



# INTERNATIONAL POLICY REPORT

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## American Trademarks Threatened Conferees Call for Repeal of Section 211 Aimed at Cuba

By Anya K. Landau and Wayne S. Smith

### Preface

On June 7, 2001, the Center for International Policy hosted a conference on the status of U.S. trademarks in Cuba and how their protection may be compromised by Section 211 of the 1999 Omnibus Appropriations Act. CIP had invited America Santos, the director of the Cuban Office of Industrial Property, and Pablo Rodriguez, chief of the legal division of the Cuban Foreign Ministry, to present the Cuban government's reaction to Section 211 and to provide information on practical aspects of trademark registration and protection in Cuba. There was intense interest on the part of conferees to hear what they had to say. Unfortunately, the State Department refused them entry visas, on grounds that "their presence would be prejudicial to the interests of the U.S."

But how hearing the views of the other party could possibly be prejudicial to the interests of the U.S. is a question we leave with the reader. One usually avoids hearing the views of the other side only if one's own position is too flawed to withstand open discussion.

### Summary

The June 7 conference hosted by CIP focused on Section 211 of the 1999 Omnibus Appropriations Act, which has caused the United States to depart from international treaty obligations governing intellectual property protections. Despite political hostilities spanning four decades, both the United States and



*Josefina Vidal, Christine Farley, William Butler and Peter Weiss*

Cuba had continued to respect intellectual property rights established by the Paris and Inter-American conventions, the foundations on which international trademark protections have rested for more than a century. But Section 211 prohibits the United States from recognizing trademarks associated with companies that were nationalized by Cuba forty years ago and in such cases it

also denies foreign companies access to U.S. courts to defend title to their trademarks.

Virtually no one in Congress had any knowledge of Section 211's enactment, as it was slipped into the spending bill behind closed doors by a retiring Florida senator (Republican Connie Mack) after Congress had approved the mammoth-sized legislation. Of the four-thousand-plus-page document,

Senator Robert Byrd fittingly remarked, “Only God knows what’s in this monstrosity.”

Trademark experts have warned since its enactment that Section 211 was in direct violation of the Inter-American Convention of 1929 and also of the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) of 1995. The conference hosted by the Center for International Policy took place even as a WTO dispute-settlement panel in Geneva was hearing a case brought against the United States by the European Union on the grounds that Section 211 violates the TRIPs agreement.

International treaties on intellectual property rights and international treaty law give the right of retaliation to states specially affected by a defaulting state’s violation. Christine Farley, a professor of intellectual property law at American University warned that the U.S. law “threatens to unravel the reciprocal protection of intellectual property that has been in place now for more than a century. Section 211 provides both Cuba and the European Union with a legal basis for denying protection to U.S. trademarks.”

The consensus was that the United States, which has championed international intellectual property rights, has diminished its authority in the international trade community. As William Hennessey, a professor of trademark law at the Franklin Pierce Law Center, put it, “Is this the way for a country which is the greatest producer and holder of intellectual property and has the biggest stake in the integrity of the international intellectual property system to behave?”

Dan O’Flaherty, vice-president of the National Foreign Trade Council, which has brought more than 670 U.S. companies that oppose unilateral sanctions into the USA\*Engage coalition, called Section 211 a “degenerate sanction.” He stated that Section 211 amounts to “a political subterfuge by the Bacardí Company which is shameless in reach and in

its implications, and which is damaging to the reputation of the United States as the champion of the rule of international law.”

The central conclusion of the conference was that Section 211 should be repealed. Bill Butler of the International Commission of Jurists summed up the conviction of most panelists: “The United States should never knowingly violate international conventions to which it is a party, and it should never hold itself above international law.”

### **History of International Intellectual Property Protection**

According to Peter Weiss, senior partner and counsel, Weiss, David, Fross, Zelnick and Lehrman, the need for a defined set of rules governing international intellectual property rights came about as U.S. industries began expanding their markets abroad in the late nineteenth century. Before these rights were established, well-known U.S. companies and trade names were becoming generic in Latin American markets. The Paris Convention of 1883 established the first set of clear international standards on the protection of industrial rights.

