Cigars and Rum: Hazardous to the Health of Intellectual Property Law? How the Cohiba Cigar and Havana Club Rum Cases Reveal a 'Carve-Out' for Intellectual Property Disputes with a Cuban Nexus

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COMMENT

Cigars and Rum: Hazardous to the Health of Intellectual Property Law?

How the Cohiba Cigar and Havana Club Rum Cases Reveal a ‘Carve-Out’ for Intellectual Property Disputes with a Cuban Nexus

Michael Riley*

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I. INTRODUCTION

While only ninety miles of ocean separate Cuba from the United States, since the Castro regime took control of Cuba in 1959, the two countries have squared off with economic sanctions and a perpetual war of words. Though however frayed the relations have been, each nation had a track-record of setting politics aside when it came to recognizing intellectual property rights. In fact, more than 5,000 trademarks have been registered by more than 400 U.S. companies in Cuba. Since the first U.S. mark was registered in 1918 by Aunt Jemima, many U.S. companies have hired local counsel in Cuba to ensure that their marks are properly registered and renewed. The United States has also consistently allowed Cuba to register and renew marks in the United States. That is, until 2006.

In June 2006, the U.S. Supreme Court declined to hear an appeal in a trademark case pitting a Cuban company, Empresa Cubana del Tabaco (Cubatabaco), against American-based General Cigar Company. In doing so, the Supreme Court let stand a Second Circuit Court of Appeals decision finding that the U.S.-Cuban embargo prevented a transfer of property rights in the Cohiba mark to Cubatabaco. Just months after the Supreme Court dealt a blow to the Cuban-government owned Cubatabaco, the U.S. Patent and Trademark Office (PTO) stripped Cubaexport, a Cuban government owned company, of its rights to

2. Id.
3. See id.
5. See Cuba Pushes For Section 211 Repeal, USTR Remains Neutral on Approach, INSIDE US TRADE, July 16, 2004, § 29. The chief of the Cuban Interests Section in the United States noted in a letter to the U.S. Senate Judiciary Committee that “both countries have ‘traditionally cooperated’ in the registration and enforcement of each other’s trademark rights, and noted that ‘thousands of U.S. trademarks’ have been registered and protected in Cuban courts.” Id.
7. See Empresa Cubana, 399 F.3d at 471.
the Havana Club trademark. In August 2006, the PTO denied Cubaexport’s renewal registration by classifying their registration as “canceled/expired,” representing the latest salvo in the decade-long battle over the Havana Club mark. Prior to the August decision, the long-running and emotion laden ‘Rum War’ had already weaved its way through all three branches of the U.S. government, the World Trade Organization (WTO), and had even landed the prevailing party, Bacardi, a criminal indictment.

For decades the United States has recognized, through treaties and statutes, that intellectual property rights are fundamental. The Havana Club and Cohiba disputes have undermined this notion. While the intellectual property issues addressed in these cases were quite different, their resolutions have a clear underlying similarity: neither case decided the merits of the intellectual property principles raised. Instead, both were disposed of on the basis that the intellectual property involved had a nexus with the Cuban government.

This comment will first explore the history of the Cohiba and Havana Club disputes and how U.S. foreign policy served as the basis for the respective courts’ decisions. Additionally, the effective efforts undertaken to pre-determine the judicial outcome of the Havana Club case will be examined, along with the international response those efforts provoked. Then, the significance of how the Cohiba and Havana Club disputes were resolved will be

8. See Haggman, supra note 1.
9. See id.
10. See id.
16. See Empresa Cubana, 399 F.3d at 465; Havana Club, 203 F.3d at 119.
discussed. In considering their resolutions, it will be asserted that these cases reveal that a 'carve-out' in intellectual property law has developed for disputes with a Cuban nexus.

The comment will then study the effects on intellectual property law, should it become a body of law subject to numerous, burdensome 'carve-outs.' In evaluating the consequences of such 'carve-outs,' it will be argued that the ramifications could undermine the purpose of trademark law, create complications for U.S. corporations that have invested in building their worldwide brands, and diminish U.S. credibility on the global stage. The political underpinnings of the Cuban 'carve out' will also be considered, as they are inconsistent with the role politics has traditionally played in intellectually property law. Ultimately, it will be concluded that the Cuban 'carve out,' as revealed by the Cohiba and Havana Club disputes, should prompt the intellectual property community to reconsider the wisdom of ceding a fair and doctrinally-based set of legal principles to the ever-evolving foreign policy arena. Otherwise, many U.S. companies could find their own intellectual property rights "on the rocks."

II. U.S. EMBARGO ON CUBA: CUBATABACO'S TRADEMARK CLAIMS GO UP IN SMOKE

A. Background: The Cuban Cohiba vs. the Dominican Cohiba

For more than forty years Empresa Cubana del Tabaco (Cubatabaco) has produced Cohiba cigars, generally considered to be one of the most high-quality, premium cigars available. Though throughout its long history, the Cuban company had never sought to register its mark in the United States. After all, the company was prevented from selling its cigars in America due to the longstanding U.S. economic embargo on Cuban goods. American-based General Cigar Co. sought to capitalize on the Cuban company's failure to register the Cohiba mark. In 1981,

18. See id. ("Today, the black-and-yellow band of the Cohiba is as much a part of the millionaires' milieu as the prancing horse of Ferrari or the clear glass bottle of Louis Roederer Cristal.").
19. See Empresa Cubana, 399 F.3d at 465.
20. See id.
21. See Doreen Hemlock, High Court Rejects Cohiba Challenge, Sun-Sentinel, June 20, 2006, at 1D.
the American company registered the Cohiba brand in the United States and subsequently began to sell its own Dominican produced cigars under the Cohiba label. However, when the cigar failed to catch-on in the United States, General Cigar chose not to renew its registration of the Cohiba mark. A decade later, however, the cigar market underwent a considerable change, and suddenly the Cohiba label became a ‘must smoke’ for cigar aficionados. In 1992, a series of press articles brought the Cuban Cohiba great acclaim, including a September feature in Cigar Aficionado magazine “extoll[ing] the wonders of the Cuban Cohiba.”

As the popularity of the Cohiba grew, General Cigar again registered the Cohiba mark in December 1992.

After registering the mark for a second time without opposition, General Cigar in 1997 launched a new Cohiba cigar campaign seeking to capitalize on the media attention that the Cuban Cohiba had received since 1992. This prompted Cubatabaco to seek redress from both the Trademark Trial and Appeal Board, as well as the courts. Cubatabaco claimed that it owned the Cohiba mark “because General Cigar abandoned its . . . registration in 1987, and that, by the time General Cigar resumed use of the mark in 1992, the Cuban Cohiba mark was sufficiently well known in the United States that it deserved protection under the so-called ‘famous marks doctrine.’"

