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THE TRUTH ABOUT THE *HAVANA CLUB* DISPUTE

Background and Analysis

Prepared by Bacardi
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EXECUTIVE SUMMARY

The dispute between Bacardi and Pernod Ricard over the right to the *Havana Club* trademark and trade name in the United States is a classic confrontation, of a type all too common in this century: a confrontation between the legitimate successor in interest to an expropriated property and the successor in interest to the government that confiscated that property. The *Havana Club* trademark was created, registered, and used in Cuba, the United States, and elsewhere by José Arechabala S.A. (JASA). In 1960 the Cuban revolutionary government confiscated the business of JASA without any compensation whatsoever.

Pernod Ricard affiliates claim U.S. rights to the trademark and name as a result of that confiscation. Bacardi claims as the successor in interest of JASA, and rests its case, among other legal grounds, on the principle of law, applied not only in the United States but in European countries, that one state, as a matter of public policy (*ordre public*), will not give effect within its territory to uncompensated confiscations by another state. It is undisputed that a U.S. trademark and the right to use a trade name here are property the situs of which is in the United States. The assertion by Pernod Ricard's affiliate of a "treaty right" on the basis of its acquisition of the corresponding rights in Cuba is wholly incompatible with the rule of public policy stated above.

The Arechabala family was driven out of the rum business by Castro's confiscation, and was unable to renew the U.S. trademark because they had been deprived of their assets and of the means of producing rum. Cubaexport, a Cuban state enterprise that had taken over JASA's business and trademarks in Cuba, then registered the U.S. trademark. In 1993 Pernod formed a joint venture with the Cuban government (Havana Club Holding S.A. and Havana Club International S.A., hereinafter HCH and HCI, respectively) to distribute *Havana Club* rum worldwide.

Four years later Bacardi acquired the Archebalas' rights. HCH/HCI sued Bacardi in the New York federal court. Most of plaintiffs' claims were rejected in 1997 when the court held that plaintiffs had no rights to the U.S. trademark. The mark had purportedly been transferred to them by Cubaexport, but the Office of Foreign Assets Control of the Treasury Department, which had initially licensed that transfer, had revoked the license as having been obtained by fraud.

One of the two remaining claims of Pernod Ricard's affiliate HCI in the litigation was that it had a "treaty right" to the "Havana Club" trade name, under the

Inter-American Convention for Trademark and Commercial Protection of 1929, because it owned the name in Cuba. This claim would almost certainly have been rejected by application of the rule that one state will not give extraterritorial effect to a confiscation carried out by another. Moreover, the U.S. Congress enacted Section 211 of the Omnibus Appropriations Act of 1998. Subsection (b) of Section 211 provides that no U.S. court shall recognize any assertion of treaty rights by a Cuban national or its successor to a trademark or trade name where the equivalent mark or name had been confiscated in the country of origin, unless the original owner has expressly consented. In its April 1999 decision, the federal court in New York applied Section 211(b) to reject HCI's "treaty rights" claim.

Section 211 does not violate the TRIPS Agreement, as Pernod Ricard now contends. Section 211(b), the only provision that was applied in the *Havana Club* litigation, is wholly consistent with the national-treatment principle; it treats foreigners the same as U.S. nationals. The other parts of Section 211 do the same, either taken alone or in combination with other provisions of U.S. law. Section 211 is Cuba-specific because an unintended consequence of the Cuban Asset Control Regulations had created a Cuba-specific legal problem. The same principle of U.S. law - that extraterritorial effect will not be given to foreign confiscations - applies equally to all confiscating states. Section 211 is also consistent with the trademark-protection provisions of the TRIPS Agreement and the Paris Convention incorporated by reference in that Agreement. Finally, there is no truth to Pernod Ricard's assertion that Section 211 deprives the courts of jurisdiction to hear its claims. Section 211 is substantive law, not a jurisdictional rule, as the federal court in New York held by applying subsection (b) as a substantive rule of decision.

THE TRUTH ABOUT THE *HAVANA CLUB* DISPUTE

I. The *Havana Club* Story

A. The Arechabalas' Rum Business is Confiscated by Castro

The *Havana Club* trademark was first created, registered, and used by the Arechabala family. José Arechabala, the founder of the family business, emigrated to Cuba from Spain in the 1860s. In 1878 the family established the company that would ultimately be known as José Arechabala S.A. From the beginning, the company was operated as a distiller of alcohol. In time, the company began producing and selling rum under the *Arechabala* trademark.

After the repeal of Prohibition in the United States in the early 1930s, José Arechabala S.A. created *Havana Club* primarily as an export brand and began exporting *Havana Club* rum to the United States. José Arechabala S.A. first registered the *Havana Club* trademark with the United Stated Patent and Trademark Office ("USPTO") in 1935.

From the 1930s until December 31, 1959, José Arechabala S.A. produced *Havana Club* rum at its industrial plant in Cárdenas, Cuba. On December 31, 1959, Castro's henchmen took the Cárdenas plant by force. The members of the Arechabala family who were working at the plant were removed from their posts and eventually barred from access to the plant. On October 14, 1960, pursuant to Law No. 890, Castro's government expropriated the assets of José Arechabala S.A., including the distillery and all means of making rum. Although the law required that the owners be indemnified, the Arechabala family never received any compensation. The expropriation, therefore, was an outright confiscation.

The Arechabala family (except for one family member who spent 10 years in a Cuban jail) fled Cuba and went into exile. Most of the family went to Spain; others went to Mexico and the United States. Thus the family lost to confiscation not only the assets of the family business but also their personal assets, which were taken by the Cuban government at the time they fled Cuba. Because all the rum-making facilities of José Arechabala S.A. were located in Cuba and the family were left with limited financial resources, they were unable to rebuild the company's operations outside Cuba.