The panelists agreed that in the Western Hemisphere standards for intellectual property protection are enshrined in the Inter-American Convention of 1929, signed by Bolivia, Colombia, Cuba, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Peru and the United States. The Inter-American Convention was signed into law in the United States in 1929 and was held by the Supreme Court in 1940 and by the WTO in 2000 to be self-executing— and thus it gives rights directly to individuals to sue for infringement of trademarks. Though the TRIPs agreement is better known and more recent, it incorporates on a nation-to-nation basis the rights of individual trademark owners protected under the Inter-American Convention.



*Gustavo Machín, William Hennessey and John Kavulich*

Among the rights set out by the Inter-American convention is the transfer of ownership of a trademark registered in one member country to be recognized in another member country and the right of a manufacturer using a trademark to enjoin its use in another signatory country if it is identical or deceptively similar to the trademark name already registered. The Inter-American Convention also stipulates that if a trademark application is filed in a member country and the applicant has or should have had knowledge of the existence of the same trade name in another member country, that application can be refused, or if already granted, it can be canceled. Weiss said of the Inter-American Convention, “It works, and it benefits American companies, and that is the important point.”

### **Licensing and Protection of U.S. Trademarks in Cuba**

Weiss, who has been practicing trademark law since 1955, said things have been “running smoothly” in the Cuban Trademark Office for the last four decades. So smoothly, added John Kavulich, president of the U.S.-Cuba Trade and Economic Council, that when in 1994 the U.S. Treasury Department failed to include an exemption allowing U.S. companies to send payment to Cuba for the annual renewal of their registered trademarks, the Cuban Trademark Office opted to uphold those rights anyway. The Cuban Chamber of Commerce contacted many of these companies to assure them they were aware of the situation and would protect the marks. During the year in which the U.S. government prohibited the payments, no U.S. marks were ever usurped. Even since Section 211 was enacted, Kavulich observed, there have been “no attempts by the Cuban government to usurp intellectual property protections of U.S. brands.”

The Cuban courts have also gone out of their way to protect American marks. When an entity moved to cancel the Kool-Aid trademark in Cuba for nonuse, the Cuban court ruled to uphold the existing registration, reasoning that the nonuse of the mark was due to the economic blockade erected by the U.S. government and not by the mark owner’s own negligence.

There are a surprising number of registered and pending American trademarks in Cuba now. Some of

### **Section 211 Tested:**

#### **Pernod Ricard**

v.

#### **Bacardí**

In 1960, the Cuban government nationalized the distillery belonging to the Arechabala family, which had produced Havana Club rum. The Arechabala family left Cuba shortly afterward, thus forfeiting the right to compensation from the Cuban government. However, it still owned the rights to the Havana Club trademark in the U.S. and maintained those rights until 1973, when it allowed its registration to lapse.

In 1976, the Cuban government applied for and was granted the rights to the abandoned Havana Club trademark by the U.S. Trademark and Patent Office. The rights were later transferred to Havana Club Holdings, the Cuban-French joint venture that began selling Havana Club rum around the world. Pernod Ricard has registered the mark in 183 countries and was holding the U.S. rights to Havana Club against the day when the embargo would be lifted, and it could sell the Cuban rum in the United States.

The dispute erupted when, in 1996, Bacardí began selling Havana Club rum in the U.S. without having registered the trademark. Pernod Ricard charged that Bacardí had violated its legal rights to the Havana Club trademark and brought suit in U.S. courts. Only after the suit was commenced did Bacardi meet with members of the Arechabala family and agree to purchase their claimed “rights” to the U.S. Havana Club trademark that they had abandoned through non-renewal in 1973.

But then at the behest of the Bermuda-based Bacardí Co., retiring Senator Connie Mack of Florida slipped Section 211 into the Omnibus Appropriations Act of 1999 without hearings, discussion or a vote of any kind. By having Section 211 inserted into the U.S. code when it did, Bacardí ensured that the U.S. circuit court would have no choice but to deny Pernod Ricard’s petition.

In fact, the U.S. did argue before the WTO dispute settlement panel that Section 211 would not apply to trademarks that had been abandoned by the original owner—as was the case in the Havana Club dispute.

the well-known marks protected in Cuba include Magic Johnson, Tommy Hilfiger, United Airlines, Aunt Jemima, Hawaiian Tropic, The Cartoon Network, Paul Mitchell, Weight Watchers, Little Caesar's, Wendy's, UPS, DHL and Western Union. These numbers are increasing as restrictions on sales to Cuba are expected to be lifted in the near future, and U.S. companies want to protect their interests in their trademark brands against that day.