B. U.S. Embargo on Cuba Precludes Judgment of the Merits

After considering the merits of Cubatabaco’s claims, the Dis-

22. See id.
23. Frances Robles, U.S. Supreme Court: Cuba Loses Fight to Competitor Over its Trademark Cigar, MIAMI HERALD, June 21, 2006, at A9 (“But cigar sales were lackluster back then, and the company did little with the famed name.”).
24. See id.
25. Id.; see also Empresa Cubana, 399 F.3d at 466.
26. See Empresa Cubana, 399 F.3d at 466 (The Court of Appeals quoted the lower court’s finding that General Cigar ‘acknowledges that the reintroduction was at least in part a response to Cigar Aficionado’s coverage of the Cuban Cohiba’).
27. See id. (“The District Court noted that ‘[t]he 1997 advertising for the General Cigar ‘Cohiba’ attempted to create an association in the consumer’s mind to Cuba and the Cuban Cohiba.’”).
28. See id.; see also Hemlock, supra note 21 (noting that Cubatabaco had previously registered the Cohiba brand in “115 other countries and sells the brand worldwide, except in the United States”).
29. Empresa Cubana, 399 F.3d at 464.
District Court sided with the Cuban entity. The court permanently enjoined General Cigar from using the Cohiba mark and ordered its registration be cancelled. The trial court’s rationale was rooted in both the ‘priority of use’ and the ‘famous mark’ doctrines. While courts have taken different views as to whether U.S. statute authorizes a foreign entity to seek trademark protection under the ‘famous marks’ doctrine, the Second Circuit chose not to address that question when reviewing the trial court’s decision.

Instead, the appellate court focused on an argument which had not even been put forward by General Cigar, stating that this case “implicates an issue of significant public concern—the United States’ national policy towards Cuba as established by the President and the Congress—and it involves a question of pure law.” The court further found that awarding Cubatabaco an injunction preventing General Cigar from using the Cohiba mark would “... entail a transfer of property rights in the Cohiba mark to Cubatabaco in violation of the embargo.”

The U.S.-Cuba embargo, as codified in the Cuban Assets Control Regulations, states:

(b) All of the following transactions are prohibited, except as specifically authorized by the Secretary of the Treasury (or any person, agency, or instrumentality designated by him) by means of regulations, rulings, instructions, licenses, or otherwise, if such transactions involve property in which any foreign country designated under this part, or any national thereof, has at any time on or since the effective date of this section had any interest of any nature whatsoever, direct or indirect:

31. See id.
32. See id. at *30.
33. See id. at *52.
35. See Barker, supra note 14, at 379.
36. See Empresa Cubana del Tabaco v. Culbro Corp., 399 F.3d 462, 471 (2d Cir. 2005) (“We do not reach the question of whether to recognize the famous marks doctrine because even if a foreign entity can, as a general matter, acquire trademark rights in the United States through the famous marks doctrine, Cubatabaco’s acquisition rights in this manner is barred by the embargo.”).
37. See id. (noting that “[a]lthough General Cigar did not raise this argument below, we consider it on appeal...”).
38. Id. (citing Dean Witter Reynolds, Inc. v. Fernandez, 741 F.2d 355, 360-61 (11th Cir. 1984)).
39. Id.
(1) All dealings in, including, without limitation, transfers, withdrawals, or exportations of, any property or evidences of indebtedness or evidences of ownership of property by any person subject to the jurisdiction of the United States; and

(2) All transfers outside the United States with regard to any property or property interest subject to the jurisdiction of the United States.

(c) Any transaction for the purpose or which has the effect of evading or avoiding any of the prohibitions set forth in paragraphs (a) or (b) of this section is hereby prohibited.

Given the “plain language” of the statute, the court found that “Cubatabaco’s acquisition of the [Cohiba mark] ... through the famous marks doctrine” was barred “... because Cubatabaco’s acquisition of the mark is a transfer of U.S. property rights from inside the United States to Cuba ....” Since Cubatabaco is a Cuban entity, the court held “... that Cubatabaco’s acquisition of the U.S. Cohiba mark through the famous marks doctrine would constitute a transfer that is prohibited ... and such transfers are not authorized by a general or specific license.”

The LIBERTAD Act of 1996 (Cuban Liberty and Democratic Solidarity Act), commonly referred to as the Helms-Burton Act after the legislation’s sponsors, sought to tighten the embargo on Cuba by placing further restrictions on property ownership, allowing “Americans to sue foreign companies that use factories or other property confiscated from Americans after the revolution ... [and] requir[ing] the State Department to deny visas to executives of such companies and their families.” After Europe, Canada and Mexico became outraged, President Clinton suspended the enforcement of many of the Act’s provisions. Cubatabaco argued that the 1996 Act should not be applied because it had not been in

40. Transactions Involving Designated Foreign Countries or Their Nationals; Effective Date, 31 C.F.R. § 515.201 (2006) (noting the effective date of this section’s application to Cuba as July 8, 1963).
41. See Empresa Cubana, 399 F.3d at 475 (quoting amicus curiae brief submitted on behalf of the United States).
42. Id.
43. Id. at 474.
44. Id.
47. See id.
effect at the time of General Cigar's re-registration in 1992. The Second Circuit declined to address that issue, stating, "[w]e need not decide whether the current version of the Regulations or the 1992 version — the version in effect at the time Cubatabaco alleges it acquired rights to the U.S. Cohiba mark — applies."

The LIBERTAD Act, however, was relied upon by the Second Circuit in rejecting Cubatabaco's argument that the Paris Convention, an international treaty of which the United States is a signatory, authorized such a claim under the 'famous marks' doctrine. However, the appellate court juxtaposed the date of the Paris Convention (1970) with that of the LIBERTAD Act, stating, "... [a]s we have recently recalled, 'legislative acts trump treaty-mad international law' when those acts are passed subsequent to ratification of the treaty and clearly contradict treaty obligations." The court further concluded, "[i]n these circumstances, any claim grounded in the Paris Convention that presented an irreconcilable conflict with the Regulations would be rendered 'null' by the Regulations.

Thus, the Second Circuit's twenty-four-page ruling effectively foreclosed all avenues for Cubatabaco to seek claim to the Cohiba mark, due to U.S. foreign policy toward Cuba. After the Supreme Court refused to grant Cubatabaco's certiorari request, the company announced that it would petition the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) for protection, as that office oversees the U.S.-Cuba embargo. At the time of this writing no further action had yet been taken.