For this reason, when the U.S. trademark registrations for *Havana Club* were set to expire in 1973, the Arechabalas were unable to renew them. Under U.S. law as it existed at the time, in order to renew the registrations the family would have had to certify to the USPTO that they were using the trademark in U.S. commerce, that is, that they were selling rum under that brand. But the Arechabala family could not sell *Havana Club* rum because they were deprived of the means of making the product. The Arechabala family refused to commit a fraud on the U.S. government by filing a false affidavit, so the *Havana Club* trademark registrations in the U.S. lapsed.

B. Bacardi's Battle with Castro

The story of the Bacardi family has many parallels with that of the Arechabalas, but when Castro confiscated both businesses, Bacardi had greater resources to fight back. Bacardi family's patriarch, like the Arechabala's, had immigrated to Cuba from Spain in the mid-1800s. In 1863, Don Facundo Bacardi founded Compañía Ron Bacardí S.A. in Santiago, Cuba, after he invented the type of rum that today is enjoyed worldwide. By 1936, the Bacardi company had expanded internationally with distilleries in Mexico and Puerto Rico.

Castro's Law No. 890 also confiscated Bacardi's assets in Cuba. As in the case of the Arechabalas, the Bacardis received no compensation whatsoever and were forced into exile. Bacardi, however, had production assets in Mexico and Puerto Rico, which enabled it to keep its business going outside Cuba.

In addition to confiscating Bacardi's assets in Cuba, the Castro government began to claim that it owned the *Bacardi* trademark worldwide. Consequently, from 1960 through 1972, Bacardi and the Castro government engaged in legal battles in many countries over ownership of the *Bacardi* trademark. By 1972, Bacardi was recognized around the world as the legitimate owner of the *Bacardi* trademark. The courts of country after country had refused to give extraterritorial effect to the confiscations carried out in Cuba.

Shortly thereafter, Bacardi attempted to acquire the rights to the *Havana Club* trademark from the Arechabala family. The Arechabalas, however, still expected to recover their business in Cuba, and the negotiations concluded without a deal.

C. Cuba Succeeds in Taking Control of the *Havana Club* Trademark Abroad

By 1973, the Cuban government had given up its attempts to grab the *Bacardi* trademarks registered abroad and turned to the next best known rum trademark, *Havana Club*. The Arechabala family's inability to renew their U.S. trademark registration provided the Castro regime with just the opening it needed.

The Cuban Assets Control Regulations ("CACR"), which set forth the legal framework for the United States' embargo against Cuba, generally authorize Cuban nationals, including the government, state enterprises, and individuals, to register and renew trademarks with the USPTO. Therefore, in 1973 Cubaexport (a Cuban state enterprise) was able to apply for the registration of the *Havana Club* trademark, and on January 27, 1976, Cubaexport obtained a registration from the USPTO for the trademark *Havana Club* and design for rum. Although Cubaexport was prevented from selling rum in the United States, it now owned the *Havana Club* registration in the United States.

By various methods, Cubaexport was able to obtain the transfer in its favor of *Havana Club* trademarks registered in the name of José Arechabala S.A. in Spain, Canada, and other countries.

D. Cuba's Dealings with Pernod Ricard

In 1993, the Cuban government began doing business with Pernod Ricard S.A., the French liquor conglomerate, setting in motion a series of complex corporate transactions. First, the Cuban government created Cuba Rum Corp. to produce rum in Cuba under the ownership and control of the Cuban Ministerio de Alimentos (Ministry of Foods). Cuba Rum Corp. was created for the sole purpose of entering into an agreement with Pernod Ricard to produce, market and sell *Havana Club* rum throughout the world, including the United States. Next, the Cuban government created Havana Rum & Liquors S.A. ("HRL"), another Cuban state enterprise. In September 1993, Cubaexport purportedly transferred the *Havana Club* rum business to HRL. Cubaexport also assigned to HRL all of its (alleged) rights in Cuba and around the world to trademarks related to the rum and beer industry. About this same time, Cuba Rum Corp. took over production of *Havana Club* rum.

Then, on November 19, 1993, a shell company, Havana Club Holdings S.A. ("HCH"), was incorporated in Luxembourg. HCH has its principal place of business in Paris, France, and is owned 50% by Pernod Ricard and 50% by HRL. Thierry Jacquillat is the president of both Pernod Ricard and HCH. Havana Club International S.A. ("HCI") was organized in Cuba to distribute Havana Club rum. HCI is owned 50% by HCH, 25% by Pernod Ricard and 25% by HRL, which means that its ownership is effectively split 50/50 between Pernod Ricard and HRL.

On November 23, 1993, Pernod Ricard and Cuba Rum Corp. formed a joint venture for the production and marketing of *Havana Club* rum. The deal required HRL to transfer the *Havana Club* trademark to HCH. This assignment purported to include the U.S. *Havana Club* trademark registrations. Although Cubaexport obtained registration of the transfer at the USPTO, the CACR did not permit the transfer of Cuban trademarks without a license from the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"). Cubaexport did not apply for or receive the necessary license.

On December 15, 1993, HCH received a capital infusion from Pernod Ricard of U.S.$4,539,080. Press reports indicate that the entire deal was worth over $50 million to the Cuban government.

E. Bacardi Enters Alliance with the Arechabalas

Sometime in late 1993 or early 1994, after consummating its deal with the Cuban government, Pernod Ricard approached the Arechabala family and offered to buy their rights to the *Havana Club* trademark. The discussions did not go well and did not continue. They showed, however, Pernod Ricard's recognition that the Arechabala family had rights to the *Havana Club* trademark.