Gustavo Machín, first secretary of economic affairs at the Cuban Interests Section, stated that although Cuba sees Section 211 as a hostile measure that blatantly breaks treaty obligations, the Cuban government does not wish to penalize U.S. trademark holders who had nothing to do with its enactment. However, Cuba's president, Fidel Castro, has warned at least twice that Cuba's patience is not infinite and that Cuba will cease honoring U.S. trademarks (Coca-Cola has been mentioned specifically) if Section 211 is not repealed.



*Pete Kasperowicz, Dan O'Flaherty, Gillian Gunn Clissold and Ira Wolf*

### **What is Section 211?**

Section 211

states that trademarks associated with companies that were confiscated by the Cuban government shall not be recognized, renewed or issued in the United States without consent of the original owner. Further, it prohibits foreign entities access to U.S. civil courts, should they wish to contest rights in these cases.

Farley pointed out that if the original owner allows the registration to lapse—as was the case in the Havana Club trademark that Bacardí sought with the passage of Section 211—he or she ceases to be considered the original owner. The “original owner” in cases of abandoned trademarks is then the next entity to register the mark.

Josefina Vidal, first secretary at the Cuban Interests Section, challenged the principle on which Section 211 is based, contending that international law recognizes the right of a state to expropriate private property, so long as it is for public benefit and not discriminatory.

### **A Violation of International Treaties**

The panelists agreed that Section 211 violates the Inter-American Convention, which both the U.S. and Cuba had continued to honor. According to Weiss, Section 211 is “a clear violation of both the letter and the spirit of the Inter-American Convention.”

Moreover, the panelists found Section 211 also to violate article 42 of the WTO's TRIPs agreement, which guarantees member states access to other member state courts to defend trademark rights. Keeping Section 211 on the books, Farley stressed, “calls into question the United States' moral authority to be pressing the case for expanded intellectual property rights around the world. The United States

has been in the forefront of pushing TRIPs implementation, especially in developing countries, and it really loses its credibility to be the guardian of intellectual property protection when it violates very fundamental principles of all of the intellectual property protections that have existed for one hundred years.”

U.S. law on foreign relations addresses how a law should be interpreted if it appears to override U.S. treaty obligations, as does Section 211. Hennessey noted that Section 115 of the Restatement of Foreign Relations Act indicates that a court should not interpret a statute to be in conflict with an international obligation of the United States unless the express purpose of the act is clearly to supersede the international rule, and the two cannot be reconciled. However, neither the Ninth Circuit Court, U.S. Second Circuit Court of Appeals, nor even the Supreme Court—which declined to review Pernod Ricard's appeal—heeded this directive in U.S. law on foreign relations.

### **Section 211 Threatens American Trademarks**

Though the panelists looked to the impending WTO ruling as a possible catalyst for action, they were by no means certain that it would end the matter. The WTO could issue a ruling requiring the repeal

of the U.S. law, but it was not clear how it would enforce that ruling. If it were to demand the repeal of Section 211 and the U.S. failed to comply in a reasonable amount of time, the WTO could subsequently rule that the U.S. pay compensation. A third option is retaliation, which would authorize the affected state(s) to deny protection to U.S. trademark owners. This option is usually avoided by the WTO because it would distort the free trade system it seeks to protect. In the event of retaliation, Farley envisioned pandemonium in the European market.

The panelists further warned that the 1969 Vienna Convention on the Law of Treaties, which has been accepted as a codification of customary law that existed at the time of the Inter-American Convention, states that if one state defaults on its treaty obligations to another state, that state has the right of retaliation, which should be as proportional as possible. "It couldn't be clearer," said Weiss.

If the United States fails to respect Cuban trademarks under the Inter-American Convention, Cuba is then released from respecting U.S. trademarks in kind. Thus, Weiss remarked, when Fidel Castro threatened to begin making Coca-Cola, Kool-Aid and Reebok in response to Section 211's implementation, "he had a solid basis for saying what he did." Given that there are some four thousand American trademarks registered or being registered in Cuba today, the consequences of Section 211 reach far beyond the Bacardí case it was designed to effect. O'Flaherty concluded, "You have here the exploitation [of sanctions policy] by a single firm...to gain commercial advantage and to gain future hypothetical market share at the expense of a large number of other companies who stand to lose by violation of their marks."

