own knowledge and experience.

6. I have been asked to study and opine about the U.S. Trademark Law policies and doctrines pertaining to the abandonment of marks resulting from non-use of such marks, and, in particular, on how these established policies and doctrines are affected by Section 211 of the Department of Commerce and Related Agencies Appropriations Act, 1999 ("Section 211"), as interpreted in *Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.2d 116, 219 (2d. Cir.) *cert. denied*, 531 U.S. 918 (2000). Specifically:

> Whether, to be consistent with U.S. Trademark Law, it is preferable for U.S. Courts to be able to assess abandonment *vel non* by prevailing legal policies and doctrines, rather than to be foreclosed from such broad assessment ability by a legislative enactment, specifically by Section 211.

7. After carefully considering the law relating to the issues just stated, I have come to the following conclusions:

> U.S. Courts should not be foreclosed (by legislative enactment, specifically Section 211) from assessing and applying the full range of U.S. Trademark Law policies and doctrines relating to abandonment. For this reason, I support repeal of Section 211, which S. 2002 would do. I also oppose S. 2373 because it would leave Section 211 in place, albeit in amended form.

8. Preliminary to discussions of the facts and law I view as relevant to the referenced issues, some basic trademark law background should be noted. Of course, the pro-competition

orientation of American law provides the philosophy for the law of Unfair Competition, of which U.S. Trademark Law is but a part. The next few paragraphs sketch in some relevant background.

9. (a) U.S. Trademark Law is founded upon common law principles, which uniformly require use of the relevant mark on or in connection with specific goods. The federal statutory scheme affecting trademarks is much more confirmatory than creative of trademark rights. Indeed, federal coverage under the Federal Trademark Act of 1946 (better known as the Lanham Act), as amended (15 U.S.C. §1051 *et seq.*), virtually always co-exists with the underlying state law protection (unlike patents and copyrights, which are entirely based upon federal law). For trademarks, then, use – and since the Trademark Law Revision Act of 1988 ["TLRA"] took effect on November 16, 1989, this means bona fide commercial use – is an absolutely central and unyielding requirement.

(b) U.S. Trademark Law often directly considers the duel between two rival claimants to a single mark, thus conjuring up "property" concepts. However, there always is a third, indirect (and usually unrepresented) "party." This is the public, which is interested in avoidance of confusion (and its deleterious effects), which is expressed and understood in clear, basically objective terms. Balancing the interests of these three "parties" is challenging; ascertaining that two of their interests concur can point the way to the right result.

(c) U.S. Trademark Law encourages federal registration, which is premised upon careful, professional examination of the appropriateness of registration and which creates easily and effectively accessible records of registered marks (and their characteristics and limitations). Such law also carries significant statutory presumptions legitimizing and fortifying registered marks. Specifically, federal registrations constitute "prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate subject to any conditions or limitations stated in the certificate." Lanham Act § 7(b), 15 U.S.C. § 1057(b). Accord, *id.* § 33(a), 15 U.S.C. 1115(a). This places federally registered marks in preferred positions vis-à-vis unregistered "common law" marks.

10. (a) "Use as a trademark" ("Trademark Use") is a pervasive prerequisite to recognition of trademark status. It involves prominent display of the trademark in close connection with the specified goods, in a manner calculated to apprise the relevant public (and relevant competitors) of the user's claim of trademark rights. It is crucial that the typical consumer exercising normal care in the ordinary marketing milieu be reasonably put on notice that the subject word, name, etc., is claimed as and functions as a trademark, not merely as an element of advertising copy or package decoration, or as a generic designation.

(b) These repeated emphases on proper Trademark Use demonstrate the centrality and primacy of objective indicators of marketplace use – indicators that relevant consumers can observe and depend upon.

(c) That U.S. Trademark Law values Trademark Use so highly is shown by the historical and modern ways in which Trademark Use has been required for legal recognition and protection. Indeed, historically, a "trademark" simply meant a "mark" used in "trade." Since the advent of federal registration under the Lanham Act, foreign applicants have been accorded special status for non-used marks – but only for purposes of *obtaining* registered status. Significantly, resulting 44(e) registrations always have been encumbered by statutory requirements of actual use (or threatened by cancellation as per Lanham Act § 8(a), 15 U.S.C. § 1058(a)) and judicial requirements of use-before-protection (*à la* the classic *Dawn Donut* doctrine[1]).

(d) Another strong indication of the high regard that U.S. Trademark Law holds for Trademark Use is the consistent concern for keeping registered marks current. For example, the reason for Affidavits/Declarations of Use, both in the sixth years of trademark registrations and also at ten year intervals measured from registration dates – as per Lanham Act §§ 8(a)(1) and 8(b)(1), 15 U.S.C. §§ 1058(a)(1) and 1058(b)(1), respectively – is to unclutter the Trademark Register by allowing the "deadwood" to be cut away. Registrations the continued Trademark Use of which cannot be claimed and demonstrated are canceled or deemed expired.

[1] This emanated from *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358 (2d Cir. 1959).

(e) Significantly, there is an express exception to the requirement of demonstrated Trademark Use; this allows for an affidavit expressly acknowledging lack of Trademark Use, but "showing that . . . such nonuse is due to special circumstances which excuse such nonuse and is not due to any intention to abandon the mark." *Id.* § 8(b)(2), 15 U.S.C. § 1058(b)(2). Implementing this statute, the *Trademark Manual of Examining Procedure* (3d ed. 2000) refers to this as "Excusable Nonuse," and gives "Trade Embargo . . ." as a specific example. *Id.* § 1604.11.

(f) An interesting aside: The apparent assignor of Bacardi, now an opponent of S. 2002 and a proponent of S. 2373 (which retains but tweaks Section 211), allowed its pre-embargo U.S. Trademark Registration of HAVANA CLUB (for rum) to lapse by failing to file an appropriate and available post-registration document attesting to excusable non-use. Had this company acted appropriately, it could have maintained that registration. Because it did not, CubaExport, the record owner of U.S. Trademark Registration 1,031,651, was able to register HAVANA CLUB as a U.S. trademark for rum.

(g) Under U.S. Trademark Law, trademarks can be abandoned. An abandoned trademark no longer enjoys either substantive or procedural rights because, by definition, it is no longer a trademark. Therefore, an abandoned trademark is available for adoption and use by anyone else and for any purpose—even for use on the identical goods in connection with which it previously was used by the abandoning party.

11. The effect of Section 211, as interpreted by the Second Circuit in *Havana Club Holding, supra,* was and is to oust abandonment – in the specific context of U.S. rights purportedly held by Cuban entities – from the normal, critical role it has long played in U.S. Trademark Law. The Second Circuit reached this result by vaulting the term "was used" (in Section 211(b)) over preexisting and normal understandings of the term "is used" (as found in various places in U.S. Trademark Law). Section 211 is inconsistent with the central requirement of bona fide commercial use for trademark protection. Moreover, Section 211 contradicts the longstanding trademark policy of permitting the courts to consider all issues related to ownership of trademarks. In these ways, Section 211 is at odds with well-established U.S. Trademark Law and related policy.

12. (a) U.S. Trademark Law is practical, marketplace-based. For example, a trademark's "strength" – one of the controlling factors in every Circuit's likelihood of confusion analytical framework – is determined both by that mark's inherent nature (fanciful/arbitrary, suggestive, descriptive) and by its marketplace prominence and recognition, i.e., how well-known and "famous" it is. Significantly, the latter – more objective, measurable – criterion, is more important than the former – more subjective, elusive – criterion. In the marketplace, only marks that actually are used are meaningful and real. On the contrary, marks that are *intended* to be used are mere figments of PTO practice – ascertainable only by those who avail themselves of the PTO database – and such marks are in limbo due to the inchoate, unknowable nature of their possible maturation into real (used) marks. Lacking true Trademark Use, such *alleged* marks emit no message at all. Such alleged marks truly are not marks: they defy the basic definition of trademarks as marks used in trade. Further, if they were given credence as marks, they would mislead the marketplace. Abandoned marks fall in this category of *alleged* marks.

(b) Somewhere between these types of marks are marks registered under Section 44(e), 15 U.S.C. 1126(e). These later marks have definition – because their goods/services, etc., have been delineated – and some legal certainty – because they have been examined and evaluated (except for specimens of use) by PTO Trademark Attorneys – and some solidity, because they have been published (under Lanham Act § 12(a), 15 U.S.C. § 1062(a)) with opportunity for opposition (under *id.* § 13(a), 15 U.S.C. § 1063(a)) by affected companies.

13. Courts considering abandonment typically take into consideration a wide range of factors, which can include the intent of the purported owner and its acts and omissions with respect to the mark, as well as recognition of the mark by consumers in the marketplace.

(a) Under U.S. Trademark Law, trademarks can be abandoned either expressly or impliedly. However, the main authorities do not tend to use this terminology. Express abandonment is not referenced in the Lanham act's definition of abandonment. Section 45, 15 U.S.C. sec. 1127. While fairly rare, express abandonment occurs when a trademark owner declares (to the relevant public) that it is relinquishing rights in and to the mark and will not be using it anymore. Although residual good will – marketplace recognition and association with the former owner – may exist for some perhaps significant period of time, the general rule is that express abandonment effects an immediate end to the former owner's rights. Thus, the mark is readily available for new adoption (and ownership) by a first-comer.

(b) Implied abandonment is referenced in the Lanham Act's definition of abandonment – although not by that name. The relevant definition starts with this statement: "A mark shall be deemed 'abandoned' if *either* of the following occurs:" (emphasis added). Accordingly, it is clear that the two listed types of abandonment are completely independent of each other. Implied abandonment, being less than manifest and thus ambiguous, is viewed with caution by the courts as a possible type of forfeiture; thus, it is protected by procedural hurdles such as "clear and convincing evidence."

(c) Implied abandonment usually results from substantial, measurable (chronologically) non-use of the mark in the relevant marketplace. Such non-use creates an inference of "intent to abandon," or, more modernly – and consistent with the language of the Lanham Act – "intent not to resume use." See Lanham Act § 45, 15 U.S.C. § 1127, which, in the first paragraph of its definition of abandonment, states as follows:

> (1) When [a mark's] use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

Because this type of implied abandonment may occur despite the existence of residual good will, courts also may consider another type of implied abandonment found in the second paragraph of the Lanham Act § 45 definition. In relevant part, it reads:

> (2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with

> which it is used or *otherwise to lose its significance as a mark*. . . .[2] (emphasis added).

This type of abandonment considers "conduct" rather than "intent," and thus is objective in nature. Thus, it uses an objective criterion, "significance as a mark," which, fairly interpreted, takes into account another objective criterion, residual good will (continued association, as mentioned above) to determine abandonment *vel non.*

(d) In its § 30(2), the *Restatement (Third) of Unfair Competition* (1995) ["*R3d/UC*"], the American Law Institute's authoritative, comprehensive analysis and commentary covering trademark law, both statutory and decisional, recognizes both types of abandonment:

> A trademark . . . is abandoned if:
>
> (a) the party asserting rights in the designation has ceased to use the designation with an intent not to resume use; or
>
> (b) the designation has lost its significance as a trademark . . . as a result of a cessation of use or other acts or omissions by the party asserting rights in the designation.

In relevant commentary, *R3d/UC* states unequivocally: "Under the rule stated in this Section [referring to § 30(2)(b)] . . . abandonment may be found if the designation has lost its significance as a trademark due to a cessation of use *without regard to the intentions of the former user.*" *Id.*, cmt. *c*, at 313 (emphasis added). Later, *R3d/UC* refers to the Lanham Act's "'or otherwise to lose its significance as a mark'" language, and immediately declares: "A number of cases indicate that an intent to resume use will not prevent abandonment if the designation has lost its significance as a trademark." *Id.*, Reporters' Note on cmt. *c*, at 318 (citations omitted).[3]

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[2] The TLRA version inserted the phrase "to become the generic name for the goods or services on or in connection with which it is used or" and deleted the pre-existing phrase "as an indication of origin." There is no reason to believe that these changes were intended to deactivate the concept of loss of significance as a mark as a type of abandonment.

[3] Notably, this makes no mention of abandonment resulting from genericization.

14. Therefore, courts typically are able to apply a wide-ranging consideration of relevant facts and circumstances when considering trademark abandonment. However, Section 211 runs counter to this practice, by precluding courts from considering whether a trademark has been abandoned and thus no longer eligible to be asserted to prevent third parties from acquiring rights in the mark. This gives rise to the anomaly of "deadwood" trademarks interfering with the otherwise lawful adoption and use of similar or identical marks by third parties.