Shortly after Pernod Ricard approached them, the Arechabalas held discussions with International Distillers & Vintners (IDV) about a sale of the *Havana Club* trademark. After discussions, the Arechabala family entered a letter of intent to sell their rights to the *Havana Club* trademark to IDV. In early 1994, Bacardi again approached the Arechabala family about acquiring the *Havana Club* trademark. The Arechabalas advised Bacardi that they were close to a deal with IDV. As these discussions show, even after the deal between Pernod Ricard and the Cuban government, major participants in the international spirits industry recognized the continuing rights of the Arechabala family to the *Havana Club* trademark.

IDV agreed to fund litigation at the USPTO to challenge Cubaexport's registration. IDV filed a petition to cancel Cubaexport's U.S. *Havana Club* registration. The petition failed to allege, however, that the sale and assignment of the registration to HCH was illegal under the CACR. Abruptly, IDV pulled out of the transaction. The challenge in the USPTO, left unfunded by IDV, failed. The Arechabala family suspected that pressure from Pernod Ricard caused IDV to pull out.

In mid-1994, after the IDV deal fell through, Bacardi and the Arechabala family began discussing an alliance to protect the *Havana Club* trademark. On September 12, 1994, Galleon S.A., a Bacardi subsidiary, filed an application with the USPTO to register *Havana Club*.

On July 12, 1995, Galleon S.A. and Bacardi filed a petition with the USPTO Trademark Trial and Appeal Board seeking to cancel the registration of the *Havana Club* trademark in the name of HCH. The petition advanced numerous grounds, including that Cubaexport claimed ownership on the basis of an illegal confiscation and that it had obtained assignment of the trademark through fraud on the USPTO.

In August of 1995, Bacardi began to produce (in the Bahamas) and import to the United States rum bearing the *Havana Club* trademark. On the basis of this "first use," Bacardi acquired state registrations for *Havana Club* in over 30 U.S. states.

In April of 1997, Bacardi and the Arechabala family completed the transaction whereby Bacardi acquired the Arechabalas rights to the *Havana Club* trademark in the U.S., Cuba and elsewhere.

F. Cubaexport Seeks to Validate the Illegal Transfer of the *Havana Club* Registration

Bacardi's cancellation petition revealed that Cubaexport had failed to obtain a license for the purported transfer of the *Havana Club* registration to HRL and HCH. On October 5, 1995, almost two years after the purported transaction, Cubaexport, HRL, and HCH filed an application with OFAC seeking a retroactive license to authorize the assignment of the *Havana Club* trademark from Cubaexport to HRL and from HRL to HCH.

The application, however, made at least the following misrepresentations of fact:

1. The application failed to state that it sought a license authorizing the *sale* of the Havana Club trademark and failed to disclose the substantial money paid to Cuba in exchange for the U.S. trademark registration.
2. The application falsely stated: "The aforesaid assignments were part of the reorganization of the *Cuban* rum and liquors industry and *each of the assignors and assignees are nationals of Cuba.*"
3. No mention was made that HCH is a Luxembourg company partially owned and controlled by Pernod Ricard.

On November 11, 1995, based "upon the statements and representations made in the application," OFAC granted a license to Cubaexport for the assignment to HCH.

G. Bacardi Sets the Record Straight and Is Sued in New York

On May 20, 1996, Bacardi contacted OFAC to challenge the legality of the sale and assignment of the *Havana Club* registration from Cubaexport to HCH. After investigating the transaction for several months, on December 19, 1996, OFAC responded to Bacardi confirming that no license had been issued to authorize that sale and assignment as it actually occurred.

On December 24, 1996, HCH filed a trademark-infringement suit in the U.S. District Court for the Southern District of New York alleging that Bacardi's use of the *Havana Club* trademark infringed HCH's registration.

From the outset, Bacardi argued that HCH had illegally obtained the *Havana Club* registration from Cubaexport. On March 10, 1997, U.S. District Judge Shira A. Scheindlin entered an order referring that issue to OFAC. *See* 961 F. Supp. 498 (S. D. N. Y. March 10, 1997). In essence, the court found that OFAC gave Cubaexport a license for the assignment of the trademark and ruled that, if such a license was improperly obtained, it was up to OFAC, rather than the court, to cure that error. The court further stated:

1. "The CACR prohibit transfers of property, including trademarks, in which a Cuban entity has an interest, except when specifically authorized by the Secretary of the Treasury." 961 F.Supp. at 500.
2. "OFAC, acting on behalf of the President, enjoys considerable discretion to authorize otherwise prohibited transactions by way of licenses. *See* [31 C.F.R.] §515.801(b)(6). Moreover, OFAC has the same discretion to amend, modify or revoke both the licensing provisions of the CACR, as well as individual licenses, at any time." *Id.*

On April 17, 1997, after concluding its investigation into the 1995 sale of the *Havana Club* trademark to HCH, OFAC retroactively revoked Cubaexport's license for that transaction. OFAC's revocation letter declared the sale and transfer of the *Havana Club* trademark from Cubaexport to HRL and from HRL to HCH to be null and void pursuant to Section 515.203 of the CACR. OFAC's determination was based exclusively on the CACR, a body of law that had been in existence for almost 30 years. OFAC's decision did not raise a Helms-Burton issue, nor was the Helms-Burton law applicable to the OFAC review and determination.

On August 8, 1997, following the OFAC ruling, Judge Scheindlin stripped HCH of the rights it claimed to the *Havana Club* trademark. *See* 974 F. Supp. 302 (S.D.N.Y. Aug. 12, 1997). In her order, the judge found:

1. Cubaexport's attempted sale and transfer of the trademark to HCH via HRL was governed by the CACR.
2. OFAC properly determined that the sale and transfer of the trademark could not be accomplished under the general license granted in the CACR for trademark registrations and renewals.
3. The participation of Pernod Ricard in the sale and transfer scheme allowed hard currency to flow into Cuba in contravention of U.S. law and policy.
4. Thus the assignment of the Havana Club trademark from Cubaexport to HRL and from HRL to HCH is null and void in the United States.