III. HAVANA CLUB: LOBBYING & LEGISLATION

TRUMP JUSTICIABILITY

A. Background: Havana Club Mark's Storied Cuban Roots

The Havana Club trademark is steeped in deep history dating back to the turn of the twentieth century. In 1878 Jose Arechabala founded Industrias Arechabala in his home country of

48. See Empresa Cubana, 399 F.3d at 476.
49. See id. at 476 n.4.
50. See id. at 476-77, 481.
51. Id. at 481 (quoting United States v. Yousef, 327 F.3d 56, 110 (2d Cir. 2003)).
52. Id. (citing Beard v. Greene, 523 U.S. 371, 376 (1998)).
Cuba, where in 1934 he began producing and exporting Havana Club rum.\textsuperscript{55} The following year, the company first registered the brand in the United States.\textsuperscript{56} However, when the Castro regime came to power in 1959 much of the Arechabala family fled to Spain,\textsuperscript{57} and the Cuban government thereafter nationalized the company.\textsuperscript{58} Upon fleeing to Spain, the family was unable to relaunch Havana Club, as their assets remained in Cuba under government control.\textsuperscript{59} After taking over the business, the Cuban government, under the company name Cubaexport, registered the Havana Club mark in eighty countries in 1966.\textsuperscript{60} In addition, when the Arechabala mark lapsed in 1973, the Cuban government also registered the mark in the United States.\textsuperscript{61} All was quiet until the 1990's, when in 1993 the Cuban government entered into a joint-venture with Pernod Ricard, a French spirits company.\textsuperscript{62} The new venture was called Havana Club Holdings, and in 1995 the OFAC approved the Havana Club mark's transfer to the new entity.\textsuperscript{63} That decision, however, sparked a most impassioned and unconventional intellectual property battle.

After Havana Club Holdings was formed in 1993, the Arechabala family was approached to buy the family's claim to Havana Club.\textsuperscript{64} While the joint-venture has sought to position their approach as an attempt to seek indemnification through a "nuisance fee," the family has since argued that such an offer represented an "admission that the family owns the rights."\textsuperscript{65} Whatever the case, in 1994 the Arechabala family formed an alliance to market Havana Club rum with a Bacardi subsidiary.\textsuperscript{66} A year later, Bacardi sought to have the PTO cancel Havana Club Holding's rights to the Havana Club mark\textsuperscript{67} and to provoke a trademark showdown, began to distribute a Bahamas-made ver-


\textsuperscript{56}. See id.


\textsuperscript{58}. See Just-Drinks.com, \textit{supra} note 55.

\textsuperscript{59}. See Haggman, \textit{supra} note 1.

\textsuperscript{60}. See Just-Drinks.com, \textit{supra} note 55.

\textsuperscript{61}. See Kay, \textit{supra} note 55.

\textsuperscript{62}. See Just-Drinks.com, \textit{supra} note 55.

\textsuperscript{63}. See id.

\textsuperscript{64}. See id.

\textsuperscript{65}. See id.

\textsuperscript{66}. See id.

\textsuperscript{67}. See id.
sion of Havana Club rum.68

Bacardi’s action indeed brought the intended consequence, as Havana Club Holdings brought suit alleging trademark infringement.69 After suit was brought in 1996,70 Bacardi took steps to purchase the Havana Club rights from the Arechabala family in 1997.71 That same year, the OFAC retroactively revoked Havana Club Holdings’ registration, which meant that Havana Club Holdings’ action could not be brought on the trademark infringement grounds which had been plead.72 Thus, Havana Club Holdings amended its complaint to target “Bacardi’s use of the ‘Havana Club’ trade name.”73 However, the suit was never decided on the trademark issues raised, as a rider attached to a 1998 omnibus spending bill was applied retroactively and precluded a judicial determination of the merits.74

B. ‘Bacardi Bill’ Forecloses Judicial Review of the Merits

While Havana Club Holdings was preparing to re-file its suit, Bacardi was lobbying for legislation that would circumvent these efforts.75 Though Bacardi is based in Bermuda, it enlisted its Miami-based subsidiary to persuade Florida Senator Connie Mack to insert a provison into the 1999 Omnibus Consolidated and Emergency Supplemental Appropriations Act – Section 211, which has become known as the ‘Bacardi Bill.’76 Almost a year after the legislation’s passage, Mack’s Congressional office released a “one-line statement justifying it: ‘The law covering

68. See Kay, supra note 57 (“Testing the waters, Bacardi distributed a few hundred cases of rum in the United States under the Havana Club name in 1996. HCH promptly sued Bacardi for trademark infringement in U.S. District Court in New York and Bacardi pulled the product from shelves.”).
70. See Kay, supra note 57.
71. See Haggman, supra note 1.
72. See Just-Drinks.com, supra note 55.
73. See id.
74. See Havana Club Holding, 62 F. Supp. 2d. at 1091, aff’d, 203 F.3d 116 (2d Cir. 2000).
75. See Ana Radelat, Cuban Plans to Produce Bacardi Rum, Patented Medicines Could Lead to Increased Tension with the United States, CUBA NEWS, April 1, 2001.
property stolen by Fidel Castro did not apply to trademarks, and I sought to address this deficiency and am pleased that we succeeded.\textsuperscript{77} The measure was inserted into the 4,000 page bill\textsuperscript{78} while it was in conference, and thus, the language was never independently considered by either the House or Senate.\textsuperscript{79} Section 211 states:

(a)(1) Notwithstanding any other provision of law, no transaction or payment shall be authorized or approved pursuant to section 515.527 of title 31, Code of Federal Regulations, as in effect on September 9, 1998, with respect to a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of the mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.

(2) No U.S. court shall recognize, enforce or otherwise validate any assertion of rights by a designated national based on common law rights or registration obtained under such section 515.527 of such a confiscated mark, trade name, or commercial name.

(b) No U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national or its successor-in-interest under sections 44 (b) or (e) of the Trademark Act of 1946 (15 U.S.C. 1126 (b) or (e)) for a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of such mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.

(c) The Secretary of the Treasury shall promulgate such rules and regulations as are necessary to carry out the provisions of this section.

(d) In this section: (1) The term “designated national” has the meaning given such term in section 515.305 of title 31, Code of Federal Regulations, as in effect on September 9, 1998, and includes a national of any foreign country who is a successor-in-interest to a designated national.

(2) The term "confiscated" has the meaning given such term


\textsuperscript{78} See James Cox, \textit{Rum Rivals Fight Castro on U.S. Trademark Turf}, USA TODAY, Aug. 11, 1999, at 1B.