15. Repealing Section 211, as S. 2002 would do, would return to the courts the full authority to consider trademark abandonment in all disputes in which the issue arises. Because doing so would be consistent with longstanding U.S. Trademark Law and related policy, I support repeal of Section 211. On the other hand, I oppose S. 2373, because by leaving Section 211 in place, albeit in amended form, S. 2373 would not return this authority to the courts.

16. In closing, I would like to make clear that repeal of Section 211 would not decide the question of who owns any particular trademark, including the HAVANA CLUB trademark at issue in the federal courts. Rather, repeal of Section 211 simply would enable the courts to consider the full range of legal and factual issues typically considered in determining which party has superior rights to a trademark.

* * *

17. Everything in Paragraph 6 *et seq.* of this Statement is premised on the information and legal authorities that I have been able to review as of today's date. Thus, I request the opportunity to supplement this Statement, as appropriate, to account for later-available information and/or legal authorities. Also, although I have not referred to most of the items listed in **Exhibit 2** to this Statement, the unreferenced items may have informed my understanding and affected the opinions expressed herein.

Kenneth B. Germain (July 12, 2004)

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July 20, 2004

The Honorable Lindsey Graham
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224 Dirksen Senate Office Building
Washington, D.C. 20510

Re: Hearings on "An Examination of Section 211 of the Omnibus Appropriations Act of 1998" – Supplemental Testimony

Dear Senator Graham:

A. Introduction

During the Senate Hearings on July 13, 2004 concerning Section 211, questions were posed to Ramon Arechabala and other witnesses concerning whether the HAVANA CLUB mark had been abandoned. As Mr. Arechabala is not an attorney, he asked me to respond to the legal issues concerning the abandonment doctrine. I was lead counsel for Bacardi in the *Havana Club Holding* litigation in the Southern District of New York, so I am familiar with the underlying facts.

The assumption that the equitable doctrine of abandonment applies to claimants subject to Section 211 generally or to the Arechabala family in particular is wrong, as I explain below. Similarly, Section 211 does not conflict with the Inter-American Convention or other trademark treaties. Finally, even if abandonment were somehow applicable, the lapse of a federal registration does not result in the abandonment of the mark that was registered.

B. <u>Questions Posed & Short Answers</u>

1. Does Section 211 Prevent The Equitable Defense Of Abandonment From Ever Being Asserted Against The Owners Of U.S. Trademarks That Were Used In Connection With Assets That Were Confiscated, Without Compensation, By Cuba?

No. Abandonment is an equitable defense that can be asserted in appropriate circumstances against such marks, but only by U.S. or foreign nationals that do not trace their claim of title for similar marks back to the Cuban confiscation. The Cuban state and those who, by purchasing trademark rights from Cuba, stand in Cuba's shoes, are barred by Section 211 from asserting abandonment because the marks covered by Section 211 were all forcibly seized by Cuba, not innocently adopted based on conduct by the original owners that reasonably led Cuba to believe that the owners no longer wanted to use those marks. Abandonment through non-use can only be asserted by a party who relied on prolonged non-use of a mark to reasonably conclude that the original owner had no intention of ever using that mark again. Cuba confiscated JASA's distillery while HAVANA CLUB rum was being made. Cuba continued to make HAVANA CLUB rum after the seizure and, in 1974, began to export HAVANA CLUB rum because Cuba concluded that the rum still had a good reputation abroad. Non-use could not have factored into Cuba's decision to seize the HAVANA CLUB mark, or any of the other marks covered by Law No. 890. So abandonment through non-use is not a defense available to Cuba (and Cuba, in fact, has never asserted a defense of abandonment).

Those claiming title to confiscated marks through Cuban nationals are similarly barred from asserting abandonment, based on the common law principle that "he that does not have, cannot give." This maxim, also known as the thief's rule, states that as title never vests in a thief, a thief cannot pass good title, even to a good faith purchaser. While Cuba may not technically be a thief, even Pernod concedes that international law precludes recognition of Cuba's claim to title of expropriated marks. Since good title to the U.S. HAVANA CLUB mark never vested in Cuba, Cuba could not, therefore, convey good title, even to a innocent purchaser for value.[1] Section 211 simply applies this substantive rule of law.

2. Does Section 211's Failure To Consider Abandonment Violate The Inter-American Convention Or Other Trademark Treatises To Which The U.S. Is A Party?

Article 9 of the Inter-American Convention only applies where the refusal of a state to register a trademark is based on a prior registration obtained under the Convention. In that case, Article 9 provides that the applicant may prove that the prior registration has been abandoned for lack of use during such period as may be established by the local law or, if no such period is established, by a period set forth in the Convention. Article 9 has nothing to do with Section 211, which deals with ownership. Section 211 limits registration and denies recognition of purported trademark rights not because of a conflict with a prior registration, but because that claimed trademark is the same or similar to one that was confiscated by the Cuban

[1] In any event, Pernod is not an innocent purchaser. Pernod knew of the Arechabalas' claims, tried to buy the Arechabalas' rights in 1993, and apparently paid a price to the Cuban government that discounted the Arechabalas' claim.

government or, put differently, because the registrant's claim of title is based on a Cuban confiscation.

The Appellate Body of the World Trade Organization similarly rejected the argument that Section 211 denied claimants due process. The Appellate Body ruled that designated nationals and their successors under Section 211 had available to them "to the same extent, and in the same way, as any claimant and defendant—the rights provided under the Federal Rules of Civil Procedure and the Federal Rules of Evidence." United States – Section 211 Omnibus Appropriations Act of 1998, World Trade Organization, Appellate Body, Jan. 2, 2002, at 64.

3. Did The Lapse Of The HAVANA CLUB Registration Result In The Abandonment Of That Mark?

As Mr. Germain, Pernod's expert, acknowledged, a trademark is not a government grant. Trademark rights in the U.S. are created by use, not registration. Registration of a mark under the Lanham Act is simply governmental recognition of a right that has been acquired by use of that mark in commerce to identify and distinguish the owner's products. Accordingly, the failure to renew a registration does not, in and of itself, constitute an abandonment of those independently created common law rights.

C. Legal Discussion

1. Facts Relevant To The Arechabalas' Rights In The HAVANA CLUB Mark

In 1960, Jose Arechabala, S.A. ("JASA") owned the HAVANA CLUB mark in the U.S. as the result of over a quarter of a century of *bona fide* commercial use of that mark on rum here. Those use-based rights were evidenced by several U.S. trademark registrations. Under Law No. 890, Cuba purportedly nationalized JASA's assets, wherever located, as well as those of numerous other Cuban concerns.[2] The Castro government maintained then and now that Law No. 890, and its companion, Law No. 891, nationalizing Cuban banks, have extraterritorial reach. *See Maltina Corp. v. Cawy Bottling Co.*, 462 F.2d 1021 (5th Cir. 1972), *cert. denied*, 409 U.S. 1060 (1972); *Banco Nacional de Cuba v. Chemical Bank New York Trust Co.*, 658 F.2d 903 (2d Cir. 1981) (construing Law No. 891). Under Cuba's interpretation of Law No. 890, title to the trademarks owned by JASA passed to the Cuban State and those taking title from the State. This transfer of the title of trademarks was officially confirmed by Law No. 914 of January 4, 1961, which expressly provided that the change of trademark ownership resulting from the nationalizations implemented under Law No. 890 could be recorded in the Cuban registrations of trademarks. *See* L.L. Gleason, *Notes From Other Nations: Cuba*, 51 Trademark Rptr. 41 (1961) (reproducing text of Law No. 914).

Foreign trade was declared a state monopoly by Cuba under the control of the Ministry of Foreign Trade by Law No. 934, dated February 23, 1961. On January 26, 1966, Cubaexport, a Cuban State trading enterprise, was established by the Ministry of Foreign Commerce under Resolution No. 254 to carry out all exports from Cuba of food products, including rum. Certain registrations of "confiscated" trademarks, including those of the

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2 The denial of extraterritorial effect to Law No. 890 is mandated by the laws of all civilized nations, as Pernod itself concedes, but its joint venture partner, Cuba, still adamantly maintains that Law No. 890 gave Cuba the legal right to take the U.S. HAVANA CLUB mark from JASA.

HAVANA CLUB and BACARDI marks, were put in the name of Cubaexport pursuant to Law No. 914.

In 1974, Cuba, having lost several U.S. court battles seeking recognition of its rights to confiscated U.S. marks, tried to launder the title to a U.S. Registration of the HAVANA CLUB mark by basing its U.S. application under Section 44 of the Lanham Act on a newly obtained Cuban registration.

In 1993, Pernod and Cuba entered a joint venture. Pernod paid Cuba a multi-million dollar sum for a 50% interest in the HAVANA CLUB mark in the U.S. and elsewhere and for the right to distribute that rum outside Cuba. Pernod's 50% stake in the U.S. HAVANA CLUB mark was obtained indirectly, by investing in Havana Club Holding, S.A. ("HCH"), a Lichtenstein company jointly owned by Cuba. Pernod entered the deal knowing that U.S. law forbade transfer of the HAVANA CLUB mark to HCH. Pernod also turned a blind eye to JASA's claims.

In 1995, after reaching a handshake agreement with the Arechabalas, Bacardi resumed sales of HAVANA CLUB rum in the U.S. HCH brought a trademark infringement suit. Bacardi counterclaimed to cancel HCH's U.S. HAVANA CLUB Registration. Summary judgment was granted against HCH long before Section 211 was passed. The court decided that HCH owned neither the HAVANA CLUB mark nor the related U.S. registration, since the supposed assignment to HCH violated long-standing U.S. laws and regulations against transferring frozen Cuban assets. Cubaexport was offered its day in court by the presiding federal judge, but refused to be joined as a party.

HCH then pled an ill-conceived trade name treaty claim. The claim's gist was that HCH's use of "Havana Club" in its Cuban corporate title gave it rights in "Havana Club" in the U.S. that were being infringed. No such attempt to base a U.S. trade name claim on this sort of foreign usage has ever succeeded. Still, HCH was given a full trial and put on witnesses and evidence. The confiscation was admitted, but HCH argued, futilely, that JASA was worth nothing so no compensation was owed for the confiscation. The District Court decided that Bacardi made out a Section 211 defense, establishing HCH had no rights in the "Havana Club" trade name. The Second Circuit Court of Appeals in New York upheld the decision and the U.S. Supreme Court denied HCH's petition for *certiorari*.

D. Discussion Of The Law

1. The Doctrine Of Abandonment Does Not Apply To "Confiscated Marks."

It is a fundamental rule of law in the United States that "a thief never obtains title to stolen items, and that one can pass no greater title than one has. Therefore, one who obtains stolen items from a thief never obtains title to or right to possession of the item." *Autocephalous Greek-Orthodox Church of Cyprus v. Goldberg & Feldman Fine Arts, Inc.*, 717 F. Supp. 1374, 1398 (S.D. Ind. 1989), *aff'd*, 917 F.2d 278 (7th Cir. 1990); *see also Kunstsammlungen Zu Weimar v. Elicofon*, 536 F. Supp. 829, 833 (E.D.N.Y 1981), *aff'd*, 678 F.2d 1150 (2d Cir. 1982).

Pernod did not buy the HAVANA CLUB mark in its own right. Pernod invested in a joint venture with Castro, which venture, in turn, established HCH to claim title to the HAVANA CLUB mark. Accordingly, it is indisputable that HCH's chain of title traces back directly to Castro's forced seizure in 1960 of all of JASA's assets, including JASA's rights to the

U.S. HAVANA CLUB trademark. So Pernod, like its partner, Cuba, could not have reasonably relied on any non-use of the HAVANA CLUB mark by JASA for the seizure and has no basis to invoke the abandonment doctrine.

In any event, the unclean hands of Pernod and Cuba also rule out equitable relief. The guiding equitable maxim is that "'he who comes into equity must come with clean hands. . . .' It is a self-imposed ordinance that closes the doors of a court of equity to one tainted with inequitableness or bad faith relative to the matter in which he seeks relief. . . ." *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.,* 324 U.S. 806, 814 (1945).

Abandonment is not a defense to Section 211, because Cuba and those claiming title through Cuba relied on force, not non-use, as the basis for asserting rights in the U.S. marks used by the businesses Cuba confiscated in 1960. Cuba never got good title to the confiscated marks and could not convey good title to anyone else. Furthermore, the doctrine of unclean hands prevents Cuba or those claiming title through Cuba from asserting equitable defenses.