This ruling disposed of most of Pernod Ricard's case. At a hearing after the ruling, however, the Court encouraged Cubaexport to enter the suit so that it and Bacardi could litigate the rights to the trademark once and for all. Through HCH's lawyer, Cubaexport refused to join in the proceedings.

After Cubaexport refused to participate in the lawsuit, the court issued a partial judgment, dated October 20, 1997, in which it was held, among other things:

1. "[T]he attempted assignment of said HAVANA CLUB mark and the related U.S. Registration [are] invalid and of no force and effect and *void ab initio.*"
2. "Plaintiffs Havana Club Holding, S.A. and Havana Club International, S.A. have no rights to the registered trademark HAVANA CLUB for "rum" in the United States.
3. Any rights that Havana Club Holding, S.A. may have had, may have or claims to have had in the Registration of the HAVANA CLUB trademark . . . from forever until today are hereby cancelled."

Partial Judgment, dated October 20, 1997, entered October 22, 1997, at 2.

After this partial judgment, HCH and HCI were left with no case at all based on alleged trademark rights. They were forced to resort to a far-fetched *trade-name* theory based on the Pan American Trademark Convention of 1929. HCH and HCI alleged that the use of the words "Havana Club" in their corporate names created enforceable trade-name rights in the United States. The law is well settled, however, that trade-name rights can only be acquired through actual use of the name in the United States. In addition, HCH and HCI asserted a claim of unfair competition based on Bacardi's use of the word "Havana" on its *Havana Club* rum distilled in Nassau, Bahamas. The court scheduled the trial of these two remaining claims for January 1999.

H. Section 211 Is Enacted

In October of 1998, Congress passed and President Clinton signed legislation that closed a loophole in the CACR. Until this legislation was enacted, Cuba and its business partners had been permitted to register trademarks in the USPTO as an exception to the long-standing embargo. This exception had not been designed to allow Cuba to register a confiscated trademark but, because of the limited jurisdiction of the USPTO (a point more fully explained below), it had that unintended effect.. The statute, known as Section 211 (of H.R. 4328), while preserving the exception for legitimate trademarks, closed the loophole for confiscated ones.

As fully discussed below, Section 211 effectively codified a long-standing rule of international law, frequently applied by the court of the United States and many European nations, that foreign confiscations need not, and will not, be given extraterritorial effects. Section 211 has nothing whatsoever to do with the cancellation of the *Havana Club* registration in the name of HCH. HCH lost the trademark registration ***before Section 211 was enacted,*** because of fraud committed against the U.S. government.

I. The Trial and the Final Judgment

As scheduled, the trial of HCH's and HCI's remaining two claims commenced in mid-January and concluded in mid-February of 1999. Testimony at trial established that:

1. HCH, which was trying to stop Bacardi's production of rum in Nassau that was clearly labeled as Bahamian, had itself produced *Havana Club* rum in Panama with Panamanian ingredients and passed it off around the world as Cuban rum.
2. Neither HCH nor HCI had ever sold a single bottle of rum in the United States.
3. Both the Arechabala family and a Bacardi executive had advised Pernod Ricard executives of the Arechabala family's rights in the trademark at or about the time Pernod Ricard entered into its joint venture with Cuba.

On April 14, 1999, the court ruled for Bacardi on all counts. *See* 1999 WL 219906 (S.D.N.Y. April 14, 1999). The court made the following significant findings of fact:

1. The original producer of "Havana Club" rum was José Arechabala S.A.
2. Cuba forcibly expropriated the assets of José Arechabala S.A. without compensation.
3. At or around the time that Pernod Ricard was contemplating a deal with the Cuban government, Pernod Ricard lawyers met with members of the Arechabala family to discuss purchasing a waiver of their rights, and Pernod Ricard went ahead with the Cuban deal when unable to reach an agreement.
4. The Arechabala family found a willing partner with Bacardi and entered into an agreement.

Accordingly, the Court held that:

1. HCH's treaty-based claim for trade-name infringement was barred by Section 211(b).
2. Because HCH and HCI had not sold any product in the U.S. market, they lacked "standing" or any interest protected by federal law sufficient to assert a claim alleging false designation of geographic origin.

II. Section 211 and Its Compatibility with TRIPS

A. Overview of Section 211

On October 21, 1998, the United States Congress enacted Section 211 as part of the Omnibus Appropriations Act, Public Law 105-277, 112 Stat 2681 (1968). Section 211 applies to trademarks, trade names, and commercial names that are identical with or substantially similar to marks or names that were used in connection with a business or assets confiscated by Cuba.

The term "confiscated" is defined in Section 211 by reference to 31 C.F.R. 515.336, which applies this term, among other things, to the "nationalization, expropriation, or other seizure by the Cuban Government of ownership or control of property, on or after January 1, 1959," without the property having been returned or adequate and effective compensation provided or the claim settled pursuant to an international claims settlement agreement or other mutually accepted settlement procedure.[1]

Section 211 contains three operative provisions. Subsection (a)(1) provides as follows:

> "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."

This section confirms that the general license granted by 31 C.F.R. 515.527 for the registration or renewal of intellectual property in which Cuba or a Cuban national has an interest does not apply to trademarks, trade names, or commercial names (in which Cuba or a Cuban national has an interest) that are identical with or similar to those used in connection with assets or business confiscated by Cuba, except with the consent of the original owner or his bona fide successor-in-interest.