\textsuperscript{79} See \textit{Special-Interest Cocktail}, supra note 76.
in section 515.336 of title 31, Code of Federal Regulations, as in effect on September 9, 1998.80

The language of Section 211 was carefully crafted in order to prevent the courts from hearing the merits of the Cuban entity’s claims.81 Indeed, the linguists were successful. With no legislative history to consider, the courts were left with only the plain meaning of the text to consider.82

Less than a year after Section 211 was signed into law, the district court overseeing the Havana Club dispute became the first court to apply the statute.83 Havana Club Holdings alleged three claims: 1) that Bacardi’s sales infringed on the Havana Club trade name in violation of Chapter III of the General Inter-American Convention for Trademark and Commercial Protection (IAC), 2) that Bacardi’s sales infringed on their Havana Club trade name and 3) and that Bacardi’s rum is “geographically misdescriptive because it leads consumers to erroneously believe that it originates in Cuba.”84 In addressing Havana Club’s trade name claim, the court relied upon the new language of Section 211, noting “[i]t is well-established that Congress may pass legislation that effectively takes away rights to which parties were previously entitled by virtue of U.S. treaty obligations.”85 Section 211(2)(b)’s language specifying that “[n]o U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national or its successor-in-interest.”86 foreclosed the court from considering an important treaty, of which both the United States and Cuba were signatories.87 Article III of the IAC, adopted in February 1929, was a self-executing treaty allowing a party in any contracting state to:

... in accordance with the law and procedure of the country where the proceeding is brought, apply for and obtain an injunction against the use of any commercial name or the cancellation of the registration or deposit of any trade mark

81. See Fineman, supra note 77.
83. See id.
84. Id. at 1088.
85. Id. at 1091.
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... by proving: (a) that the commercial name or trade mark, the enjoining or cancellation of which is desired, is identical with or deceptively similar to his commercial name already legally adopted and previously used in any of the Contracting States, in the manufacture, sale or production of articles of the same class ... 88

The linguists who crafted Section 211 were precise, as the statute was written to apply to any “designated national.” 89 This explicitly extended the statute’s application beyond a private party in order to encompass the Cuban government’s fifty-percent ownership of Havana Club Holdings. 90 To prevent Section 211 from being used against Bacardi, who claimed to have purchased the rights to the Havana Club brand from the Arechabala family, the statute also included some limiting language for trade names that were “substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of such mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.” 91 Thus, the district court noted in its decision that without the consent of the original owners, Havana Club Holdings could not overcome the hurdles set forth by Section 211 on its trade name infringement claim. 92

Havana Club Holdings also claimed that the Arechabala family had abandoned its trademark because 1) the family had never renewed their registration and 2) the family had left the spirits-making business altogether. 93 Some trademark experts believed that this put Bacardi’s case on “shaky legal ground.” 94 Section 211, however, eliminated this obstacle, as evidenced by district

89. See Omnibus Consolidated and Emergency Supplemental Appropriations Act, § 211(b).
91. Omnibus Consolidated and Emergency Supplemental Appropriations Act, § 211(b) (emphasis added).
92. See Havana Club Holding, 62 F. Supp. 2d. at 1094 (“Because § 211 requires that HCI obtain the consent of the original owners of the Havana Club business, and because they do not have this consent, § 211 prevents HCI from asserting its claims for trade name infringement.”).
93. See Radelat, supra note 75.
94. See Cox, supra note 78 (“The family wrongly assumed it had to be making rum to renew its U.S. trademark in 1973 . . . U.S. law allows applicants to register trademarks they aren’t using, as long as they can demonstrate ‘excusable non-use,’ . . . ”).
court's decision: "The statute states that a designated national cannot assert rights in a mark that . . . was 'used in connection with a [confiscated] business,' a requirement that is clearly met here. The statute does not require continuous use or provide a defense of abandonment."95

It was also asserted that Bacardi's labeling of Havana Club rum would "deceive customers into believing that the rum is of Cuban origin when, in fact, it is produced in the Bahamas."96 To this claim, the court found that the U.S. embargo on Cuban goods precluded the joint-venture from articulating any injury, and thus Havana Club Holdings did not have standing to bring such a claim because "they cannot satisfy the . . . requirement that they are 'likely to be damaged' by any of [Bacardi's] actions."97

In affirming the district court's decision, the appellate court primarily relied on the U.S. embargo with Cuba.98 In contrast to the analysis set forth by the district court, Section 211 was used only to "further support its ruling."99 Perhaps conscious that following the district court's decision Section 211 had become the subject of an international dispute, the appellate court used the statute surrounding the U.S.-Cuba embargo to defeat Havana Club’s assertions that their trademark infringement claims should be recognized under the IAC.100

Article 11 of the IAC, relied upon by the court, speaks to the issue of how Cubaexport had transferred its sole Cuban-ownership of the Havana Club mark to the French-Cuban joint-venture's Havana Club Holdings.101 Specifically, the court noted that the IAC required that "[s]uch transfer shall be recorded in accordance with the legislation of the country in which it is to be effective."102 The court then found, "With respect to the Cuban embargo, the purpose of Congress could not be more clear. Congress wished to prevent any Cuban national or entity from attracting hard currency into Cuba by selling, assigning, or other-

95. See Havana Club Holding, 62 F. Supp. 2d. at 1094 (emphasis added).
96. Id. at 1096.
97. Id. at 1096.
101. See id. at 124.
102. Id.
wise transferring rights subject to United States jurisdiction.”

With the prior transfer invalidated due to the court’s interpretation of the statutes surrounding the Cuban embargo, Section 211 served as a book-end to its decision. This is because Section 211 “prohibits future assignments of expropriated trademarks without the consent of the original owner.” Thus, if Havana Club Holdings had no right to the assignment, the appellee had no basis for bringing a trademark infringement. In doing so, the court “did not use Section 211 to invalidate the assignments of the trademark to HCH, but rather as support for its interpretation.”

In October 2000 the U.S. Supreme Court denied Havana Club Holding’s petition for a writ certiorari, though this denial did not put to rest the issue of Section 211.

Perhaps also anticipating the impact Section 211 would have on the outcome of the litigation, Castro took to the street in Havana a month prior to the district court’s ruling threatening: “I hope no one complains if one day we begin to produce Coca-Cola . . . . We might be able to make it better, and on the can we’ll put: Cuban Coca Cola.” Meanwhile, Pernod-Ricard, the European-half of the Havana Club Holdings joint-venture, had begun to rally European Union support to bring Section 211 before the WTO. Shortly after the district court decision was announced the fifteen European Member States did just that.

C. ‘Bacardi Bill’ Contested at the WTO

On July 7, 1999, the European Community formally took issue with Section 211 before the WTO. In doing so, it was alleged that the United States had not conformed with several articles of the TRIPS agreement. According to the WTO, “The

103. Id.
105. Id.
108. See Jane Bussey, EU to Challenge Bacardi’s Right to Havana Club U.S. Law at Center of Trademark Tiff, MIAMI HERALD, July 3, 1999, at 1C.
110. See id., §§ 4.18-4.69.
WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), negotiated in the 1986-94 Uruguay Round, introduced intellectual property rules into the multilateral trading system for the first time.\textsuperscript{111} The agreement also established how signatories are to protect trademarks specifically, by "defin[ing] what types of signs must be eligible for protection as trademarks, and what the minimum rights conferred on their owners must be."\textsuperscript{112} Further, "[m]arks that have become well-known in a particular country enjoy additional protection."\textsuperscript{113} In its complaint, the European Union articulated twelve arguments\textsuperscript{114} in alleging that Section 211 violated six provisions of the TRIPS agreement.\textsuperscript{115}