2. The Equitable Doctrine Of Abandonment

a.) The Abandonment Doctrine Has No Application Since Cuba And Pernod Both Knew That The Arechabalas Had No Intention Of Giving Up Their Rights To The HAVANA CLUB Mark

Abandonment is an equitable defense. Even were abandonment properly considered, the Arechabalas never abandoned the HAVANA CLUB mark. A defendant accused of trademark infringement may defend on the ground that the plaintiff abandoned its rights in the mark. To demonstrate abandonment, however, two elements must be shown: "non-use of the [mark] by the legal owner and no intent by that [owner] to resume use in the reasonably foreseeable future." *Keycorp v. Key Bank & Trust*, 99 F.Supp.2d 814, 827 (N.D. Ohio 2000). Since a forfeiture of rights is involved, courts are reluctant to find an abandonment, which must be strictly proved. 2 J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* § 17:12 (4th ed. 2000) (hereinafter *McCarthy*); *see also Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037, 1043-44 (2d Cir. 1980); *Keycorp*, 99 F.Supp.2d at 827.

A mark is only abandoned "[w]hen its use has been discontinued with intent not to resume such use." 15 U.S.C. § 1127. This presumption of abandonment due to non-use "disappears in the face of contrary evidence." 2 *McCarthy* § 17:21 at 17-39; *see also Saratoga Vichy*, 625 F.2d at 1043-44. The excusable non-use doctrine has been adopted in the Lanham Act. This doctrine provides that if the discontinuance is due to circumstances beyond the trademark owner's control, no abandonment will be found no matter how long the non-use.[3] Cuba is the chief beneficiary of this doctrine, which has allowed Cuba to maintain U.S. registrations of marks that have not been used for 40 years. But the doctrine applies with equal force to the forced discontinuance by the Arechabalas of the HAVANA CLUB mark.

JASA did not "voluntarily" stop selling HAVANA CLUB rum. The cessation was caused by confiscatory laws, and abandonment does not result from a withdrawal from the market forced by outside causes. *See* Edward Vandenburgh III, *Trademark Law and Procedure* § 9.40 (2d ed. 1968). A host of factors beyond the control of the trademark owner, including

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[3] The Second Circuit noted in its opinion that "in 1962, two years after Cuba expropriated JASA's assets, Congress amended the Lanham Act to allow applications for renewing registered trademarks to show that 'any non-use' of the mark 'is due to special circumstances which excuse such non-use and it is not due to any intention to abandon the mark.'" *See Havana Club Holding, S.A. v. Galleon, S.A.*, 203 F.3d 116, 125 n.8 (2d Cir.), *cert. denied*, 531 U.S. 918 (2000).

foreign governmental intervention, have been held to constitute excusable non-use. So long as the trademark owner intends to keep his trademark alive, bankruptcy, war, legal prohibition, an embargo or any other forced suspension of use due to outside causes does not lead to an abandonment. *See* 2 *McCarthy* § 17:16; Restatement (Third) of Unfair Competition § 30 cmt. b (1995); *see also Baglin v. Cusenier Co.*, 221 U.S. 580, 597-98 (1911)*; Cuban Cigar Brands N.V. v. Upmann Int'l, Inc.*, 457 F. Supp. 1090, 1101 (S.D.N.Y. 1978), *aff'd.*, 607 F.2d 995 (2d Cir. 1979*)* (embargo); *Chandon Champagne Corp. v. San Marino Wine Corp.*, 335 F.2d 531, 535 (2d Cir. 1964) (war); *Haviland & Co. v. Johann Haviland China Corp.*, 269 F. Supp. 928, 954 (S.D.N.Y. 1967) (forced wartime withdrawal from U.S. market); *Saratoga Vichy*, 625 F.2d at 1044 (action of state legislature). "In such cases, it has been held that compulsory nonuse cannot be considered intentional nonuse, and therefore, failure to use those marks during that period did not amount to abandonment." Daphne Robert, *The New Trade-Mark Manual* 32 (1947).

As Ramon Arechabala's statement shows, at no time after Castro confiscated their Cardenas distillery did the Arechabalas ever surrender their hope to produce and sell HAVANA CLUB rum in the United States. Instead, the Arechabalas strove mightily to find a joint venture partner to produce HAVANA CLUB rum and, in fact, they were successful in 1995 in finding Bacardi to do just that. In the intervening years, their actions alerted the whole U.S. liquor industry to their assertions of rights to the HAVANA CLUB mark. Pernod was on notice of these claims and, in 1993, tried to buy the Arechabalas' worldwide rights to the HAVANA CLUB name. While Pernod nonetheless invested in HCH, Pernod extracted a warranty from

Cuba that required Cuba to indemnify Pernod if Cuba could not convey the U.S. HAVANA CLUB mark to HCH.

Furthermore, as an equitable defense, a party invoking the abandonment doctrine bears the burden of demonstrating that it was somehow misled by the non-use into believing the original owner no longer claimed rights to the mark. See Baglin v. Cusenier Co., 221 U.S. 580, 597-98 (1911). The Cuban government seized JASA, a viable business with a well-known mark, and, without any interruption in the business, began making and continued selling rum under the HAVANA CLUB brand. There was no pretext that JASA voluntarily got out of the rum business. What occurred was a forcible confiscation. Pernod, knowing all of this sordid history, chose to invest in HCH with the wrongdoer, Cuba.

Indeed, HCH's Director, Mr. Luis Perdomo, knew HCH's predecessor, Cubaexport, claimed title to the HAVANA CLUB name and mark pursuant to a Cuban governmental resolution in 1966 that was based on the original confiscatory decree, Law 890. Other HCH officers and directors, including Mr. Jacquillat, actually knew in 1993, before HCH's first use of the HAVANA CLUB mark anywhere, that JASA had not voluntarily relinquished their claim to the HAVANA CLUB name. Indeed, Pernod had previously unsuccessfully attempted to purchase the Arechabala family's rights to the HAVANA CLUB brand. Since HCH's managing directors knew HCH's claims to the HAVANA CLUB trademark ultimately rested on governmental compulsion, not voluntary non-use, no basis to invoke the doctrine of abandonment exists. *Baglin*, 221 U.S. at 597.

b.) It Is Indisputable That The Lapse Of The U.S. Registration Did Not Result In The Abandonment of The HAVANA CLUB Mark

As Pernod's expert, Mr. Germain, testified, U.S. trademark law is based on the concept that use of a trademark, not registration, confers trademark rights. *See The Trademark Cases*, 100 U.S. 82, 94 (1879). Registration in the U.S. simply supplies an evidentiary presumption of trademark rights previously conferred on the owner at common law by *bona fide* commercial use. *See Campbell Soup Co. v. Armour & Co.*, 175 F.2d 795, 797 (3d Cir.), *cert. denied*, 338 U.S. 847 (1949); 4A Lewis Altman, *Callmann on Unfair Competition, Trademarks & Monopolies* § 26:3 (4th ed. 2003). *See also* 15 U.S.C. §1057(b) (certificate of registration is *prima facie* evidence of ownership rights). In fact, marks that are federally registered are frequently canceled by courts, which determine that a party who used the mark first but never bothered to register it has superior rights in the mark to the registrant.

Because registration "is not essential to the acquisition of a protectable interest in the mark, and registration of a mark under the Lanham Act does not of itself create trademark rights," the failure to renew a registration does not, in and of itself, constitute an abandonment of those rights. *Proxite Prods., Inc. v. Bonnie Brite Prods. Corp.*, 206 F. Supp. 511, 514 (S.D.N.Y. 1962); *see also Mishawaka Rubber and Woolen Mfg. Co. v. Bata Narodni Podnik*, 222 F.2d 279, 286 (C.C.P.A. 1955) (failure to renew registration not abandonment); 2 *McCarthy* § 17:4 at 17-7 n.5 (4th ed. 2000) ("allowing a federal registration to expire does not per se prove abandonment"). Accordingly, the lapse of Registration Number 578,680 had no effect on the rights of JASA's shareholders in the HAVANA CLUB mark in the United States.

Sincerely,

William R. Golden, Jr.

William R. Golden, Jr.

THURSDAY, APRIL 29, 2004 THE HILL

Congress's unfinished business on trade

By Jack Kemp

The recent move by the United States to bring before the World Trade Organization (WTO) its dispute with China over that country's tax subsidy to its semiconductor industry underscores the increasingly important role the WTO is playing in enforcing the rules of global trade.

The United States' complaint, the first ever against China, provides an opportunity for the WTO to break down protectionist trade barriers in a way that furthers the goals of growth and development for all its member nations.

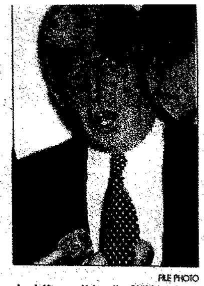
The United States can and should use the WTO system to fight trade policies in other nations that stand in the way of opportunity, job creation and economic vitality for American workers and employers. But for the WTO process to be effective, member countries must take prompt legislative and regulatory action to comply with its rulings. With that in mind, Congress should turn its attention to some unfinished business.

First on the agenda should be legislation to repeal or amend the tax treatment of foreign sales corporations based in the United States. The WTO has found repeatedly that the current tax break offered to American exporters constitutes an export subsidy that is prohibited under global trade rules. The failure of the United States to address adequately this issue, which has been before the WTO since 1998, has triggered trade sanctions of more than $4 billion against the United States by the European Union.

The question of whether and how to comply with the WTO ruling is complex, with many competing interests at stake. Yet the advent of compensatory tariffs makes the need to resolve these cross-cutting issues more urgent than ever, and doing so should be a priority for Congress and the administration.

Congress also needs to act either to repeal or replace an old statute that allows for criminal prosecutions and civil actions against those who import goods to the United States at a price substantially below the market value. This law, the Anti-Dumping Act of 1916, is rarely invoked and largely obsolete, having been superseded by the Tariff Act of 1930. However, in response to an initiative by the European Union, the WTO found the law to be noncompliant with current global trade rules. Legislation has been introduced in both the House and the Senate to repeal the law, without terminating pending cases, and Congress needs to take action on this issue before it adjourns for the year.

Another outstanding piece of business before Congress relates to a law passed in 2000 called the Continued Dumping and Subsidy Offset Act. This legislation changed the long-stand-



FILE PHOTO

Jack Kemp: Using the WTO system

gave industries an incentive to file trade complaints and a greater financial stake in their outcome. The policy was deemed by the WTO to violate anti-dumping and subsidy agreements, and, although the United States has said it intends to comply with the WTO ruling, the timetable for doing so is still up in the air. Before our trading partners win the right to retaliate against U.S. exports, Congress needs to repeal this well-intentioned but ill-conceived law.

The fourth and final WTO ruling for Congress to address involves an overlooked loophole in U.S. trademark law. The issue at hand is Section 211 of the Omnibus Appropriations Act of 1998, which prohibits U.S. enforcement of Cuban-origin trademarks that were confiscated from their legitimate owners without compensation.

The WTO upheld the substance of Section 211, but an update is needed to ensure that it applies to every trademark and intellectual-property usurper, regardless of nationality — a technicality, but an important one that reiterates current U.S. practice under other regulatory authorities. Unlike the other issues outlined above, amending Section 211 to comply with the WTO ruling is the trade equivalent of a "no-brainer." Prompt congressional action to resolve it would be a sign of good faith to the WTO and a down payment on our other outstanding obligations.

A fair and effective World Trade Organization can bring many benefits to the United States and the world, by breaking down protectionist barriers, stimulating economic growth and job creation, and fostering peaceful relations among nations. But for the WTO to work, its decisions have to be enforced in its member nations.

Congressional action on the issues outlined above will demonstrate our commitment to free and fair trade among nations — and the amendment of Section 211 to comply with the WTO ruling is an easy way to start.

Kemp is a former congressman from New York and was the

Statement of Senator Patrick Leahy
Ranking Member, Senate Judiciary Committee
"An Examination of Section 211 of the Omnibus Appropriations Act of 1998"
July 13, 2004

The legislative process is a mystery to many of our nation's citizens. The complicated rules of Senate procedure, the roles played by committees and subcommittees and conferences, the interest of many outside parties, and the inherent difficulty of addressing problems of national significance all threaten to render law-making incomprehensible to our constituents. And what people do not understand, they may fear and mistrust.

One of the principle obligations of an elected representative is to make the acts of representation – voting on the floor, drafting bills, holding hearings, participating in debate – as clear and comprehensible as possible to the people he or she represents. Many of us, myself included, sometimes complain about the pace of business here in the Senate. But when that pace is slow because it is deliberate, we are serving our citizenry. When complicated issues – like the trademark problem before us this afternoon – receive comprehensive study and thoughtful action, then those we serve can be satisfied that Congress knows what it is doing when it passes a given law.

The Section 211 provision that we are examining today did not go through this normal process. Nor was this measure merely rushed into law as Congress has done when times have called for quick action. Rather, we are focusing today on legislation that was snuck into an appropriations bill under the radar of most members of the Senate, done in a way specifically intended to bypass the normal legislative process.