Subsection (a)(2) of Section 211 directs that

> "[n]o 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."

[1] Section 211(d)(2) (incorporating 31 C.F.R. 515.336 by reference).

The term "designated national" is defined in Section 211(d)(1) by reference to 31 C.F.R. 515.305, a definition that includes Cuba, any national of Cuba, and any specially designated national of Cuba (a category that includes certain persons who acted for or on behalf of Cuba or entities controlled by Cuba).[2] Section 211 adds to this category any national of a foreign country that is a successor-in-interest to a designated national.[3] Accordingly, neither a Cuban entity nor any foreign successor-in-interest to a Cuban entity may enforce common-law or registration rights in a confiscated mark, trade name, or commercial name.

Subsection (b) of Section 211 provides as follows:

> "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."

This subsection precludes any Cuban entity or any successor-in-interest to a Cuban entity from relying on treaty rights implemented by sections 44(b) and (e) of the United States trademark statute to protect a confiscated trademark, trade name, or commercial name unless the original owner of the confiscated mark or the owner's *bona fide* successor-in-interest has expressly consented. This subsection is the only part of Section 211 that has been applied in any reported decision.

B. Legal Analysis of Section 211

Disappointed with the outcome of the *Havana Club* litigation, Pernod Ricard has taken the position that Section 211 is incompatible with the TRIPS Agreement. In fact, as will be shown below, Section 211 is fully consistent with the rights and obligations of the United States under the TRIPS Agreement. This is hardly surprising, because Section 211 merely codifies the well-settled rule of international law, recognized and applied by the United States as well as many Member States of the European Union, that the confiscation of a trademark has no effects beyond the borders of the confiscating state.

1. International Law, as Applied by the United States and Member States of the European Union, Recognizes that A State Need Not Give Extraterritorial Effect to Uncompensated Expropriations.

[2] Section 211(d)(1) (incorporating 31 C.F.R. 515.305 by reference).

[3] Section 211(d)(1).

Section 211 codifies a general rule applied for generations by the courts of the United States and many Western nations. That settled rule is that one state will not give effect in its territory to acts of another state that infringe the public policy, or public order, of the forum state and, in particular, will not give extraterritorial effect to foreign expropriations carried out without payment of just compensation.[4] This principle has been applied frequently to trademarks by the courts of the United States (long before Section 211 was enacted)[5] and of other countries, including France[6] and other Members of the European Union.[7] Accordingly, no state is bound to recognize rights in trademarks, trade names, or commercial names that were expropriated without compensation (that is to say, confiscated) by another state.

Section 211 applies only to Cuban confiscations because it was enacted specifically to deal with a quirk in U.S. trademark law that allowed Cuban nationals (and no others) to obtain *de facto* recognition in the United States of rights in trademarks confiscated in Cuba and to escape judicial review.[8] Section 211 corrects this anomaly,

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[4] For a few of the innumerable decisions stating and applying this general rule, *see, e.g.*, *Société Potasas Ibéricas* v. *Nathan Block* (France), Court of Cassation, 1939, 9 AD no. 54 (1938-40); *Fabrique de crayons Koh-I-Noor L. & C. Hardmuth* v. *Waser & Cie*, Tribunal Fédéral Suisse, 1955, 1955 Propriété Industrielle 204 (Switzerland); *Republic of Iraq* v. *First National City Bank*, 353 F.2d 47 (2d Cir. 1965) (United States).

[5] *See, e.g.*, *Williams & Humbert Ltd.* v. *W. & H. Trademarks (Jersey) Ltd.*, 840 F.2d 72 (D.C. Cir. 1988); *Maltina Corp.* v. *Cawy Bottling Co.*, 462 F.2d 1021 (5th Cir. 1972); *Zwack* v. *Kraus Bros. & Co.*, 237 F.2d 255 (2d Cir. 1956); *Carl Zeiss Stiftung* v. *V.E.B. Carl Zeiss (Jena)*, 293 F. Supp. 892 (S.D.N.Y. 1968), *aff'd as modified*, 433 F.2d 686 (2d Cir. 1970); *Palicio* v. *Brush & Bloch*, 256 F. Supp. 481 (S.D.N.Y. 1966), *aff'd per curiam*, 375 F.2d 1011 (2d Cir 1967); *Compañia Ron Bacardi* v. *Bank of Nova Scotia*, 193 F. Supp. 814 (S.D.N.Y. 1961).

[6] *See, e.g.*, *Carl Zeiss Heidenheim* v. *VEB Carl Zeiss Jena*, Paris Appellate Court, 1975, 73 I.L.R. 580; *Foundation Carl Zeiss Stiftung* v. *Foundation Carl Zeiss Heidenheim*, Court of Cassation, 1966, 47 I.L.R. 129; *Entreprise National L. et C. Hardtmuth* v. *Fabrique de Crayons Koh-1-Noor*, Paris Appellate Court, 1958, 26 I.L.R. 50; *Administration des Domaines* v. *Etablissement Sidnay-Merlin*, Paris Appellate Court, 1953, Gazette du Palais 1953-1, 269.

[7] *See, e.g.*, *Partagas Case*, Spanish Supreme Tribunal, September 25, 1992, RAJ 7325 (Spain); *S.A.R.L. "Koh-I-Noor-L. et C. Hardtmuth"* v. *S.A. Agebel*, Brussels Appellate Court, 1959, 47 I.L.R. 31 (Belgium); *Waldes-Koh-I-Noor Case*, Federal Supreme Court, 1963, 1963 GRUR p. 527 (Germany); *Koh-I-Noor Tuzkarna L. & C. Hardtmuth Narodni Podnik* v. *Fabrique de Craytons Hardtmuth L. & C., S.R.L.*, Turin Appellate Court, 1958, 26 I.L.R. 44 (Italy); *Amato Narodni Podnik* v. *Julius Keilwerth Musikinstrumentenfabrik*, District Court of The Hague, 1955, 1956, 24 I.L.R. 435 (The Netherlands); *Lecouturier* v. *Rey*, House of Lords, 1910, 1910 A.C. 262 (United Kingdom).