The United States responded by "reject[ing] the claims of the European Communities in their entirety."\textsuperscript{116} Internally, however, the U.S. Trade Representative's office seemed to have doubts, as a leaked memo suggested.\textsuperscript{117} "Noting the provision was approved to address 'a longstanding dispute between the Cuban government and Bacardi rum,' the memo [admitted that] 'the language is problematic because it violates our obligations under the TRIPs agreement.'"\textsuperscript{118} Of the inconsistencies alleged by the European Union, the WTO Dispute Settlement Panel (DSP) found that Section 211 violated a single provision of the TRIPS agreement, Article 42.\textsuperscript{119} The Panel found that under Section 211(a)(2), a potential right-holder "is effectively prevented from having a chance to substantiate its claim, a chance to which a right holder is clearly entitled under Article 42, because effective civil judicial procedures mean procedures with the possibility of an outcome which is not preempted a priori by legislation."\textsuperscript{120} In other words, Section 211 wrongly denied "access to U.S. courts for trademark holders to set-

\textsuperscript{112} Id.
\textsuperscript{113} Id.
\textsuperscript{114} See Dinan, supra note 99, at 359 ("The EU lost eleven out of twelve arguments.").
\textsuperscript{115} See Ashley C. Adams, Section 211 of the Omnibus Appropriations Act: The Threat to International Protection of U.S. Trademarks, 28 N.C. J. INT'L & COM. REG. 221, 226 (2002) (providing a summary of each of the provisions with which Section 211 was alleged to have been inconsistent).
\textsuperscript{116} See WTO, Panel Report, supra note 109, § 3.4.
\textsuperscript{117} See Jane Bussey, supra note 108.
\textsuperscript{118} Id.
\textsuperscript{119} See WTO, Panel Report, supra note 109, § 8.102.
\textsuperscript{120} Id., § 8.100.
tle trademark disputes."\textsuperscript{121}

On cross-appeals, the Appellate Body considered the Panel Report's conclusions.\textsuperscript{122} The Appellate Body reversed the findings of the DSP regarding Article 42 of the TRIPS agreement, but did conclude that Section 211 was not in conformance with two other provisions, stating:

In such a measure, that WTO Member must accord "no less favourable treatment" to the nationals of all other WTO Members than it accords to its own nationals, and must grant to the nationals of all other WTO Members "any advantage, favour, privilege or immunity" granted to any other WTO Member. In such a measure, a WTO Member may not discriminate in a way that does not respect the obligations of national treatment and most-favoured-nation treatment that are fundamental to the TRIPS Agreement.\textsuperscript{123}

In doing so, the Appellate Board held that the U.S. statute "was discriminatory because it forced Cuban nationals to undergo a Section 211 hearing before granting them access to U.S. courts to enforce their trademark rights, while U.S. nationals were not required to undergo this hearing."\textsuperscript{124} The Appellate Board applied the same logic when determining that Section 211 was inconsistent with the TRIPS agreement's most-favored-nation provision.\textsuperscript{125} The Board agreed with the European Union that Section 211 favored "U.S. successors-in-interest to trademarks the same or substantially similar to confiscated trademarks by exempting them from the additional requirements imposed on Cuban and other foreign successors-in-interest."\textsuperscript{126} The United States was ordered to bring Section 211 into compliance with international treaty agreements, and was initially given until January 3, 2003 to do so.\textsuperscript{127} Since then, there have been several extensions, though

\begin{footnotes}
\item[121] Dinan, supra note 99, at 359.
\item[122] See Appellate Body Report, supra note 11, § 1.
\item[123] Id., § 363.
\item[125] See Appellate Body Report, supra note 11, § 281; Taylor, supra note 124, at 523-24.
\item[126] See Taylor, supra note 124, at 524; Appellate Body Report, supra note 11, § 281.
\end{footnotes}
Section 211 remains in force. While the United States has been threatened with European trade retaliation, there has been no realization of those threats.

D. Politics Preserves Section 211

As the WTO's examination of Section 211 played out, on the American side of the Atlantic debate began on what to do with what had become known as the 'Bacardi Bill.' From 1997 (the year prior to Section 211 becoming law) to 2003, Bacardi gave lawmakers more than $800,000 in contributions. After the WTO decision was handed down, two views emerged on how to fix Section 211. Most, including organizations such as the U.S. Chamber of Commerce, Citizens Against Government Waste and the National Foreign Trade Council, backed by companies such as DaimlerChrysler, DuPont, Ford Motor Co., General Motors, Halliburton, Eastman Kodak and the Grocery Manufacturers of America advocated an outright repeal of Section 211. Bacardi, however, supported efforts to narrowly modify the affected language of Section 211 without a full repeal. In doing so, Bacardi enlisted House Majority Leader Tom DeLay to push their version of the Section 211 fix. Such an enlistment however did not come cheap, as has been chronicled:

Bacardi has spent heavily during the past several years to build a relationship with DeLay and other leaders in both parties, relationships that have repeatedly paid off when the company flexes its political muscle.

Bacardi gave $20,000 in soft money to Americans for a Republican Majority PAC in 2001, with another $20,000

128. See id. As of this writing, § 211 remains in effect.
129. See Haggman, supra note 1.
131. See Cox, supra note 78 ("Section 211 'is a piece of legislation that should never have been passed,' says Tom Donahue, president of the U.S. Chamber of Commerce.").
132. See Wes Allison, A Poke at Castro, or a Corporate Payback?, ST. PETERSBURG TIMES (South Pinellas Edition), Apr. 29, 2005, at 1A ("It's a special interest provision for one company that could jeopardize the international enforcement of trademarks,' . . . " (quoting Tom Schatz, President of Citizens Against Government Waste)).
133. See Bresnahan, Rum Punched, supra note 130 (noting that the President of the National Foreign Trade Council was "very pleased" with the EU's ruling).
135. See id.
136. See id.
137. See id.
going to Texans for a Republican Majority PAC in July 2002. DeLay cut his ties to the two organizations, which he controlled, after last year's campaign finance legislation banned soft-money fundraising by Members.

Bacardi also donated $3,000 to DeLay's legal defense fund following a civil racketeering lawsuit against the Texas Republican by the Democratic Congressional Campaign Committee in 2000. That case was later dropped, although it cost DeLay hundreds of thousands of dollars in legal bills.

And Bacardi helped DeLay pay the bills for events he hosted at the 2000 Republican National Convention in Philadelphia, as well as supplying the liquor and gifts for DeLay-run golf tournaments.\(^\text{138}\)

In 2003 DeLay sought to insert the Bacardi-favored modification into a defense authorization bill while it was in conference.\(^\text{139}\) His effort was unsuccessful, as the Senate Committee Chairman John Warner objected.\(^\text{140}\) It has been reported that Bacardi's modification was halted after reports surfaced detailing how "DeLay's political committees had received $40,000 from [Bacardi]."\(^\text{141}\)

While Section 211 saw neither a repeal nor modification as a result of DeLay's efforts, Bacardi's $20,000 contribution to DeLay's Texans for a Republican Majority PAC\(^\text{142}\) did result in a Texas grand jury handing down a third-degree felony indictment for making illegal campaign contributions.\(^\text{143}\) Perhaps as a result, no action was taken on Bacardi's bill the following year. At the time of this writing, the charge against Bacardi is still pending.