In 1998, Section 211 was inserted into the Omnibus Appropriations Bill to affect the outcome of a dispute over the "Havana Club" trademark for rum. Section 211 prohibits the registration or renewal of registration of a trademark of a business that was expropriated by the Cuban government. It also disallows "any assertion of rights" by Cuban entities, or a foreign successor in interest to a Cuban entity, with respect to trademarks of expropriated businesses. Finally, the provision states that no U.S. Court may recognize the attempt by a Cuban entity or its successor in interest, from asserting treaty rights with respect to an expropriated mark unless the owner expressly consents.

The European Communities challenged the legality of this provision before the World Trade Organization. In December 2001, the WTO found that Section 211 violated the Agreement on Trade Related Aspects of Intellectual Property Rights, because it could place additional burdens on foreigners not faced by U.S. citizens in enforcing intellectual property rights. Unless the United States brings its domestic law into compliance with the WTO's ruling, U.S. exports could face sanctions abroad.

Unfortunately, the effort to bring the U.S. into compliance with the WTO ruling took the same path as the original enactment of Section 211: An effort to sneak a fix into the U.S. Code without the appropriate legislative sunshine. When I became aware that the Armed Services appropriations bill last fall was the likely vehicle, I objected, and I am pleased that we have finally brought this issue to the light of the legislative day here, where it belongs, in the Judiciary Committee hearing room.

The United States demands a great deal from its trading partners when it comes to intellectual property rights. And as the world leader in intellectual property, we have the most to gain from strong protections that ensure patent-, copyright-, and trademark-holders are afforded the rights they deserve whatever their nationality. Today, we will no doubt hear a great deal about the two bills pending before this Committee that aim to solve the problems created by Section 211. While I understand that both will bring the United States into compliance with the WTO's ruling, I am interested in the broader implications to our international trademark policy of both proposals.

I thank the Chairman for holding this hearing, so that this issue can finally receive the type of airing that would have been appropriate six years ago. I also would like to thank Senator Graham for chairing this hearing, as well as the witnesses for coming here today to share their testimony.

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STATEMENT OF BRUCE A. LEHMAN
FORMER ASSISTANT SECRETARY OF COMMERCE
AND COMMISSIONER OF PATENTS AND TRADEMARKS

Committee on the Judiciary
United States Senate
July 13, 2004

Good afternoon. Mr. Chairman, Members of the Committee, I would like to thank you for the invitation to appear before you today. My name is Bruce A. Lehman. I have been before this committee on many occasions, in an official capacity. This is the second time that I have been asked to appear before the Committee as private citizen. The first time was when Senator DeConcini was chairman of the intellectual property subcommittee and asked me to testify regarding legislative patent term extensions. The views I am expressing today are my own and do not necessarily reflect those of any other member of the board of directors or any other person associated with the International Intellectual Property Institute, of which I am Chairman. The institute does not take positions on legislation. Further, I am not being compensated by any party for this testimony, nor representing any party in interest as an attorney or lobbyist.

During my tenure as President Clinton's Commissioner of Patents and Trademarks from 1993 through 1998, I was often the United States Government's point person in international negotiations on intellectual property rights. The United States position in those negotiations was, and remains today, clear and consistent – the rights of trademark owners should be recognized and upheld in every nation around the world, and piracy as well as confiscation of intellectual property rights should be outlawed. For example, one of the key United States victories in the Uruguay round of negotiations, which established the World Trade Organization (WTO), was the adoption of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). The TRIPs Agreement protects intellectual property rights by severely restricting the contracting states' power to impose compulsory licenses or otherwise to restrict the rights of legitimate owners.

I am concerned with situations in which a foreign government expropriates a trademark and does not pay prompt, adequate and effective compensation to the legitimate owner. I am also concerned with cases in which the confiscating state attempts to extend the effects of the

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confiscation to corresponding trademarks in other countries. Giving extraterritorial effects to a foreign confiscation is particularly offensive and unacceptable in the trademark field, because trademark rights are universally recognized to be territorial, a principle that is expressly stated in the Paris Convention.

When Fidel Castro took power in Cuba, his regime engaged in a systematic program of wholesale confiscation of property in Cuba. This program included confiscation of property owned by Cuban nationals as well as by United States and other non-Cuban nationals. The Cuban government also purported to extend the effects of the confiscation to property, such as trademarks, that the confiscation victims owned in the United States and other countries, and took other actions to seize control of those assets.

To protect United States trademarks and their legitimate owners from the effects of the Cuban confiscation measures, Congress enacted Section 211 in 1998. This law provides that the United States will not recognize claims by the Cuban government or its nationals to trademarks that were used as a part of a business whose assets were confiscated in Cuba, unless the original owners have consented. Section 211 reflects and affirms the long-standing principle of U.S. law that we will not give effect to a claim of right to U.S. property if that claimed is based on a foreign confiscation.

Following the enactment of Section 211, the European Union, acting on behalf of a French company, challenged the law in the WTO claiming that it was inconsistent with the TRIPs agreement. In January 2002, the WTO Appellate Body finally resolved the challenge by finding in favor of the United States on all points except one. The Appellate Body made a narrow finding that, because Section 211 on its face does not apply to United States nationals who might acquire interests in confiscated Cuban trademarks, it is inconsistent with the TRIPs agreement. On the other hand, the Appellate Body confirmed that the United States is within its rights to enforce its long-standing policy against recognizing foreign confiscations and that Section 211 does not deny parties fair and equitable court procedures to enforce trademark rights.

In order to comply with the WTO decision, Congress must now act to make a technical correction to Section 211 making it clear that it applies to all parties claiming rights in Cuban-confiscated trademarks, regardless of nationality. Such technical correction will satisfy the WTO ruling, bring Section 211 into full compliance with the TRIPs agreement, and prevent the

European Union from applying trade sanctions against the United States. A minor amendment to make that clear, not the repeal of Section 211, is the appropriate response to the WTO decision. Such an amendment would be consistent with United States policy against giving extraterritorial effects to a foreign confiscation. S. 2373 successfully makes this minor technical correction.

Section 211 has been applied most notably in the *Havana Club* case. *Havana Club* was a century-old rum brand created and marketed by the Arechabala family. In 1960, the family was forced to flee Cuba, losing everything as the state confiscated all of their Cuban property and trademarks. The Arechabala family found themselves without assets or facilities to produce their rum. Section 211 protects the rights of the legitimate owners in cases like these, in which the Castro regime has deprived them of all of their assets in Cuba and, taking advantage of their destitution, has fraudulently seized control of their U.S. trademarks.

Section 211 has also been applied in the case of *TTT Trinidad*, a tobacco brand used by the Trinidad family company whose assets were also confiscated by the Castro government. Taking advantage of their situation, the Cuban government registered the trademark in the United States but the legitimate owners petitioned for cancellation based on Section 211. The Trademark Trial and Appeal Board cancelled this registration on July 16, 2001.

Section 211 is a fairly simple law – it stops the reach of Cuban confiscations at the U.S. border and preserves the original owners' rights to their U.S. trademarks. It protects the legitimate owners of trademarks in a variety of Cuban export industries. The law does not prohibit or interfere, in any way, with the Castro government's right to register or enforce trademarks that it legitimately owns, as distinguished from those it has acquired through confiscation.

I find it surprising that some opponents of the United States trade embargo on Cuba seem to be against Section 211. There is no logical connection between the two issues. I strongly support the policy behind Section 211 while at the same time questioning the effectiveness of the embargo. Section 211 is not an embargo issue; it is a property-ownership issue. The debate on the embargo centers on whether it helps or hinders Cuba's transition to a free-market economy. This goal is not advanced by giving effect to Cuban confiscatory measures in the United States. The traditional United States position, reflected in long-standing United States law and public policy, as well as in Section 211, is that all foreign confiscations are wrong and should have no effect on United States property. Whether one believes in the merits of the embargo or desires that it be lifted, this is the policy we should maintain.

Also under discussion is S. 2002 which would repeal Section 211 among other precarious trademark measures. I oppose S. 2002 because the legislation would undermine our public policy as stated previously in my discussion of support for Section 211 and for the following reasons. First, the provision regarding registry of well-known marks in Cuba and reciprocity would violate TRIPs because it gives preferential treatment to Cuban nationals and their successors and no one else. Further, Section 6(a) abrogates the Latham Act "standing" requirements and raises serious constitutional questions. Finally, Section (j) flouts the Lanham Act's purpose by allowing a party with no commercial activity in the U.S. to have the same rights as a party engaging in commercial activity here. S. 2002 does more than solve the WTO problem before us – it, in fact, creates the possibility of a new violation of WTO rules and could wreck havoc with our existing trademark rules.

In short, Section 211 reinforces the fundamental principles that property rights must be respected, that governments may not take property without payment of prompt, adequate and effective compensation, and that a foreign confiscation must never be given effect on property situated in the United States. These principles are part of our national core values and must not be compromised.

Section 211 is the only statute that protects United States trademarks and their legitimate owners from the effects of illegal confiscations by the Cuban government. I strongly urge you to pass S. 2373 to make Section 211 compliant with the WTO decision while upholding traditional principles of United States law.

Thank you, Mr. Chairman. I will be happy to answer any questions.

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ADDITIONAL STATEMENT OF BRUCE A. LEHMAN FORMER ASSISTANT SECRETARY OF COMMERCE AND COMMISSIONER OF PATENTS AND TRADEMARKS

Committee on the Judiciary
United States Senate
July 13, 2004

In response to Mr. Reinsch's discussion of the Inter-American Convention for Trademark and Commercial Protection (IAC), I would like to submit this additional statement for the record in response. Mr. Reinsch argued that Section 211 violates Cuba's rights under the IAC, specifically Article 3, which provides in relevant part that "[e]very mark registered or legally protected in one of the Contracting States shall be admitted to registration or deposit and legally protected in the other Contracting States, upon compliance with the formal provisions of the domestic law of such States." Violation of the IAC by Section 211 is the sole premise on which Mr. Reinsch and other opponents of S. 2373 erect their theory that Cuba has a right to retaliate against the United States by withdrawing all protection from Cuban trademarks held by U.S. nationals.[1]

Article 3 of the IAC is the equivalent of Article 6quinquies of the Paris Convention (Paris Convention for the Protection of Industrial Property of March 20, 1883, as revised, 828 U.N.T.S. no. 11851, vol. 828, pp. 305-388), which in relevant part provides: "[e]very trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union . . .." The Appellate Body of the World Trade Organization held, in its decision of Jan. 2, 2002, in United States -- Section 211 Omnibus Appropriations Act of 1998 (WTO Decision), that the obligation of Article 6quinquies to protect trademarks duly registered in the country of origin "does not encompass matters related to ownership." WTO Decision para. 147. Under the WTO decision, each country retains entirely for itself the authority to decide, applying its own laws, who is the owner of a trademark. The United States therefore has every right to refuse to recognize, as the owner of a trademark whose registration is sought, a purported owner whose claim is based on an uncompensated confiscation. United States law and policy (like those of most countries of the world) forbid such recognition, and the WTO Decision holds that that is entirely proper and in no way inconsistent with article 6quinquies. The same is true of the similar language of Article 3 of the IAC.

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[1] : If Section 211 does not violate Article 3 of the IAC, Mr. Reintsch's claims of violations of other IAC provisions are readily dismissed. Articles 8 and 9 are not violated because under U.S. law the confiscating government or its successor cannot be "the owner of a mark" (Article 8) or "the owner of the refused mark" (Article 9). Article 18 likewise requires that the aggrieved party by the owner ("his commercial name"). Articles 29 and 30 ("Remedies") apply only where a substantive violation of the Convention has been shown.

Even if that Article were thought to have a different meaning from Article 6quinquies, as authoritatively interpreted in the WTO Decision, Article 6quinquies would still govern. The Paris Convention (1967) and TRIPS (1994), to both of which Cuba and the United States are parties, are subsequent to the IAC (1929) and therefore prevail over it to the extent of any inconsistency. Article 6(1) of the Paris Convention provides: "The conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation." Construing this provision, the WTO Decision declared:

> "Article 6(1) states the general rule, namely, that each country of the Paris Union as the right to determine the *conditions* for filing and registration of trademarks in domestic legislation. This is a reservation of considerable discretion to the countries of the Paris Union -- and now, by incorporation, the Members of the WTO -- to continue, in principle, to determine for themselves the conditions for filing and registration of trademarks. Thus, in our view, the general rule under the Paris Convention (1967) is that national laws apply with respect to trademark registrations within the *territory* of each country of the Paris Union, subject to the requirements of other provisions of that Convention. And, likewise, through incorporation, this is also now the general rule for all WTO Members under the *TRIPS Agreement.*

WTO Decision, para. 132; see also para. 165.