[8] As a general rule, to register a trademark in the United States, a person must actually use the mark. Since Cuban nationals cannot meet this requirement (because of the U.S. embargo of Cuba), the U.S. Patent & Trademark Office (USPTO) makes an exception for Cuban nationals, allowing them to retain a U.S. trademark registration indefinitely without using the mark in U.S. commerce. But this policy had an unintended result. If the lawful owner of a confiscated trademark held by Cuban nationals wished to challenge the registration invoking the principle of non-recognition of extraterritorial effects of foreign confiscations, that owner could not do so. It could not go to court, because there was no actual use of the trademark, and could not go to the USPTO, because this agency has no power to entertain that kind of claim.

puts Cuban nationals on a par with everybody else, and allows U.S. courts to apply to Cuban confiscations the principle of non-recognition of extraterritorial effects.

There is no dispute that the *Havana Club* trademark and the associated properties and business were confiscated by the Cuban government without compensation, and that that confiscation offends the public policy of the United States—as it does the public order of France and other Members of the European Union.[9] Had it not been for this confiscation, HCH and its associates would not be producing rum, would not be using the *Havana Club* trademark in Cuba or anywhere else, and would have no interest in obtaining rights to that trademark in the United States or elsewhere. Thus it is indisputable that any recognition or validation of that trademark in the United States, in favor of HCH, its associates, predecessors- or successors-in-interest, would be to give extraterritorial effect to Cuba's confiscation. That is precisely what the rule in question, in both the United States and Europe, forbids.

2. Nothing in the TRIPS Agreement Derogates from the Basic Principle that States Need Not Recognize the Extraterritorial Effect of Uncompensated Expropriations.

In general, the TRIPS Agreement establishes rules of non-discrimination in the regulation of intellectual property, sets forth minimum levels of protection for various categories of intellectual property, and requires adequate domestic mechanisms to enforce those protections. Nothing in the agreement addresses the specific issue of confiscated intellectual property, or require Member States to give extraterritorial effects to any such confiscation. Section 211 is entirely consistent with the TRIPS Agreement including, in particular, the non-discrimination provisions, the substantive rules on trademarks and trade names, and the requirement that Members provide adequate enforcement of intellectual property rights.

3. Section 211 Does Not Violate the Anti-Discrimination Roles Of the TRIPS Agreement.

a. Section 211 Is Consistent with the Principle of National Treatment under Article 3 of the TRIPS Agreement.

Article 3(1) of the TRIPS Agreement requires that "[e]ach Member . . . accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property." Accordingly, under the Agreement, no Member may discriminate in favor of its own nationals to the detriment of nationals of other WTO Members. Since no aspect of Section 211 grants

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[9] *See* First Protocol to the Convention for the Protection of Human Rights and Fundamental Freedoms, 213 U.N.T.S. 262; *Papamichalopoulos* v. *Greece*, App. No. 14556/89, 1995, 21 Eur. H.H. Rep. 439; Case C-10-89, *SA CNL-SUCAL NV* v. *HAG GF AG*, [1991] 2 CEC 457 (1990).

United States owners of intellectual property greater protection than that granted intellectual property holders from other WTO Members, there is no denial of national treatment.

This conclusion is self-evident in respect of two of the three subsections of Section 211. Subsections (a)(1) and (b) are facially neutral as between U.S. and non-U.S. entities. Under subsection 211(a)(1), the registration or renewal of rights in a confiscated trademark, trade name, or commercial name in which a Cuban entity has an interest requires the consent of the original owner or its *bona fide* successor-in-interest. This subsection applies equally to United States and non-United States nationals interested in such a transaction, so it does not give United States nationals any advantage in registering, renewing the registration of, or otherwise securing protection for intellectual property. Likewise, subsection 211(b) patently applies to either a Cuban owner or the successor-in-interest of a Cuban owner of a confiscated trademark, trade name or commercial name. The "successor in interest" category could include a party of any nationality, including a U.S. national. Since these provisions apply equally to U.S. and non-U.S. entities, they are fully consistent with the national-treatment obligation of Article 3 of the TRIPS Agreement.

Subsection (a)(2) of Section 211 applies, by its terms, to Cuban nationals and to non-U.S. successors-in-interest to Cuban nationals. Although this provision does not refer to U.S. nationals (or generically to "successors in interest," as in subsection (b)), it does not violate the national-treatment principle of the TRIPS Agreement because U.S. nationals are subject to equivalent restrictions under the Cuban Assets Control Regulations (CACR). The CACR broadly prohibit U.S. nationals from engaging in transactions involving intellectual (or any other) property in which Cuba or a Cuban national has a direct or indirect interest. Under the CACR, any trademark used in connection with a business confiscated by Cuba is property in which Cuba or a Cuban national has an interest (31 C.F.R. 515.311; 515.312). Consequently, a person subject to United States jurisdiction may not acquire an interest in such property (*i.e.* it may not become a successor-in-interest to the Cuban confiscator) and may not enforce or exercise any rights in respect thereto, without a license from the Office of Foreign Assets Control (OFAC). OFAC cannot be expected to grant any such license, not only because doing so would violate the purposes of the embargo against Cuba, but also because doing so would amount to giving effect to the Cuban confiscation in the United States, in violation of the principle of non extraterritorial recognition of foreign confiscations.

b. Section 211 Is Consistent with the Most-Favored Nation Principle under Article 4 of the TRIPS Agreement.