Despite the setbacks, Bacardi's political efforts continued.\(^\text{144}\) By April 2004, Bacardi had enlisted former Senator Connie Mack (who retired from the Senate in 2000) to push their Section 211


\(^{139}\) See Bresnahan, Rum Punched, supra note 130.

\(^{140}\) See id.

\(^{141}\) Wayne Slater, 2 on Ethics Panel Back Bill to Aid DeLay Donor: Committee Member Denies Critics' Assertion of Conflict of Interest, DALLAS MORNING NEWS, Apr. 27, 2005, at 2A.

\(^{142}\) See Bresnahan, DeLay Pours It On, supra note 138.

\(^{143}\) See Gold, supra note 12 ("Texas law bans corporate contributions to state legislative candidates; prosecutors say political organizations used corporate money to bankroll the campaigns of 22 Republican candidates for the state House of Representatives in 2002, the year the GOP took control of the state Legislature.").

\(^{144}\) See Elaine Walker, Bacardi Named in Indictment, MIAMI HERALD, Sept. 29, 2005, at A2 ("The liquor company has historically been an active contributor to elected officials, particularly as it sought to build political good will in its long-running trademark dispute over the rights to Havana Club brand of rum.").
modification, though watch-dog groups on Capitol Hill eyed closely any developments on the Section 211 front. In 2005, when two ethics committee members, Representative Lamar Smith of Texas and Representative Melissa Hart of Pennsylvania, signed on to sponsor the Bacardi-favored modification, it raised the ire of such groups. Citizens for Responsibility and Ethics observed, “This particular bill keeps coming up year after year, and they don’t have anybody who will carry the water without [DeLay] . . . Without Tom DeLay, they won’t have a bill.” That may be an overstatement, as Bacardi has deep support amongst Florida lawmakers and Section 211 remains on the books.

Indeed, Bacardi continues to benefit from Section 211. In August 2006, the PTO denied Cuba’s Havana Club renewal registration by classifying their registration as “canceled/expired.” Days prior, the OFAC denied “a license necessary to seek renewal of the trademark registration.” This was in reaction to the U.S. State Department concluding that approving Cubaexport’s license “would be inconsistent with U.S. policy.” It is expected that the PTO’s decision will be appealed, but in the meantime Bacardi has already launched its own version of Havana Club rum in the United States. For now at least, there are two Havana Club rums on the market – one sold by Cubaexport and another sold by Bacardi.

146. See Slater, supra note 141 (noting monitoring by Citizens for Responsibility and Ethics, a Washington-based nonprofit).
147. See id.
148. Id. (quoting Melanie Sloan of Citizens for Responsibility and Ethics).
149. See Allison, supra note 132 (noting the decision to back Bacardi was not “a tough sell” for “a handful of members of Florida’s congressional delegation”).
150. See Haggman supra note 1; see also U.S. Patent No. 1,031,651 (Aug. 3, 2006).
151. See Kay, supra note 57.
152. See Haggman, supra note 1 (quoting guidance purportedly received from the U.S. State Department about the matter).
153. See Elaine Walker, Trademarks: Bacardi-Pernod Ricard Rum Fight Will Go On, Miami Herald, Aug. 9, 2006, at C1 (“Pernod Ricard said Tuesday it plans to appeal a decision made last week by the U.S. Patent and Trademark Office . . . ”).
154. John Hansell, Havana Club Rum Hops Cuba Trade Embargo, Sun-Sentinel (Broward Metro Edition), Aug. 31, 2006, at 6; see also Elaine Walker, Pernod Ricard Battles Bacardi Over Rum Rights, Miami Herald, Aug. 17, 2006, at C1 (noting, not surprisingly, Barardi’s re-launch has already brought with it a suit alleging that its Havana Club rum campaign is “false and misleading.”).
IV. COHIBA AND HAVANA CLUB DECISIONS REPRESENT A CUBAN 'CARVE-OUT' OF INTELLECTUAL PROPERTY LAW

Taken together, the Cohiba and Havana Club trademark disputes can be seen as establishing a separate set of intellectual property principles for trademark disputes with a Cuban nexus. In both cases, the decisions rested in large part upon the statutory language authorizing the U.S. embargo against Castro's Cuba. That language was strengthened by the latest reiteration of the U.S. government's commitment to that embargo in the LIBERTAD Act, and was viewed as such by the Second Circuit in its decisions. While the objective of the Act has been viewed as a form of "congressional insurance of the viability of the Cuban Embargo for the foreseeable future," that legislation has become the underpinnings of an intellectual property 'carve-out' in relation to Cuba. Combined with Section 211, the 'carve-out' has served as an insurmountable obstacle for Cuban entities seeking intellectual property rights in the United States. This perceived higher-standard for Cuban entities was at the core of the WTO's condemnation of Section 211, and even in the United States, Section 211's defenders have framed the issue as either being with or against Fidel Castro.

While, by definition, all statutes are subject to a political environment, the emotional undertones by which the relevant statutes were enacted demonstrate a significant policy choice. They represent a view that U.S. efforts to undermine the Castro regime are superior to adjudicating matters on the basis of intellectual property principles. The Cohiba and Havana Club disputes suggest that the doors to the courthouse have been closed, for all practical purposes, to Cuban claimants in an intellectual property action. As such, one must question the effects on intellectual property law should it become a body of law subject to numerous,

158. See Appellate Body Report, supra note 11, §§ 275-281.
159. See Bresnahan, Rum Punched, supra note 130 ("It's unfortunate when there isn't sufficient support to step up to the plate and defend American companies from evil dictators like Fidel Castro, said Jonathan Grella, a DeLay spokesman.").
burdensome ‘carve-outs.’ The consequences of such a policy choice are far ranging, as the ramifications could undermine the purpose of trademark law, create complications for U.S. corporations that have invested in building their worldwide brands, and diminish U.S. credibility on the global stage.