The WTO definitively determined (1) that matters of trademark ownership are within the "considerable discretion" reserved to each member by the Paris Convention and therefore by TRIPS, (2) that Section 211 is within the right of a member to determine such matters of ownership, and therefore (3) that by maintaining Section 211 the United States does not violate the Paris Convention or TRIPS. If anything in the IAC were thought to be inconsistent with that "considerable discretion" to determine matters of ownership, it would be superseded by "the general rule for all WTO Members under the *TRIPS Agreement."*

The WTO further held that Article 15.2 of TRIPS, which permits a member to deny registration on "other grounds . . . provided that they do not derogate from the provisions of the Paris Convention," entitles the United States to apply its own rules of trademark ownership such as Section 211. WTO Decision paras. 159, 167-178.

For these reasons, Section 211 does not violate the United States' obligations under the IAC. Therefore, the continuance in force of Section 211, as amended by S. 2373 to bring it entirely into compliance with the WTO Decision, provides Castro with no legitimate ground for retaliation against the United States. If he finds it in his interest to act against U.S.-owned trademarks he will undoubtedly do so, but no one should be under the illusion that Section 211 gives him any lawful basis for doing so.
Even if Section 211 were deemed to violate the IAC, which it does not, and even if IAC provisions incompatible with the Paris Convention and TRIPS were still binding on the United States, which they are not, Cuba's right to retaliate for an IAC violation would extend at most to suspending the operation of the IAC as binding on Cuba. But that

would in no way allow Cuba to suspend its obligations under the Paris Convention or TRIPS, which Section 211, as amended by S. 2373, concededly does not violate. Cuba's obligations under those agreements are entirely adequate to protect U.S.-owned trademarks in Cuba even if the IAC did not exist.

INTERNATIONAL
INTELLECTUAL
PROPERTY
INSTITUTE

June 21, 2004

The Honorable Orrin Hatch
Chairman
Senate Judiciary Committee
224 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Jim Sensenbrenner
Chairman
House Judiciary Committee
2138 Rayburn House Office Building
Washington, DC 20515

The Honorable Patrick Leahy
Ranking Member
Senate Judiciary Committee
224 Dirksen Senate Office Building
Washington, DC 20510

The Honorable John Conyers
Ranking Member
House Judiciary Committee
2138 Rayburn House Office Building
Washington, DC 20515

Dear Chairmen and Ranking Members:

During my tenure as the Commissioner of Patents and Trademarks from 1993 through 1998, I was often the U.S. Government's point person in international negotiations on intellectual property rights. The U.S. position in those negotiations, and as they remain today, was always clear and consistent – the rights of trademark owners should be recognized and upheld in every nation around the world, and piracy, including confiscation of intellectual property rights, should be illegal under international law.

When Fidel Castro took power in Cuba, his regime engaged in a program of wholesale confiscation of property in Cuba, including property owned by Cuban nationals as well as by U.S. and other non-Cuban nationals. The Cuban government also purported to extend the effects of the confiscation to property, such as trademarks, that the confiscation victims owned in the U.S.

To protect U.S. trademarks and their legitimate owners from the effects of the Cuban confiscatory decrees, Congress enacted Section 211 of H.R. 4328 in 1998. This law provides that the U.S. will not recognize claims by the Cuban government or its nationals to trademarks that were used as a part of a business whose assets were confiscated in Cuba, unless the original owners have consented. The European Union (EU) challenged Section 211 in the World Trade Organization (WTO). In January 2002, the WTO Appellate Body finally resolved that challenge by finding in favor of the United States on all points except one. The Appellate Body made a narrow finding that, because Section 211 on its face does not apply to U.S. nationals, it is inconsistent with the TRIPs Agreement.

Congress must now act to make a technical correction to Section 211 making it clear that it applies to all parties claiming rights in Cuban confiscated trademarks, regardless of nationality. Such technical correction will satisfy the WTO ruling and prevent the EU from applying trade sanctions against the U.S. A minor amendment to

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make that clear, not the repeal of Section 211, is the appropriate response to the WTO decision. S. 2373 and H.R. 4225 make this technical correction.

Section 211 has been applied most notably in the *Havana Club* case – *Havana Club* was a century-old rum created and marketed by the Arechabala family. In 1960, the family was forced to flee Cuba, losing everything as the state confiscated all of their Cuban property and trademarks. Without their assets or facilities to produce their rum, the Arechabalas were unable to protect their U.S. trademark, which soon fell into the hands of the Cuban government. . Section 211 is a fairly simple law – it stops the reach of Cuban confiscations at the U.S. border and preserves the original owners' rights to their U.S. trademarks. By so doing, Section 211 protects the legitimate owners of trademarks in a variety of Cuban export industries, including rum, tobacco and sugar. Section 211 does not prohibit or interfere, in any way, with the Castro government's right to register or enforce trademarks that it legitimately owns, as distinguished from those it has acquired through confiscation.

What is surprising to me is that many of the opponents of the U.S.-Cuba trade embargo seem to be against Section 211. I personally question effectiveness of the embargo, however I do not see any inconsistency between this position and Section 211. The debate on the embargo centers on whether the embargo helps or hinders Cuba's transition to a free-market economy. This goal is not advanced by burdening ourselves with the task of choosing which Cuban confiscatory decrees will be given effect and which ones will not. The U.S. position, reflected in long-standing U.S. law and public policy, as well as in Section 211, is that all foreign confiscations are wrong and should have no effect on U.S. property. Whether one believes in the merits of the embargo or desires its lifting, Section 211 is not an embargo issue, but solely a trademark one.

Section 211 reinforces the fundamental principle that property rights must be respected and governments may not take property from individuals and companies, whether nationals or foreigners, without payment of prompt, adequate and effective compensation. I support the firmly established principle of our law and public policy that foreign confiscations must never be given effect on property situated in the United States.

Section 211 is the only statute that protects U.S. trademarks and their legitimate owners from the effects of illegal confiscations by the Cuban government. As chairman of the International Intellectual Property Institute, I strongly urge you to hold hearings on S. 2373 and H.R. 4225 and move this important legislation through your committees to make Section 211 WTO-compliant.

These views are my own and do not necessarily represent the Board of Directors of the International Intellectual Property Institute.

Sincerely,

Bruce A Lehman

Bruce A. Lehman

Statement of Nancie G. Marzulla,
President, Defenders of Property Rights
Before the Senate Judiciary Committee

Hearing on an Examination of Section 211 of the Omnibus Appropriations Act of 1998.

July 13, 2004
Room - Dirksen Senate Office Building
2:00 p.m.

Mr. Chairman and Members of the Committee:

Thank you for the opportunity of testifying today regarding this Committee's examination of Section 211 of the Omnibus Appropriations Act of 1998.

My name is Nancie Marzulla. I am President of Defenders of Property Rights, the nation's only nonprofit legal foundation dedicated exclusively to the protection of individual rights in the ownership and use of private property. Founded in 1991, Defenders works in the courts, the legislature, and in the marketplace of public opinion to preserve private property rights, a cornerstone of individual liberty.

I congratulate this Committee for its decision to examine the key role played by Section 211 in affirming the property rights—and thus the personal liberty—of those whose property has been expropriated without compensation (that is to say, confiscated) by the Cuban government in violation of international law and fundamental notions of human decency. S. 2373 and its companion bill, H.R. 4225, make minor technical corrections to Section 211, required to comply with a WTO ruling, while maintaining the substance of Section 211, which forbids the recognition of claims of title to U.S. trademarks based on a Cuban confiscation, except with the consent of the legitimate owner.

In our view, there is no justification for repealing Section 211, as the proponents of S. 2002 would do. That is not required by the WTO ruling, which emphatically upheld the principle that a state is entitled to establish ownership rules, such as Section 211, to determine who is or is not the legitimate owner of a trademark in its own territory. Nor is it justified by any policy that is consistent with our core values and long-standing principles of our law. Repealing Section 211 would violate those values and principles and send an unmistakable signal to tyrants around that the United States has lowered its guard and is prepared to extend to U.S. property the effects of foreign confiscatory decrees.

Property Rights and Human Liberty

Tyrants have long known that liberty is indivisible, and free men have long known that our cherished liberties of free speech, worship and assembly—as well as property rights—are interdependent. As the United States Supreme Court put it:

> Property does not have rights. People have rights. The right to enjoy property without unlawful deprivation . . . is in truth a "personal" right. . . . In fact, a fundamental interdependence exists between the personal right to liberty and the personal right in property. Neither could have meaning without the other. That rights in property are basic civil rights has long been recognized. [1]

The Founding Fathers recognized that without security in the ownership of property, no other human liberty was safe. John Adams stated "[p]roperty must be secured or liberty cannot exist."[2] Indeed, some have argued that "the right of property is the guardian of every other right, and to deprive a people of this, is in fact to deprive them of their liberty."[3]

Modern courts have continued to recognize the importance of the right to private property as one preserved by founders in the interest of preserving liberty generally. The Delaware Supreme Court stated recently:

> "Protecting the right to acquire and own private property was also of a paramount importance to the Framers of the United States Constitution. Invoking the philosophy of John Locke, John Rutledge of South Carolina told the delegates at the Philadelphia Convention that "property was certainly the principal object of Society." Alexander Hamilton stated, "One great [objective] of [government] is personal protection and the security of Property." According to Professor James Ely, "many provisions of the Constitution pertain to property interests and were designed to rectify the abuses that characterized the revolutionary era."[4]

Thus, the protection of rights in property lies at the heart of our constitutional system of government. The Founding Fathers, in drafting the Constitution, drew upon classical notions of legal rights and individual liberty dating back to the Justinian Code, Magna Carta, and the *Two Treatises of Government* by John Locke, all of which recognize the importance of property ownership in a governmental system in which individual liberty is paramount. Concurrently, the Constitutional framers drew upon their own experience as colonists of an oppressive monarch, whose unlimited powers vested it with the ability to deprive its subjects of their God-given rights of "life, liberty, and property."

The United States Constitution imposes a duty on government to protect private property rights. Thus, within the Bill of Rights, numerous provisions directly or indirectly protect private property rights. The Fourth Amendment guarantees that people are to be "secure in their persons, houses, papers, and effects . . . ."[5] The Fifth Amendment states that no person shall "be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use without just compensation . . . ."[6] The Fourteenth Amendment echoes the Due Process Clauses of the Fifth Amendment, stating that no "state shall deprive any person of

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[1] *Lynch v. Household Finance Corporation,* 405 U.S. 538, 552 (1972).
[2] *Discourses on Davila, in* 6 THE WORKS OF JOHN ADAMS 280 (Charles Francis Adams ed., Little Brown 1865).
[3] ARTHUR LEE, AN APPEAL TO THE JUSTICE AND INTERESTS OF THE PEOPLE OF GREAT BRITAIN, IN THE PRESENT DISPUTE WITH AMERICA 14 (1775).
[4] *Cannon v. State*, 807 A.2d 556, 566 (Del. Supr. 2002) (Holland, J., dissenting) (citations omitted).
[5] U.S. Const. amend. IV.
[6] U.S. Const. amend. V.

life, liberty, or property without due process of law . . . ."[7] Additionally, the Contracts Clause of the Constitution indirectly protects property by forbidding states from passing any "Law impairing the Obligation of Contracts."[8]

President Reagan, in announcing his intention to sign a Presidential Executive Order to protect private property rights, told Congress:

> It was an axiom of our Founding Fathers and free Englishmen before them that the right to own and control property was the foundation of all other individual liberties. To protect these rights, the Administration has urged the courts to restore the constitutional right of a citizen to receive just compensation when government at any level takes private property through regulation or other means. Last spring, the Supreme Court adopted this view in *Nollan v. California Coastal Commission*. In a second case, the Court held that the Fifth Amendment requires government to compensate citizens for temporary losses that occur while they are challenging such a government regulatory "taking" in court. In the wake of these decisions, this Administration is now implementing new procedures to ensure that federal regulations do not violate the Fifth Amendment prohibition on taking private property; or if they do take a citizen's property for public use, to ensure that he receives constitutionally required just compensation.[9]

The United States currently occupies a unique position in the global economy. A decision on the part of our government to honor only those trademarks which have been legitimately acquired, not confiscated by oppressive regimes, sends a clear message to the world that the United States cares deeply about the fundamental right to private property. It is also faithful to the design of our Constitution, which enshrines the Founders' vision of a nation conceived in liberty and respectful of individual rights.

U.S. Trademarks Are Protected Against Foreign Confiscatory Measures

Trademarks are property. They display the hallmark of property rights—the ability to exclude others from use and concurrent ownership. As the Supreme Court has recently stated: "[T]rademarks... are the 'property' of the owner because he can exclude others from using them."[10] The Court has further stated: "Trademark law, like contract law, confers private rights, which are themselves rights of exclusion. It grants the trademark owner a bundle of such rights."[11]

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[7] U.S. Const. amend. XIV.
[8] U.S. Const. art. I, § 10.
[9] President's Legislative and Administrative Message to Congress, 24 WEEKLY COMP. PRES. DOC. 91 (Jan. 25, 1988).
[10] *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 673 (1999).
[11] *Kmart Corp. v. Cartier, Inc.*, 485 U.S. 176, 185-86 (1988).