Nevertheless, the panelists believed that the Cuban government would not yet seek to retaliate. Pete Kasperowicz, publisher of *Cuba Trader*, predicted the Cuban government would produce a limited

edition of Bacardí rum, as a statement, and as a challenge to the Bacardí Co. specifically. In the short term, the Cuban government appears likely to continue to protect American trademark rights, though all agreed that it is unwise to continue to test that hypothesis.

### Repealing Section 211

The conferees also took up how the U.S. Congress might respond if the WTO dispute panel were to rule that Section 211 violates the TRIPs agreement. They concluded that repeal would not be easy. Though the majority of both the House and the Senate have voted in favor of expanded trade with Cuba, and many now openly call for a full dismantling of the embargo, a few key conservative members of Congress have blocked such initiatives.

Ira Wolf, legislative assistant to Senator Max Baucus of Montana, stated that Senator Baucus opposes unilateral sanctions except when they directly protect U.S. national security. Both he and Senator Baucus feel strongly that unilateral sanctions reduce U.S. leverage in the



Gareth Jenkins

international arena, limiting "our ability to effect changes we want to see happen," and further, damages both the U.S. economy and relations with key allies. Wolf said that U.S. policy is "a prescription for disaster" once a post-Castro period begins.

The panelists indicated that movement on Section 211 might be slow. There are only a few trade votes in a given session of Congress and even though the repeal of Section 211 could easily be added to a major spending bill, it likely would not be, Wolf said, because putting a controversial item on a big bill threatens the whole bill. The panel noted that priorities on Cuba policy reform are, according to interest in Congress: the liberalization of agricultural export regulations, lifting the travel ban, waiver authority for sections of Helms-Burton that threaten relations with Europe and other key allies, and the liberalization of remittance quotas.

Both Senator Baucus and Representative Charles Rangel have introduced legislation that includes a provision calling for the repeal of Section 211, but, according to Wolf, they did this to begin debate on the little-known law, rather than with the expectation that it could move ahead as a freestanding piece of legislation. The panel believed that the Bridges to the Cuban People Act (which was introduced June 12 and has so far amassed twenty-six sponsors in the Senate and ninety-nine in the House) is, in fact, the legislative agenda on Cuba policy that is expected to move forward this year. However, neither Wolf nor Kasperowicz believed that Section 211 would appear on the Bridges bill (and in the event, it so far has not) as it has not yet captured the attention of Congress in the same way as have removing restrictions on the sale of food and medicine, lifting the ban on travel to Cuba and easing penalties on U.S. allies that invest in Cuba—all found in the Bridges to the Cuban People bill.

The panel concluded that due to the political nature of initiatives related to Cuba, pressure from constituencies rather than from inside Congress will be the real catalyst for repealing the law. The U.S. Chamber of Commerce and numerous economic interests, including the USA\*Engage coalition,

have all called for the repeal of Section 211. Kasperowicz postulated that momentum to repeal Section 211 will grow as more companies wishing to sell their branded food products in Cuba realize that the law endangers their trademarks. Gareth Jenkins, editor of London-based *Cuba Business*, echoed these sentiments in his luncheon address, noting the enormous potential for U.S. sales to Cuba once the embargo is dismantled.

From the floor, Wayne Smith, senior fellow at the Center for International Policy, took sharp issue with the idea that Section 211 would be difficult to repeal. On the contrary, he asserted, it was a statute with virtually no support. “Senator Connie Mack

slipped it into the Appropriations Act without debate, hearings or a vote, because he knew full well that had he followed the usual legislative process, Section 211 would never have been approved.” Smith noted that it was a provision that placed in jeopardy thousands of U.S. trademarks while benefiting only Bacardí, which was not even an American company. Smith remarked that he doubted U.S. congressmen had anything to fear from constituents in Bermuda. Rarely, he said, had he encountered a law that had less support than Section 211. Kasperowicz concurred, and asked the question, “At this point, who really supports Section 211? This law may really be an orphan.” Smith concluded that all that was needed was the resolution to be rid of the law—and the will to act.

### Implications

While Congress contemplates the internal political implications of striking Section 211 from the



Wayne Smith

books, trademark specialists worry about the damage this U.S. law does to intellectual property protections that have stood the test of over a century. Hennessey noted the fundamental question legislation like Section 211 raises: “When a country imposes a unilateral sanction such as happened here, what do we do about it and how

can we protect the goal of all countries to have strong international protection for trademark rights?”