A. Cuban ‘Carve-Out’ Undermines the Purpose of Intellectual Property Law

It has been written that “trademarks are widely viewed as devices that help to reduce information and transportation costs by allowing customers to estimate the nature and quality of goods before purchase.” Indeed, trademark law “create[s] an incentive to keep up a good reputation for a predictable quality of goods.” Through these fundamental principles of trademark law, the trademark itself “comes to embody all of the firm’s informational investments.” These predictable qualities deliver significant value and U.S. brands consistently rank among the most valuable worldwide. According to BusinessWeek/Interbrand’s rankings of the world’s most valuable brands, eight of the top ten are owned by U.S. entities. How valuable are these brands? In 2005 the top five brands were estimated to be worth more than $260 million. That value is reflected whenever a consumer enters a McDonald’s in Madrid, Hong Kong or London and predictably expects his or her Big Mac to consist of “two all beef patties, special sauce, lettuce, cheese, pickles, onions on a sesame seed bun.” The Cohiba and Havana Club decisions, however, undermine this value. Now, there are two Cohiba cigars and two Havana Club rums, which offer consumers varying degrees of quality. Interestingly, cigar and rum connoisseurs have noted

162. See Merges, supra note 160, at 622.
164. Id.
166. Hemlock, supra note 21 (“General Cigar . . . markets a Dominican cigar whose label sports a red dot in the O. Cuba’s Cohibas have a gold, black and white band.”).
that the most distinguishing characteristic is the uniquely Cuban influence.\textsuperscript{168}

While U.S. entities have generally run the table in terms of valuable brands, the gap is narrowing. In 2003, the Business-Week/Interbrand's rankings of most valuable brands listed sixty-two of the top one hundred owners as U.S.-based.\textsuperscript{169} Just two years later, however, that number had dropped to fifty-three.\textsuperscript{170} European-based entities have seen a continued rise in the value of their brands, and there has been a growing effort to establish an internationally consistent set of intellectual property principles to further encourage economic investment.\textsuperscript{171} Recognition of the value provided by intellectual property is reflected in the World Intellectual Property Organization's (WIPO) registration applications. According to WIPO, "[t]he number of PCT international applications filed per year has grown from 19,809 in 1990 to 135,602 in 2005."\textsuperscript{172} Further,

> [a]pplicants from the member states of the European Patent Convention are the largest group of filers of PCT international applications, followed by applicants from the United States of America. The numbers [of] PCT filings from north east Asian countries are increasing rapidly. Filings from Japan, the Republic of Korea and China, are increasing at 22.4\%, 24.4\% and 46.8\% respectively.\textsuperscript{173}

These international efforts to stream-line trademark law led to The Madrid Protocol, administered by WIPO. The Madrid Protocol created a system that:

> ... offers a trademark owner the possibility to have his trademark protected in several countries (Members of the Madrid Union) by simply filing one application directly with his own national or regional trademark office. An international mark so registered is equivalent to an application or a registration of the same mark effected directly in each of the countries designated by the applicant. If the trademark office of a designated country does not refuse

\textsuperscript{168} See Foulkes, supra note 17; Marx, supra note 167.
\textsuperscript{170} See 2005 Top 100 Brands, supra note 163, at 90-94.
\textsuperscript{173} Id. at 22.
protection within a specified period, the protection of the mark is the same as if it had been registered by that Office.\textsuperscript{174}

The Havana Club controversy has been cited as one obstacle that for several years caused the United States to hesitate before ratifying the agreement.\textsuperscript{175} After "overwhelming support . . . in both the U.S. government and the business community," the U.S. Senate finally assented to its terms.\textsuperscript{176} As has been observed, this "translate[d] into access for American trademark owners to global protection via a system that does not compromise the U.S.'s jurisdiction over its own territory. On a global level, the Protocol provides a truly viable model for the internationalization of trademark law."\textsuperscript{177} The Madrid Protocol furthered the purpose of intellectual property law by creating an efficient system to protect rights and consumers.\textsuperscript{178} Based on the use of the system, it has proven quite successful – on October 27, 2006, WIPO announced that it had registered its 900,000th mark.\textsuperscript{179}

Preserving the value of intellectual property requires some degree of uniformity of enforcement, and the United States' Cuban 'carve-out' runs counter to the international trend to harmonize intellectual property law. While the Cuban-French joint venture may have lost its Havana Club registration in the United States, it still maintains those rights in other parts of the world.\textsuperscript{180} Bacardi's efforts to claim the Havana Club mark outside of the United States demonstrates how complicated, confusing, and costly 'carve-outs' to intellectual property law can become.\textsuperscript{181} Creating a patchwork of intellectual property decisions will further undermine the consumer protection purposes of trademark law. A world in which marks may convey varying standards of quality depending on whether consumers are in Mexico, Canada, America, Bermuda, South Korea or France will weaken brand

\textsuperscript{175} See Wilner, supra note 171, at 19.
\textsuperscript{176} Id.
\textsuperscript{177} Id. at 61.
\textsuperscript{178} Id.
\textsuperscript{180} See Louisa Gault, A Rum Punch-Up, SUNDAY TELEGRAPH, at 6 (noting that Pernod Ricard currently sells rum in eighty countries around the world).
\textsuperscript{181} See id. (Bacardi is currently appealing an adverse decision in Spain, and a similar action is currently winding through the courts of Canada).
value and serve as a disincentive to invest in intellectual property. A trend of country-specific ‘carve-outs’ would also serve as an affront to the efforts of many to harmonize the world’s intellectual property.

Through the support of the Madrid Protocol, businesses and governments have sought to balance the individual rights of nations to set their own intellectual property laws with the need for an internationally consistent system. By choosing the foreign policy goal of isolating the Castro regime over the policy objectives inherent within trademark law, the United States’ Cuban ‘carve-out’ upsets this balance.

B. The Political Underpinnings of the Cuban ‘Carve-Out’ Are Inconsistent with the Role Politics has Traditionally Played in Intellectual Property Law

Politics has traditionally played an important role in protecting intellectual property rights. Whether it was in the formation of WIPO, the WTO, the Madrid Protocol, the Paris Convention or the IAC, the United States has worked with governments around the world to recognize such rights. The extent to which those rights would be preserved and protected, while respecting other nations’ sovereign intellectual property laws, required a diplomatic dance. Naturally, each nation party negotiated with the self-interested goal of protecting their own economic base. However, nations have generally found a way to strike a balance. Such politicization has also traversed intellectual property law, as the evergreen subject of trade barriers illustrates. In the 1990’s, the North American Free Trade Agreement (NAFTA) was an important issue in the 1992 U.S. Presidential election, and consideration of whether to grant “Most Favored Nation” trading status with China sharply divided the U.S. Congress in 1998. In each of these instances, the debate focused on which course of action best served America’s economic interests. The politics surround-

ing such debates represented an effort to strike an appropriate balance between U.S. interests and those of its international partners.

Similarly, such economic-rooted politics has surrounded the ongoing debate of protecting U.S. intellectual property rights in China. The United States continues to seek greater piracy enforcement in China, and recently the Bush administration's Treasury Secretary raised this issue directly with his Chinese-counterpart on an official trip.\(^{186}\) Pressure has also mounted with Democratic leaders in Congress challenging the Administration's policies toward China.\(^{187}\) These economic issues extend beyond the Atlantic, as China's attitude toward intellectual property rights has also frustrated Europeans.\(^{188}\) In defending the importance of the issue, both the European Union and the United States have cited the increasing costs to their respective economies.\(^{189}\)

Additionally, there is a deep international divide on how the scope of intellectual property rights should be defined. The debate continues over whether to extend rights to geographic indications, which are "... like trademarks, only they aren't given to specific companies or people, but to regions that incorporate a particular process or material in their production of a product."\(^{190}\) As has been noted, such politics are rooted in economic policy:

The fight for stronger intellectual property protection has traditionally been led by the developed world, in particular, the U.S., the E.U. and Japan. But the fight to extend geographic indication protections has split that alliance. The E.U., with its centuries of traditional food and drink specialties, wants more protections. Not only that, it even wants to "claw back" protected status for scores of products that have spawned cheap U.S. imitations, like Kraft's "Parmesan" cheese, or Wisconsin's "feta" cheese.