A trademark used in connection with products sold in the United States is property located in this country. "[T]rademarks registered in this country are generally deemed to have a local identity-and situs-apart from the foreign manufacturer."[12]

Because trademarks are territorial and because takings without just compensation are against our most fundamental public policy, the U.S. has always refused to extend to U.S. trademarks the effects of a foreign confiscation. As one court has put it,

> [I]t is settled by a long line of cases that "our courts will not give 'extra-territorial effect' to a confiscatory decree of a foreign state, even where directed against its own nationals." Thus "foreign confiscatory decrees purporting to divest nationals and corporations of the foreign sovereign of property located in the United States uniformly have been denied effect in our courts. . . ."[13]

Consistent with American dedication to property rights as a cornerstone of liberty, Cuban expropriation decrees are not enforceable to deprive the rightful owner of title to trademarks in this country:

> We hold that it is our duty to assess, as a matter of federal law, the compatibility with the laws and policy of this country of depriving the original owners of the Malta Cristal trademark of that property without compensating them for it. We conclude that such a deprivation without compensation would violate bedrock principles of this forum, embodied in the Fifth Amendment to the Constitution. . . . [I]n tracing ownership of United States property cast adrift by the "extraordinary and basically unfair measure" of expropriation without compensation, "our courts have developed a willingness to disregard technicalities in favor of equitable considerations."[14]

One especially critical aspect to trademark protection is the maintenance of a company's reputation and the goodwill that that name generally inspires. Depriving an individual of the private property right to a trademark functions as a twice-over violation of property rights. In addition to significantly impairing the owner's ability to sell the product, the individual who steals the trademark also sells one's own product, a competitor good, much more efficiently and profitably than one otherwise would have.

The courts of the United States, both at the lower levels and in the Supreme Court, have recognized formally that the right to trademark one's work and sell it as one's own is not bounded by the borders of nation-states. When the French government, in the early part of this century, expropriated the *Chartreuse* trademark in France and later attempted to assert rights on the corresponding U.S. trademark, our Supreme Court rejected the effort. Said the Court in *Baglin v. Cusenier Co.,* 221 U.S. 580, 596 (1911), "[t]he French law cannot be conceived to have

[12] *F. Palicio y Compania, S.A. v. Brush*, 256 F. Supp. 481, 491 (S.D.N.Y. 1966); *Carl Zeiss Stiftung v. V.E B. Carl Zeiss, Jena*, 293 F. Supp. 892, 896 (S.D.N.Y. 1968), *modified on other grounds*, 433 F.2d 686 (2d Cir. 1970); *Zwack v. Kraus Bros. & Co.*, 237 F.2d 255 (2d Cir. 1956); *Baglin v. Cusenier Co.*, 221 U.S. 580, 596 (1911).
[13] *Maltina Corp. v. Cawy Bottling Co.*, 462 F.2d 1021, 1025 (5th Cir. 1972) (citations omitted).
[14] *Id.* at 1027-28 (citations omitted).

any extraterritorial effect to detach the trademarks in this country from the product of the monks, which they are still manufacturing."

Even if the state is recognized as the rightful owner to the trademark within its own territory, the courts of this nation must continue to respect the property and trademark rights of true owners. In *Zwack v. Kraus Bros. & Co.*,[15] the Second Circuit Court of Appeals found that although the Hungarian government had expropriated a trademark within its borders, "it does not follow that courts in this country must recognize Hungarian claims of title to property situated in this country or rights with respect to commerce in this country which were acquired only by coercion practiced on the owners without substantial consideration."

The current Cuban regime's confiscation of a number of trademarks after its rise to power was undoubtedly contrary to the values embodied in our Fifth Amendment. The United States should not endorse this action, so repugnant to the principles upon which our country was founded.

Section 211 Should Be Retained and Amended to Comply with WTO Requirements

In 1960, the Castro revolutionary government adopted the so-called Law 890, which confiscated the assets, including trademarks, of virtually the entire diversified Cuban-owned industrial sector.[16] The Cuban government has consistently taken the position that Law 890 applies extraterritorially to property (including trademarks) located outside Cuba, and has succeeded in taking control of several trademarks abroad. Since Law 890 was enacted, the Cuban government has exploited the confiscated trademarks without paying any compensation to the legitimate owners. Following the loss of its Soviet subsidies, the Cuban government has sought to increase the profits of that exploitation by transferring certain confiscated trademarks to joint ventures between Cuba and foreign companies.

In 1998, Congress enacted Section 211 to provide a bright-line statutory rule of law in response to this flagrant violation of property rights. Section 211 was needed because the Lanham Act does not contemplate the cancellation of trademarks based on a foreign confiscation and the U.S. Patent and Trademark Office normally does not apply non-statutory doctrines such as the principle that foreign confiscatory measures have no effect on U.S. property.

Although Section 211 contained a technical defect, its fundamental concept is sound. The defect is a purely theoretical one: on its face, it does not apply to U.S. nationals, even though U.S. nationals are subject to similar rules under other provisions of U.S. law. But because there is a distinction on the face of the statute, the WTO found a violation of the national-treatment and most-favored-nation treatment of the Agreement on Trade Related Aspects of Intellectual Property (TRIPs).

Clearly, Congress owes a duty to the World Trade Organization Court to comply with TRIPs. This can be done without depriving rightful trademark owners of the protection to which

[15] 237 F.2d 255, 261 (2d. Cir 1956).

[16] *See* Nicolas J. Gutierrez, Jr., *The Deconstitutionalization of Property Rights: Castro's Systematic Assault on Property Rights in Cuba*, 5 U. MIA. YRBK. INT'L L. 51, 59 (1996-97).

they are entitled under the core values of our system. In order to ensure that Section 211 is consistent with TRIPS and the Paris Convention, Congress need only amend Section 211 to make sure that it applies to all persons, regardless of nationality.

Any other solution would turn its back on the fundamental principles of property right protection upon which this nation was founded.

I would be happy to respond to any questions the Committee may have.

THE NEW YORK SUN

JULY 2-4, 2004

Mark Falcoff on how New York's Charles Rangel is deferring to Cuba's dictator

Castro's Waning Arsenal

It's said that there are only two guarantees in life — death and taxes. With the inevitability of the first in mind, it's time to begin planning for Cuba's transition to democracy and a free market after the death of its 78-year-old dictator-for-life, Fidel Castro. President Bush recently tightened economic sanctions against Cuba as part of a larger effort to thwart any attempt to transfer power to Mr. Castro's younger brother.

The president's actions reflect a growing realization that Mr. Castro's days of leading Cuba are numbered and that his death would provide a long-awaited window to reverse the decades of bankruptcy, brutality, and poverty over which he has presided.

Interestingly enough, several Democratic members of Congress seem to think that Mr. Castro has enough kick left to create international economic chaos should Congress pass a minor trade-related amendment that Castro opposes. In deference to the old gray nag, they are sitting on their hands.

The story begins in 1998, when Congress passed legislation known as Section 211 as part of an omnibus appropriations bill. Section 211 strengthens protection for intellectual property. Specifically, it prevents the American government from recognizing Cuban trademarks registered in America that were confiscated after Mr. Castro's 1959 revolution. Nearly half a century later, their rightful owners are still awaiting compensation.

A bill was recently introduced (H.R. 4225) that would update Section 211 and make it fully compliant with World Trade Organization standards. This would help make America a better global economic citizen, while at the same time strengthening intellectual property rights.

But a few members of Congress — led by Rep. Charles Rangel — want to scrap Section 211 altogether. They fear Havana might see it as "provocation." In retaliation, they say, Mr. Castro will embark on a wholesale violation of American trademarks — and world markets will soon be flooded with Cuban knock offs of American products, from Coca-Cola to Cadillacs.

This is utter nonsense. Nations that refuse to recognize legal obligations are rewarded with economic isolation. The type of illegal operations Mr. Rangel and others fret about would put Cuba on the path to economic oblivion and fatally compromise Cuba's desperate efforts to court foreign investment — an outcome even Mr. Castro would not risk. This is one reason why, despite 45 years of opportunity, the dictator hasn't snatched American trademarks, concocted his own shoddy imitations, and slapped on a "Made in Cuba" label.

Even if he *were* to risk it, how would Cuba produce pirated products? The Cuban economy is bankrupt. It survives on remittances from Cuban exiles and by defaulting on massive foreign debt owed to more than two dozen countries. Cuba has no capital, no technology, and no production facilities.

Imagine a Cuban attempt to retaliate by mass producing its own version of, say, Coca-Cola. Cuba has no money to launch this phantom enterprise, and no international financial company would dare to provide the necessary loans.

Additionally, any effort to manufacture more technologically-sophisticated products would be about as successful as Castro's harebrained projects to clone cows. Cuba can't complete a nuclear plant near Cienfuegos, despite receiving millions of dollars from their former Soviet allies.

Still, there are members of Congress and some American companies that don't want to run afoul of Mr. Castro. No doubt the companies hope one day to re-enter the Cuban market but, at this point, talk of missed American business opportunities amounts to pure fantasy.

According to a 2001 study by the U.S. International Trade Commission, even without the current embargo our exports to Cuba would be — at the high end — about $1 billion.

This is less than half of 1% of all American exports, making Cuba a significantly less interesting market than the Dominican Republic, which imports more than four times as many American goods ($4.4 billion) with only a third of Cuba's population.

Mr. Castro will eventually pass from the scene. When he does, Cuba will have an opportunity to come to terms with the modern world — that is, if it hopes to escape five decades of communist-induced poverty. But to do business with America, any Cuban government will first have to run a gantlet of American legislation passed over the years that will help dictate the shape of future American-Cuba relations.

A central issue involves compensation for confiscated property — no small matter. At present there are slightly more than 5,900 American individuals or corporations with recognized property claims, not including Cuban nationals and others. While Cuba is not presently (and may never be) in a position to provide full compensation, some good faith effort at restitution will be necessary.

Even Mr. Castro must recognize that he's in enough trouble with jilted foreign creditors not to seek out new subjects for confrontation. He may huff and puff about retaliation, but there's nothing in his arsenal but wind.

Mr. Falcoff is a resident scholar at the American Enteprise Institute and author of "Cuba the Morning After: Confronting Castro's Legacy."

Testimony of William A. Reinsch,
President of the National Foreign Trade Council
Before the Senate Committee on the Judiciary
July 13, 2004

Thank you, Mr. Chairman. My name is William Reinsch, and I am President of the National Foreign Trade Council, which represents 300 American companies who trade and invest abroad.

Mr. Chairman and Members of the Committee, thank you for your invitation to provide testimony concerning an important intellectual property issue that, if not resolved correctly, will have adverse effects on the U.S. business community as a whole, especially more than 400 companies that currently have trademarks registered in Cuba. At stake are the 5000 trademarks these companies have registered in Cuba, and the leadership of the United States in intellectual property policy.

On behalf of NFTC, I am testifying today to endorse S. 2002, the "U.S.-Cuba Trademark Protection Act." S. 2002 would repeal Section 211 of the FY 1999 Department of Commerce and Related Agencies Appropriations Act, remedying the U.S. breach of obligations under the General Inter-American Convention for Trademarks and Commercial Protection[1] and removing any pretext for the Castro regime to retaliate against trademarks currently registered in Cuba by U.S. companies. S. 2002 would ensure continued U.S. leadership on intellectual property issues through the establishment of heightened standards, while also bringing the U.S. into compliance with all existing treaty obligations.

My remarks today are on behalf of my organization, but they are consistent with a number of trade associations and companies that are already on the record in supporting S. 2002 or its identical House companion, H.R. 2494. These trade associations include the Grocery Manufacturers of America, CapNet, the Coalition for Employment through Exports, and the Organization for International Investment. Among the major U.S. companies supporting this legislation are Caterpillar, Dupont, Eastman Kodak, and the

[1] Feb. 20, 1929, 46 Stat. 2907, 2930-34.

"Big Three" automakers, DaimlerChrysler, Ford Motor Company, and General Motors. As expressed in the attached letters, these trade associations and companies all support repeal of Section 211 because it exposes the invaluable brand names of U.S. businesses to legal jeopardy.

Section 211 of the FY 1999 Omnibus Appropriations Act prohibits the U.S. from honoring trademarks of Cuban origin that are the same or substantially similar to those used in connection with businesses that were nationalized by the Cuban government in the early 1960s. Section 211 was enacted solely to help one of the litigants in a particular dispute before the U.S. courts, but, if maintained, its long term impact may well be to invite retaliation by Cuba, which could jeopardize trademark protection for over 5,000 U.S. trademarks currently registered in Cuba by more than 400 American companies. It has no benefits for the U.S. business community and is far more likely to cause significant damage.