Article 4 of the TRIPS Agreement provides that, "[w]ith regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members." This principle (usually referred as the most-favored-nation principle) bars a WTO Member from providing any advantage to the nationals of another Member country that is not provided to the nationals of the other WTO Members. Section 211 is fully consistent with this principle, because it does not establish any special advantage for the nationals of any country.

As demonstrated in Section C.1 above, Section 211 (together with the other rules and principles of U.S. law) treats all foreign nationals exactly the same and U.S. nationals no better. This provision does not grant any favor, privilege or immunity to any nationality, so the requirement that favorable treatment be extended universally to WTO Members is simply not applicable.

To be sure, Section 211 applies only to Cuban confiscations, which superficially might be seen as treating Cuba and Cuban nationals differently. But the fact that Section 211 is Cuba-specific does not mean that other confiscating states or their nationals are entitled to any benefits not extended to Cuba or to Cuban nationals. As already noted, it is a fundamental principle of United States law that a foreign uncompensated expropriation will be given no extraterritorial effects in the United States. This principle applies to all foreign expropriations and not just those carried out by Cuba. As already discussed, Section 211 is Cuba-specific to correct an unintended anomaly in U.S. law and to treat all owners of confiscated trademarks on an equal footing.

3. Section 211 Affords Trademarks and Trade Names the Protection Required by Articles 1 through 12 of the Paris Convention (1967), as Incorporated by Article 2(1) of the TRIPS Agreement.

Section 211 is also fully consistent with the provisions of Article 2 of the TRIPS Agreement, which requires compliance with the rules of the Convention on Protection of Industrial Property done at Stockholm July 14, 1967 (the Paris Convention (1967)).[10] Likewise, it is fully consistent with Article 15 *et seq.* of the Agreement.

Article 15, paragraph 1, of the TRIPS Agreement sets forth the subject matter that is protectable as a trademark. Paragraph 2 provides, however, that "[p]aragraph 1 shall not be understood to prevent a Member from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention (1967)." Accordingly, nothing in the TRIPS Agreement prevents the United States from denying the registration of a trademark for reasons of U.S. public policy (public order, *ordre public*), which forbids giving extraterritorial effects to foreign confiscations.

This conclusion is perfectly compatible with the Paris Convention (1967), which in Article 6 *quinquies* specifically provides that registration of trademarks may be denied "when [the marks] are contrary to morality or public order." As discussed above, registration of a mark that would have the effect of giving extraterritorial recognition to a foreign confiscation has long been deemed contrary to the public policy or public order of the United States, France, and other European nations. Accordingly, the restrictions on registration imposed by Section 211(a)(1) are fully authorized under the Paris Convention (1967) as incorporated into the TRIPS Agreement.

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[10] 24 U.S.T. 2140, T.I.A.S. No. 6923.

4. Section 211 Does Not Affect the Availability of Judicial Review of Decisions Affecting Trademarks, Trade Names, and Commercial Names.

The TRIPS Agreement contains various provisions concerning the enforcement of intellectual-property rights in national administrative and judicial systems. Article 41 outlines the general obligation of WTO Members to ensure the availability of effective enforcement procedures, and Article 62(5) requires that WTO Members make judicial review of administrative decisions regarding intellectual-property protection available in some circumstances. Section 211 is wholly consistent with these provisions.

Nothing in Section 211 threatens the availability of effective enforcement procedures or, to the extent required by the TRIPS Agreement, a judicial forum for the intellectual-property claims of parties from any WTO Member State. The wording of Sections 211(a)(2) and (b) does not imply that U.S. courts are deprived of jurisdiction or competence to hear any case. Section 211 imposes a *substantive* rule of decision for the courts in cases involving confiscated trademarks, trade names, or commercial names.

That Section 211 is substantive rather than jurisdictional is a point which is best illustrated by the experience of HCH and HCI in the United States courts. HCH and HCI had untrammeled access to U.S. courts—and continue to have a right of appeal from the federal trial court's decision—to seek vindication of the rights they claim in the *Havana Club* trademark and trade name. The federal trial court denied their claims on the merits, to be sure, but that disposition was neither a failure of jurisdiction nor a violation of enforcement requirements of the TRIPS Agreement.[11] The Agreement requires only that Members provide nationals of other Members an appropriate forum to air their intellectual property claims; it does not require the Members to guarantee foreign nationals success on the merits of these claims.

C. Conclusion

From time immemorial, the United States and Members of the European Union (including in particular, France), have consistently adhered to the principle that a state need not and will not give extraterritorial effect to foreign uncompensated expropriations, including in particular those of trademarks. Section 211 was enacted to reaffirm the full effectiveness of this principle, which until then could be circumvented, *de facto*, by certain unintended effects of the CACR and USPTO policies in combination with the limited power of legal review granted to the USPTO.

Section 211 is fully consistent with the obligations of the United States under the TRIPS Agreement. Section 211 is consistent with the principle of national treatment

[11] In a ruling issued prior to enactment of Section 211, the court held that OFAC's licensing decisions are not judicially reviewable, but this ruling was based on the United States Administrative Procedure Act, the bedrock of U.S. administrative law, and not on Section 211 at all. *Havana Club Holding, S.A.* v. *Galleon S.A.*, 961 F. Supp. 498, 505 (S. D. N. Y. 1997).

because, alone or in combination with other provisions of United States law, it treats foreign persons alike, and not worse than it treats U.S. nationals. Section 211 is also consistent with the most-favored-nation principle because, since it treats all foreign nationals the same, it provides no favor or advantage to the nationals of one WTO Member State that is not extended equally to the nationals of the other Member States. The fact that Section 211 applies only to Cuban confiscations does not afford any benefit to other confiscating states, because the principle of U.S. law that foreign confiscations have no extraterritorial effects applies equally to all of them.