The U.S. is horrified by such revisionism. Increased intellectual property protection is great when it protects the interests of American corporations, like Hollywood movie studios, record companies, and the pharmaceutical

187. See id.
188. See Clifford Coonan, EU Preaches Patience on China Piracy, DAILY VARIETY, Nov. 9, 2006, at 3.
189. See Schneider & Henderson, supra note 186.
industry. But when it might threaten the profits of American companies, then, gasp, it’s evil protectionism and it must be stopped at all costs.  

Such debates highlight how the traditional role of economic-based politics continues to influence the development of intellectual property law by balancing economic interests. The Cohiba and Havana Club disputes, however, illustrate how a unilateral ‘carve-out’ undermines this delicate balance. The politics surrounding the Cuban ‘carve-out’ of intellectual property law is devoid of a traditional economic policy influence. In fact, there is no balancing at all. Instead, economics have taken a back-seat to the foreign policy goal of starving the Castro regime (Cuban embargo) and protecting the interests of a single corporation (Section 211).

C. Cuban ‘Carve-Out’ Could Punish U.S. Businesses More Than Castro

The crux of the United States’ foreign policy toward Cuba is based in large part on punishing the Castro regime. Ironically, such an intellectual property ‘carve-out’ could end up punishing U.S. businesses. Castro himself has threatened to do just that: “we’ll be able to benefit from the millions [of dollars] that have been spent [on advertising] some products because it’s very easy to produce them. Here we can produce Palmolive, any toothpaste ...” In fact, after threatening to produce its own Bacardi rum, Castro served some Americans who were attending a conference “a light Cuban rum with the Bacardi label.” The cancellation of Cubaexport’s Havana Club mark has caused some to fear retaliation from Cuba, which could prove costly to U.S. businesses:

Now the recent Havana Club denial has raised concerns that Cuba could return the favor by canceling U.S. trademark registrations based on the communist nation’s own “policy” considerations.

Cuba could, for instance, cancel the trademarks for Levi’s jeans or Heinz ketchup and sell its version in island stores. Those products could filter into other markets, too.

191. Id.
192. See discussion supra Part II.B.
193. See discussion supra Part III.B.
195. Radelat, supra note 75.
harming U.S. companies that have long sought to keep fakes off store shelves abroad, said the National Foreign Trade Council.

Such a scenario could force U.S. companies to spend millions defending trademarks in many different countries and make the Cuba market ever more difficult to enter if it ultimately transitions into a market economy. And some think that day may be sooner rather than later due to leader Fidel Castro’s shaky health.196

Throughout this long-running battle, others have dismissed the notion that Cuba would retaliate, suggesting that Cuba “would not want to get on the bad side of U.S. business.”197 The answer to whether or not Cuba will retaliate, or even when, is not as significant as the question itself. The debate is evidence of a break-down in intellectual property principles. Rather than providing a forum to discuss whether the United States correctly applied trademark law to the merits of these cases, U.S. foreign policy has short-circuited a deliberative decision. Focusing on Cuba and Castro is akin to figuring out how to treat a symptom rather than identifying a cure. Trademark law is designed to do just that – cure a dispute to ensure that consumers have healthy choices. If a cure is not identified, we cannot ensure that consumers will benefit from healthy choice. Thus, this Cuban ‘carve-out’ must be evaluated more broadly.

The National Foreign Trade Council has proffered, “Arab countries, for instance, could cancel trademarks for companies friendly to Israel or Pakistan could do the same with marks owned by companies working in India.”198 Indeed, the U.S. Chamber of Commerce has stated, “Major corporations have now been dragged into what essentially was a rum war.”199 Just as trademark law is intended to protect consumers by affording reliability and predictability in their purchases, intellectual property law also provides businesses with a predictable manner in which to ensure their investments are protected. Carving out exceptions to intellectual property based solely on the right-holder’s country of origin upsets the predictability that is inherently necessary to protect consumers and inspire investment.

196. Haggman, supra note 1.
198. Haggman, supra note 1.
199. Fineman, supra note 77 (quoting a source who wished to remain unnamed).
V. Conclusion

In 2001, an editorial writer commenting on the Havana Club dispute wrote, “At stake is U.S. credibility as a champion of intellectual property rights and the protection of American brand names worldwide. To a large extent, these problems are the result of Washington’s insistence on isolating Cuba.”\(^\text{200}\) The recent Cohiba and Havana Club inflection points suggest that those words are no less true today than when they were originally written six years ago. They have been ignored, however, and a new regime of intellectual property principles has emerged for disputes involving Cuba.

Despite the international condemnation of Section 211, the United States remains in violation of the WTO’s order,\(^\text{201}\) and there is no sign that will change anytime soon. While great concern has been expressed by those bracing for a Castro-led retaliation, the Cuban leader’s health has kept him on the sideline since the Havana Club mark was cancelled by the PTO.\(^\text{202}\) Additionally, opposition to such a Cuban ‘carve-out’ remains virtually universal in the U.S. business community—but efforts to cure the ‘carve-out’ have been largely rhetorical.

Thus, it begs the question: will we see a tipping point or is the Cuban ‘carve-out’ the new status-quo? That question may best be answered by Judge Learned Hand. Hand once stated, “We accept the verdict of the past until the need for change cries out loudly enough to force upon us a choice between the comforts of further inertia and the irksomeness of action.”\(^\text{203}\) While it is conceivable that a post-Castro Cuba will cause a shift in U.S. foreign policy and negate the basis for the Cuban ‘carve-out,’ experts have downplayed the chances of a dramatic shift anytime soon.\(^\text{204}\) So what could change the inertia? Certainly if Cuba launched a retaliatory trademark war, U.S. businesses may force Capitol Hill’s hand. But what should concern the intellectual property legal community is the prospect that a country may impose their own ‘carve-out’ against U.S. marks. The cost to U.S. mark-holders could be immense. Having already established our own set of ‘carve-outs,’

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\(^{201}\) See WTO, \textit{Summary of the Dispute}, supra note 127.

\(^{202}\) See Haggman, \textit{supra} note 1.


which have been condemned by the international community, the United States may have diminished credibility to stop such a move. Ceding a fair and doctrinally-based set of legal principles to the ever-evolving foreign policy arena is a choice that must be made only after carefully evaluating the implications. The Cohiba and Havana Club disputes provide an opportunity to reconsider whether the 'carve-out' protects intellectual property and is premised on the principles of fairness. If not, changes should be made before change 'cries out' too loudly.