I am also here to note the insufficiencies inherent in S. 2373, or other attempts to achieve WTO compliance concerning Section 211 short of full repeal. Permit me to summarize the unhappy legacy of Section 211 and the dubious promise of S. 2373. For the benefit of a single company , the supporters of Section 211 and S. 2373 are asking the Congress (i) to make it more difficult for U.S. companies to enforce their trademarks and trade names in U.S. courts against counterfeiters and infringers, (ii) to keep U.S. companies exposed to the risk of retaliation abroad and the type of injury suffered in South Africa, and (iii) to continue putting U.S. law at cross-purposes with longstanding principles of U.S. trademark law and important intellectual property and trade policy objectives of the U.S. business community and the U.S. Government.

Despite the over four-decade-long embargo on trade with Cuba, both countries have reciprocally recognized trademark and trade name rights since 1929 as signatories to the General Inter-American Convention for Trademarks and Commercial Protection. Both Cuba and the United States are parties to the Inter-American Convention, and the treaty remains in force between the United States and Cuba notwithstanding the embargo on trade between the two countries.[2] U.S. federal courts recently reiterated the enduring vitality of the Inter-American Convention, and treated it and the Paris Convention for the Protection of Industrial Property as cornerstones of trademark and trade name relations between the two countries.[3]

The continuation of this essential policy paves the way for future U.S. commercial engagement, and guards against prejudice to valuable intellectual property rights in the interim. Currently, under the Trade Sanctions Reform and Export Enhancement Act of 2000, American companies are legally exporting branded food and medical products to Cuba for the first time since the adoption of the embargo, making these protections all the more essential. But Section 211 contradicts this prudent policy in far-reaching ways that threaten to expose the trademarks and trade names of U.S. companies to retaliation in Cuba.

Section 211 violates the Inter-American Convention because it denies registration and renewal of trademarks on grounds other than those permitted by Article 3, which requires registration and legal protection "upon compliance with the formal provisions of the domestic law of such States."[4] By prohibiting U.S. courts from recognizing rights arising from prior use of a trademark in another treaty country, or from determining whether an earlier U.S. trademark has been abandoned, Section 211 expressly violates Article 8 and Article 9. By prohibiting U.S. courts from recognizing certain trade name rights, Section 211 violates Articles 18, which gives the owner of an existing trade name in any treaty signatory the right to obtain cancellation of and an injunction against an identical trademark for similar products. And, by depriving U.S. courts of the authority to issue injunctions and other equitable relief against trademark or trade name infringement, Section 211 violates Articles 29 and 30.

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[2] U.S. Dep't of State, Treaties in Force 393 (2000).
[3] *Empresa Cubana del Tabaco v. Culbro Corp.*, 213 F. Supp. 2d 247, 279 (S.D.N.Y. 2002).
[4] The distinction is important because the United States argued before the WTO that "Section 211(a)(1) does not deal with the form of the trademark," and the WTO Appellate Body concluded that Section 211 "deal[s] with the *substantive* requirements of ownership in a defined category of trademarks." Appellate Body, *United States – Section 211 Omnibus Appropriations Act,* WT/DS176/AB/R (Jan. 2, 2002), at ¶60, ¶222 (referring to ¶121 specifically addressing Section 211(a)(1)).

Unlike disputes under other agreements, dispute settlement does not appear a practical means for the United States and Cuba to try to resolve their disagreement. Because Section 211 specifically denies U.S. courts the authority to enforce the "treaty rights" otherwise available to a party (including those available under the Inter-American Convention), it obviates Article 32 of the Inter-American Convention, which provides for national courts to resolve questions of interpretation.

Therefore, Section 211 compels any dispute against the United States alleging violation of the terms of the Inter-American Convention to be resolved through customary international law. Customary international law permits "a party specially affected by the breach to invoke it as a ground for suspending the operation of the agreement in whole or in part in the relations between itself and the defaulting state."[5] Suspension of the operation of the Inter-American Convention, were it to occur, would result in intolerable uncertainty regarding the legal status in Cuba of the trademarks and trade names of U.S. companies.

Fidel Castro and his foreign relations officials have on several occasions threatened to withdraw the protections afforded by the Inter-American Convention, which include a number that are not afforded by the Paris Convention. Withdrawing these protections would put in considerable doubt the trademark and trade name rights of U.S. companies in Cuba. But, should Congress fail to repeal Section 211, the United States will have handed the Castro regime the legal grounds for withdrawing these protections.

Whether the Castro regime eventually makes good on its threats is anyone's guess. But, given the experience of NFTC members in South Africa, we are reluctant to wager on an outcome that could significantly injure the trademark rights of U.S. companies in Cuba and even third countries. Possible suspension of the Inter-American Convention would prejudice and possibly lead to the loss of the trademark and trade name rights of companies in Cuba, amid doubts that the U.S. Government could compel

[5] Restatement 3d of the Foreign Relations Law of the U.S., § 335.

Cuba to change its ways. Indeed, merely the lingering threat of action by the Castro regime exposes the trademarks and trade names of U.S. companies to legal uncertainty.

Therefore, the prospects for the trademark and trade name rights of U.S. companies to be prejudiced and perhaps even lost is all too real. Today, because of Section 211, U.S. companies face the likelihood of a repeat of their difficult and, for some, costly experience in the Republic of South Africa when the United States began lifting its sanctions in the early 1990s. This is a cautionary tale because it demonstrates the mischief that results when trade embargoes inhibit reciprocal trademark recognition.

Under the U.S. trade embargo of South Africa, U.S. companies were prohibited from paying the fees necessary to either file trademark applications or maintain existing trademark registrations in South Africa. When the embargo ended, a number of U.S. companies with internationally-recognized trademarks, including BURGER KING, TOYS R US, 7 ELEVEN, and VICTORIA'S SECRET, discovered that their trademarks in South Africa had been appropriated by unauthorized persons during the apartheid era. These difficulties led the U.S. Trade Representative to identify South Africa as a "Special 301" country in 1996. Recovering the rights to their trademarks necessitated lengthy and expensive litigation and attempts to encourage the South African government to amend its laws.

Had the U.S. government maintained consistent and predictable intellectual property relations with South Africa during the U.S. embargo, it would have spared many U.S. companies significant legal expense and loss of trademark goodwill, while facilitating reform in that country. It would be unfortunate if American companies were required to do the same in Cuba because Congress failed to repeal Section 211. According to a recent survey conducted for the American Intellectual Property Law Association, the median inclusive costs of a trademark infringement suit in the United States ranged from $298,000 to over $1 million.[6]

[6] American Intellectual Property Law Association, Report of the Economic Survey – 2003, pp. 21-22.

This cautionary tale should be a carefully heeded lesson as we consider how best to maintain a consistent and predictable intellectual property policy with Cuba during the longstanding U.S. trade embargo of that country, and thus remove the threat of retaliation against the trademarks of U.S. companies that are registered there. Indeed, the Bush Administration's Commission for Assistance to a Free Cuba quite rightly has recognized the potential problem that U.S. companies may encounter in Cuba. In its report issued on May 6, the Commission states "Ensuring protection for intellectual property and pursuing vigorous enforcement of IPR laws and regulations will be one key to attracting additional foreign investment." The Commission recommends:

> The U.S. Government should encourage a Cuban transition government to provide assurances that it will continue to uphold its obligations under intellectual property agreements. Doing so early in the process would be an incentive to foreign investment and thereby facilitate Cuba's move to a free-market economy.

The Commission further recommends:

> In the area of trademarks and patents, the U.S. Government should be prepared to assist a free Cuba to develop a modern trademark and patent registration mechanism and appropriate legal protections. The U.S. Government also should work with a Cuban transition government to address trademarks and patents in dispute.

S. 2002 was designed with precisely these objectives in mind. It puts forward a set of measures designed to maintain consistent and predictable protection for the trademarks of Cuban entities registered in the U.S., with the objective of ensuring protection for the trademarks of U.S. companies in Cuba, both now and during the post-Castro transition to a market economy. By repealing Section 211 in its entirety, HR 2494 seeks to deny the Castro regime any rationale for retaliating against trademarks of U.S. companies, and to gain assurances from the Cuban government that it will continue to uphold its obligations under international intellectual property agreements. S. 2002 also proposes the following steps in establishing consistent intellectual property relations:

- Establish a shadow registry in the United States of currently registered U.S. marks in Cuba, enabling US nationals to search established marks for potential conflicts without paying a fee to Cuba;

- Establish a registry of "well known" marks established in Cuba prior to the revolution, giving US nationals the ability to identify efforts to infringe on their marks in the interim;

- Promote the rule of law in Cuba by providing Cuba with incentives to adopt internationally recognized standards for resolving disputes over Internet domain rights; and

- Clarify that U.S. nationals have a general license to pursue all means of maintenance and enforcement of trademark holders' rights against Cuban infringement.

The alternative proposal of S. 2373 is to amend Section 211 to apply it to both U.S. nationals and foreign trademark holders. However, such an amendment has significant drawbacks when compared with repealing Section 211 in its entirety, as S. 2002 would do. Because S. 2373 would do nothing to address the inconsistencies of Section 211 with the Inter-American Convention, the trademark and trade name rights of U.S. companies would remain exposed to possible prejudice and loss in Cuba, as explained above, and the U.S. Government may find its practical ability to help severely constrained.

In addition to the risk to U.S. companies abroad, S. 2373 would also lead to increased litigation and legal uncertainty at home. Indeed, U.S. companies seeking to enforce their trademark and trade name rights against infringers and counterfeiters would likely be faced with the ill-begotten progeny of Section 211 -- "zombie" trademarks. No, this is not a dark fantasy of director George Romero, but a real problem for U.S. trademark and trade name owners.

By making U.S. nationals subject to the restrictions of Section 211, S. 2373 apparently creates a new defense - independent of the Lanham Act – for trademark infringement and counterfeiting. At issue would be whether the trademark and trade name rights being asserted by a U.S. national are "the same or substantially similar" to a trademark that was used in connection with a business in pre-Castro Cuba and confiscated over 40 years ago. If so, U.S. courts would be precluded from recognizing or enforcing the trademark or trade name rights against infringers and counterfeiters unless the trademark owner first obtains the consent of the owner or successor of that business in Cuba.

Under existing law in the Lanham Act, a trademark is presumed to be abandoned, and thus cannot be used to impose liability on third parties, when it has not been used for two years of non-use, and there is no intent to resume using it. Under Section 211, however, U.S. courts are precluded from considering whether trademark rights in the U.S., held in connection with a business in pre-Castro Cuba, have been abandoned.

As a result, while these trademarks would be considered "dead" and thus without legal rights under longstanding trademark law, they are "undead" under Section 211 because their owners – who may have long since died or cannot be located – and their successors can deny their use by third parties for an indefinite and unlimited period of time. That is why we call them "zombie" trademarks. They illustrate how Section 211 departs from fundamental principles of U.S. trademark law and threatens to causes headaches for the very U.S. businesses that law is supposed to protect.

The trademark laws that this committee has drafted and that Congress has enacted have consistently sought to reduce the number of "deadwood" marks, by ensuring that businesses may adopt without liability a trademark that has been abandoned by its previous owner. Your laws have also sought to provide security to businesses adopting trademarks, by providing a rebuttable presumption of abandonment. Section 211 runs against both of these long-standing, sound policies, by creating uncertain and even unascertainable bases for potential liability when a business wishes to use an abandoned "deadwood" trademark.

These "zombie" trademarks are clear examples of how Section 211 has put the U.S. Government at cross-purposes in its efforts to provide adequate and effective legal protection for trademarks and trade names abroad. In defending Section 211 before a dispute settlement panel of the World Trade Organization, the United States asserted that the restrictions of Section 211 would not apply if the earlier trademark or trade name had been abandoned. While the WTO proceeding was in progress, however, no less a trademark authority than the U.S. Court of Appeals for the Second Circuit ruled that

Section 211 as enacted by Congress provided no such abandonment exception. Moreover, while the USTR was defending Section 211 and its creation of a class of trademarks insulated from the conventional rules of abandonment, the same USTR has been calling on our trading partners to adopt rules for trademark abandonment consistent with the Lanham Act in the Free Trade Agreement of the Americas and other free trade agreements.