Though the WTO exists to maintain the rule of law in international trade, conferees noted the U.S. tendency toward unilateral policy-making. Despite the existence of U.S. laws that hold up international treaties over conflicting statutes, in practice policies favoring U.S. sovereignty minimize the efficacy of the WTO.

As long as Section 211 remains in force, the specter of lawful retaliation under international treaty law—whether invoked by Cuba or by U.S. allies indignant over U.S. foreign policy—looms large for thousands of American businesses.

## Postscript

On August 6, 2001, the European Union – and Pernod-Ricard – won at least a moral victory in the context of the rum war with the United States over rights to the Havana Club trademark when the WTO panel ruled that the U.S. law in question, Section 211 of the 1999 Omnibus Appropriations Act, does indeed violate WTO rules and cannot deny foreign trademark holders access to U.S. courts. Given that during the argumentation process, U.S. trade representatives stated that Section 211 was not meant to apply in the cases of trademarks that had been allowed to lapse, and given that the Havana Club trademark had indeed been allowed to lapse by its original owners in 1973, the way should now be open for Pernod-Ricard to win back its trademark—if in fact given access to U.S. courts.

Why then only a moral victory? Because the U.S. is on such a unilateral high that it may simply ignore the WTO ruling and continue to restrict access to U.S. courts. The European Commission stated that the decision opened the way for Pernod-Ricard to return to U.S. courts. It should, but it will only if the U.S. honors the decision.

In the broader context, to be sure, the E.U. did not win in every aspect of its dispute with the U.S. But, then, in the final analysis, the U. S. lost as well. Indeed, so did we all, for the WTO panel's ruling that trade names (as distinct from trademarks) are not intellectual property and thus not within the jurisdiction of the WTO's accord on trade-related intellectual property (TRIPS) was a blow to all who are interested in the protection of intellectual property.

The United States has more intellectual property – and trade names – to protect than anyone and has been a leading promoter of regimes to protect them. How then, one wonders, can U.S. trade representatives have gone to Geneva to defend Section 211 in the first place, and how can they now be celebrating the WTO panel's decision as a victory? It is the antithesis of that.

What the decision does point up is that if the U.S. is to be in compliance with the rules of the WTO, Section 211 must be repealed. The Bush administration is unlikely to take any initiatives in that direction. Fortunately, however, momentum is building in the place that counts—Congress—to repeal it.

## Conference Program

### 9:00 - 9:15 a. m. Opening Remarks

*Dr. Wayne S. Smith*, Ambassador's Aide in Havana, 1960, Chief of the U. S. Interests Section, 1979-82

### 9:15 - 10:15 a. m. Panel I

#### Protecting Trademarks in Cuba: How the System Works

Moderator: *Prof. William Hennessey*, Expert in trademark law, Franklin Pierce Law Center  
 - *America Santos*, Director, Cuban Office of Industrial Property  
 - *John Kavulich*, President, U. S.- Cuba Trade and Economic Council, Inc.

### 10:45 - 12:30 p.m. Panel II

#### The System Threatened: U. S. Violation of Treaty Commitments to Cuba and the Consequences to U. S Companies

Moderator: *Bill Butler*, Attorney at Law, Member, International Commission of Jurists  
 - *Pablo Rodriguez*, Chief of the Legal Division of the Cuban Foreign Ministry  
 - *Hermenegildo Altozano*, Denton Lupicinio Law Offices, Madrid  
 - *Peter Weiss*, Attorney specializing in trademark law and Associate of the Center for Constitutional Rights

### 12:30 - 2:00 p. m. Buffet Lunch

**Speaker:** *Gareth Jenkins*, Editor, Cuba Business, London

Topic: The real potential market for U. S. goods and services in a post-embargo Cuba

### 2:15 - 3:45 p. m. Panel III

#### Resuming Trade with Cuba: Ensuring a Foundation for the Future

Moderator: *Gillian Gunn Clissold*, Director, Caribbean Project at Georgetown University  
 - *Daniel O'Flaherty*, Vice President, National Foreign Trade Council, the sponsor of *USA Engage*  
 - *Ira Wolf*, Assistant to Sen. Max Baucus (D- MT)  
 - *Peter Kasperowicz*, Publisher, *Cuba Trader*

### 3:45 - 4:00 p.m. Closing Remarks



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