S. 2373 would also require the courts to decide whether the U.S. company asserting trademark or trade name rights" knew or had reason to know" that its trademark or trade name "was "the same or substantially similar" to a trademark that was used in connection with a business – any business -- in pre-Castro Cuba . This question might be difficult or expensive to answer. In addition, S. 2373 would require the courts to determine whether such the trademark owner knew or had reason to know "at the time when the person or entity acquired the rights asserted" – which in the case of certain U.S. companies could be over 100 years ago. If experience is to be our guide, such a significant change in U.S. trademark law is likely to result in substantial new burdens on U.S. trademark owners in the form of increased and vexatious litigation, discovery "fishing expeditions," increased legal costs of hundreds of thousands if not millions of dollars, and reduced legal and business certainty.

In conclusion, Section 211 and S. 2373 benefit only a single company, and promise no benefits for U.S. business. Rather, Section 211 and S. 2373 will make it more difficult for U.S. companies to enforce their trademarks and trade names in U.S. courts against counterfeiters and infringers, to keep U.S. companies exposed to the risk of legal uncertainty and retaliation abroad, and continue putting U.S. law at cross-purposes with longstanding principles of U.S. trademark law and important intellectual property and trade policy objectives of the U.S. business community and the U.S. Government.

For NFTC members, this is a bad bargain that harms both U.S. business and U.S. national interests. Instead, we urge Congress to repeal Section 211 in its entirety and enact S. 2002. Repeal of Section 211 is the only means that will provide full compliance with all current U.S. trade obligations and deny other governments any rationale for suspending their treaty obligations or retaliating against the trademark and trade name rights of U.S. businesses.

The United States has long been a leader in securing intellectual property rights globally. S. 2002, the U.S.-Cuba Trademark Protection Act, seeks to further this cause, seeking assurances that American trademarks and trade names will be protected now and during the transition to a post-Castro market economy in Cuba while removing the specter of retaliation. In contrast, the "zombie" trademarks created by S. 2373 and Section 211 threaten to overshadow the important contributions being made by the Congress and the Executive Branch to a consistent and predictable international intellectual property policy that serves the needs of U.S. business.

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UNIVERSITY OF Miami

May 3, 2004

The Honorable Orin Hatch
United States Senator
104 Hart Senate Office Building
Washington, DC 20510

The Honorable James Sensenbrenner
United States House of Representatives
2449 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairmen:

I would like to bring to your attention an issue of importance concerning the non-recognition of confiscated Cuban trademarks.

As you may know, Senator Pete Domenici and Congressman Lamar Smith have introduced legislation to make a technical correction to an existing law referred to as Section 211 to make the law compliant with the World Trade Organization (WTO). Section 211 provides generally that U.S. courts must not recognize claims by the Cuban government, or its nationals, to trademarks which were used as a part of a business whose properties were confiscated in Cuba unless the original owners have consented.

I am aware that opponents of this law and its fix have made claims that the Castro regime may retaliate against U.S. products regarding this law. As an expert in Cuban history, policies and political framework, and Director of the Institute for Cuban and Cuban-American Studies at the University of Miami, I assure you that it is not in Fidel Castro's best interests to retaliate nor does he have any rights to retaliate. Castro has issued threats against the U.S. in the past only to retract them soon thereafter. Any retaliatory measures against American products would antagonize the American public and American companies at a time Castro is trying to promote the lifting of the U.S. travel ban and U.S. sales of products to Cuba.

I applaud Senator Domenici's and Congressman Smith's efforts to strengthen Section 211 and reinforce the principles of property protection under U.S law. The Castro regime should not be allowed to profit from the illegal confiscations it made in Cuba in the 1960's.

Thank you for your consideration of this matter.

Sincerely,

Jaime Suchlicki

Jaime Suchlicki
Professor

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OPINION
www.sunherald.com
WEDNESDAY, JUNE 9, 2004

Law must protect what padlocks cannot

By JAMES E. ROGAN
A KNIGHT RIDDER/TRIBUNE FORUM

Imagine an armed thug bursting into your house, causing you to flee for your life. Now imagine learning that the U.S. government recognized the thug as the owner of your house and its contents by virtue of his seizure by force.

Of course, that notion sounds ridiculous. But that is precisely what some foreign governments would have us do.

Here's one example: In 1934, a Cuban family started a rum business, labeling their brand Havana Club. The family registered their trademark for Havana Club in both Cuba and the United States. The family built up and ran a successful business for 25 years.

Then, in 1960, armed communist insurgents shot their way into power in Cuba and seized control of all private assets. Among the booty they took was the family's Havana Club business. The Cuban government then claimed that it owned the Havana Club trademark in Cuba and in the United States and in other countries.

When I was in Congress, we enacted legislation to close this loophole. It ensured that U.S. law would not recognize the Cuban government's seizure of private property in the United States without compensation to the rightful owners.

Unfortunately, by limiting the legislation to Cubans solely, the U.S. law was found by the World Trade Organization to violate our treaty obligations.

To bring the measure into compliance with the global trade rules of the WTO, Congress needs to make it apply equally to all people, not just Cubans.

Two of my former colleagues, Congressmen Lamar Smith, R-Texas, and Robert Wexler, D-Fla., have introduced a bill to fix the original legislation. Their bill upholds America's history of respecting private property rights. Although we can't impose this respect on communist dictators who seize power by force, America should be under no legal obligation to recognize this theft.

As an alternative, some of my former colleagues support the repeal of the original measure altogether.

Respectfully, that is not the answer. Repealing it would put intellectual property at greater risk.

From the pirating of copyright music to the undermining of pharmaceutical patent rights, we must not forget the historical moorings of our intellectual property laws. They are the principal engine for the creation of innovation and wealth in society. In fact, our Founding Fathers drafted intellectual property protection into the Constitution because they understood America would never grow from an agrarian colony to a technological and economic giant without it.

For more than two centuries, America has profited immeasurably from the strength of our intellectual property system. Today intellectual-property-based enterprises represent the largest single sector of the American economy and employ more than 4 million Americans. More than 50 percent of U.S. exports now depend on some form of intellectual property protection.

Intellectual property is critical to our economic strength and technological achievement, and we can't afford to let foreign despots flaunt their disrespect for private property — tangible or intangible.

Just as the rule of law serves to evict squatters and jail purse snatchers, we need the same moral sense of right and wrong when it comes to intangible property rights.

James E. Rogan is a partner at Venable LLP in Washington. He was a member of Congress from 1997 to 2001, and he served as chief intellectual property adviser to the Bush administration from 2001 to 2004. E-mail, jrogan@venable.com.

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June 18, 2004

The Honorable Orin Hatch
United States Senator
104 Hart Senate Office Building
Washington, DC 20510

The Honorable James Sensenbrenner
United States House of Representatives
2449 Rayburn House Office Building
Washington, DC 20515

RE: Section 211

Dear Mr. Chairmen:

I would like to bring to your attention an issue of importance to my family concerning the non-recognition of confiscated Cuban trademarks.

Beginning in 1905 and until the present time, my family has used the trademark and trade name Trinidad in connection with tobacco products and related services. In 1960, all of our property in Cuba, including our cigars and cigarettes plants and trademarks, was confiscated by the Cuban government without compensation.

When we discovered that the Cuban government had registered our trademarks in the United States, we filed a petition to cancel their registrations with the U.S. Trademark Trial and Appeal Board (TTAB) on December 15, 1997. While this petition was pending, a law commonly referred to as Section 211 was passed by the U.S. Congress and we supplemented our Motion for Summary Judgment to bring this law to the attention of the TTAB. This law provides generally that U.S. courts must not recognize claims by the Cuban government, or its nationals, to trademarks which were used as a part of a business whose properties were confiscated in Cuba, unless the original owners have consented.

On July 16, 2001, the Trademark Trial and Appeal Board cancelled Cuba's registration pursuant to our request. Due to Section 211, my family has been able to hold onto our trademarks in the United States and enter into a productive license agreement to produce our products.

I understand that Section 211 was challenged in the World Trade Organization (WTO) by the French government claiming that it violated certain treaty obligations of the U.S. As you probably know, the U.S. prevailed in its central argument that the TRIP's agreement allows nations to adopt their own rules governing trademark ownership. The only concern the WTO had with Section 211 is that it did not go far enough and required that the United States fix the

The Honorable Orin Hatch
United States Senator
June 18, 2004
Page 2

The Honorable James Sensenbrenner
United States House of Representatives

law to ensure that it applies to all people claiming rights in confiscated trademarks, regardless of nationality. The WTO's concern can be addressed in a simple technical correction to Section 211.

I believe that this technical correction would reinforce the principles of international property protection under U.S law, and urge you to address this issue. Strengthening Section 211 will ensure that the original owners of confiscated Cuban trademarks, such as my family, are protected in the United States of America.

Thank you for your consideration of this matter.

Sincerely,

TRINIDAD U.S.A. CORPORATION

Diego Trinidad

Diego Trinidad

UNITED STATES BUSINESS AND INDUSTRY COUNCIL

For Immediate Release July 8, 2004

U.S. BUSINESS AND INDUSTRY COUNCIL ENDORSES CONGRESSIONAL ACTION TO STRENGHTEN INTELLECTUAL PROPERTY PROTECTIONS

(Washington, DC) – Congress should take prompt action to strengthen protections for intellectual property and prevent foreign governments from profiting from confiscated trademarks, the U.S. Business and Industry Council said today. The USBIC endorsed H.R. 4225 and its Senate counterpart S. 2373 – legislation that would amend U.S. trade law known as Section 211 (Department of Commerce and Related Agencies Appropriations Act of 1999). Both bills have substantial, bi-partisan support.

"This legislation upholds the principle that stolen trademarks should not be recognized by the U.S. government," said USBIC President Kevin L. Kearns "Foreign regimes that confiscate private property should not find the United States to be a safe haven in which they can profit from their misdeeds."

The Cuban government has confiscated the trademark for Havana Club rum and made an agreement with French liquor conglomerate Pernod Ricard to produce and market the product around the world. The Cuban-French venture has been exploiting the label outside the U.S. and has been trying to obtain title to the U.S. trademark. According to a recent Forbes.com article, Pernod Ricard splits the $40 million in profits from the stolen brand with Fidel Castro. In 1993, Castro granted Pernod Ricard a monopoly on the island's rum. Last year, nearly 2 million cases were sold under the pirated Havana Club label, generating $170 million in much needed hard currency for the island dictatorship. ("Their Man in Havana," 2/16/04)

"The Cuban government is using confiscated trademarks to help prop up its bankrupt regime," said Kearns. "Amending Section 211 will make it clear that the U.S. is serious about protecting intellectual property rights and choking off the flow of illegal funds to Castro's corrupt government."

"As an organization made up primarily of family-owned businesses, the USBIC recognizes the effort that must be dedicated to building successful products, brands and trademarks," Kearns added. "Approximately 80 to 90% of American businesses are family owned. We stand firmly behind efforts to strengthen intellectual property protections to preserve the right of family-owned businesses to reap the benefits of their innovation, work, and investment."

The U.S. Business and Industry Council was founded in 1933 to represent the concerns of small and medium-sized American businesses. With approximately 1,000 member companies in 44 states, USBIC supports policies that strengthen American businesses and promote economic growth.

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07/13/04 13:02 FAX 002

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

JUL 13 2004

The Honorable Patrick Leahy
Ranking Member
Committee on the Judiciary
United States Senate
Washington, DC 20510

Dear Senator Leahy:

In response to your request, I am writing concerning proposed amendments to section 211 of the Department of Commerce and Related Agencies Appropriations Act, 1999 (as contained in section 101(b) of division A of Public Law 105-277; 112 Stat. 2681-88). Under section 211, the Cuban Government is not treated as the owner of trademarks it confiscated, along with associated businesses, starting in 1959. Section 211 also does not treat anyone claiming to have acquired those trademarks from the Cuban Government as the owner of the trademarks, absent consent of the original owner, and precludes courts from recognizing any rights in such marks. In February 2002, the World Trade Organization ("WTO") adopted findings that aspects of section 211 are inconsistent with the national treatment and most-favored-nation obligations of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS Agreement"). This is because section 211 specifies that the Cuban Government, Cuban nationals (*i.e.*, "designated nationals") and their non-U.S. successors in interest are ineligible to own those trademark rights, and does not literally apply to U.S. nationals.

Although the administration has not taken a formal position on any bills proposing to amend or repeal section 211, legislation to clarify that section 211 applies to all nationals, without discrimination, would address the WTO findings. S. 2373 accomplishes this, by eliminating the specific references in section 211 to "designated national" and "designated national or its successor-in-interest", making clear that section 211 applies to all nationals. S. 2002 would also address the WTO findings, by repealing section 211 in its entirety, but goes further than is technically necessary to address them. In addition, S. 2002 contains numerous additional provisions concerning trademarks and the Cuban Assets Control Regulations, among other matters, which do not relate to the WTO findings.

I hope this letter is of assistance to you. Please do not hesitate to contact me if you have any questions.

Sincerely,

John K. Veroneau
General Counsel