Finally, there is nothing in Section 211 that is inconsistent with the trademark-protection provisions of the TRIPS Agreement, or the provisions of the Paris Convention (1967) incorporated by reference in the Agreement. The Paris Convention expressly contemplates the denial of a trademark registration based on the public policy or public order of the forum, which is precisely the rationale of the principle codified by Section 211. Likewise, there is nothing in Section 211 that contravenes the provisions of the TRIPS Agreement regarding judicial review. Section 211 does not affect the jurisdiction or competence of U.S. courts; it provides them with a substantive rule of decision.

III. The Arechabalas Did Not Abandon the *Havana Club* Trademark

Pernod Ricard has recently claimed that the Arechabala family abandoned their rights to the *Havana Club* trademark by failing to renew the U.S. registration in 1973. This is like the mugger's partner trying to justify the mugging by claiming that the victim failed to reclaim his wallet. The Arechabalas did not renew their U.S. trademark registration because they were left in no condition to do so. There is no abandonment in those circumstances.

Under U.S. law, a trademark is not abandoned as long as the owner has the intent to use it. While non-use may lead to an inference that the owner no longer has such an intent, that inference is rebutted when there are objective facts justifying the non-use. Courts have recognized war, insolvency, and Prohibition as valid reasons to invoke the excusable non-use doctrine even though a particular mark may not have been used for many years. Indeed, the USPTO gives all Cuban trademark owners the benefit of the excusable non-use doctrine on account of the existence of the Cuban embargo. Accordingly, even though many trademarks owned by Cubans have not been used in the United States since the enactment of the embargo nearly forty years ago, rights in those marks are considered not abandoned provided that the owners "intend" to use the marks in the U.S. in the future when it becomes lawful to do so.

The Arechabalas were dispossessed of all of their business and personal assets in Cuba and forced into exile, scattered over many different places, where they faced the hard reality of rebuilding their lives and providing for their families and themselves. Although they strove to get back into the rum business, until their agreement with Bacardi they were unable to attract the substantial capital needed to do so. Because they had no means of making rum, the Arechabalas found themselves unable to satisfy the then-existing requirement of U.S. trademark law that the holder of a mark be in a position to use it. As a result, they could not renew their U.S. registration of the *Havana Club* trademark. Having caused the Arechabalas' plight, the Cuban regime and those who claim through it cannot now argue that the Arechabala family should simply have carried on their business as before.

In a case similar to this one, the Federal Supreme Court of Germany has upheld the rights of the expropriated owners of an expired trademark registration. In the *Waldes Koh-I-Noor* case, 1963 GRUR 527, the court held that the expiration of the trademark registration was the direct result of the economic difficulties of the expropriated owners. Accordingly, the court rejected a registration request by an entity of the expropriating state, on the ground that recognizing its ownership of the trademark would amount to extending the effects of the expropriation to Germany. Allowing the Cuban regime and its partner to claim that the Arechabalas abandoned the trademark would be tantamount to allowing the wrongdoer to profit from its own wrong.

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July 29, 1999

Writer's Direct Dial:
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L. Daniel Mullaney
Assistant General Counsel
Executive Office of the President
600 17th Street, N.W. Washington, D.C. 20508

BY TELECOPY

Re: HAVANA CLUB

Dear Dan:

This letter will follow-up on one of the issues we discussed at our recent meeting, the need to deny the pending OFAC license seeking authorization for the sale and assignment of the HAVANA CLUB registration.

As you are aware, the Cuban/French joint venture, Havana Club Holding (HCH), has asked OFAC to grant a license retroactively sanctioning the sale and assignment of the HAVANA CLUB trademark registration at the US Patent & Trademark Office (USPTO). A time line of relevant events is attached for your convenience.

We believe that a denial of the license is necessary given the WTO process that has been commenced by the EU. As we have demonstrated in our prior submissions to your office, we believe the EU case is without legal merit. On the remote chance, however, that this matter goes beyond consultations and a WTO panel rules against the US, the prior denial of the license application would insulate the US from damages.

If a WTO panel should determine that Section 211 violates TRIPs and calls for the U.S. to repeal it, and the U.S. does not (which follows from Amb. Eizenstat's letter to me which is attached) the panel would then have to determine damages, if any, the EU will suffer and is entitled to recover against the US. Unless the EU can produce someone other than Pernod Ricard (which is extremely unlikely given the limited scope of this matter), they are limited to claiming damage to Pernod as 50% owner of HCH.

HCH can only suffer loss from the operation of Section 211 if it is the owner of the HAVANA CLUB registration in the US and then is precluded by Section 211 from enforcing whatever rights they might argue the registration could confers.[1] HCH, however, cannot become the owner of the registration unless OFAC provides the license. Conversely, if OFAC denies the license application, any possibility of Pernod profiting from sales of HAVANA CLUB in the US will, as a matter of law, disappear. Consequently, the possibility of incurring loss from the operation of Section 211 will disappear also.

OFAC merely needs to deny the license application on grounds unrelated to Section 211. OFAC did this before in its revocation of the prior license by applying the embargo regulations in place since 1963. The court affirmed that OFAC decision by finding that the Cuban/French transaction for the US registration allowed hard currency to flow to Cuba, contrary to US law and foreign policy. The new denial should assert these same grounds. As an additional basis, OFAC may assert US case law and public policy of not giving extraterritorial effect to the Cuban confiscations.

USTR should seek a denial of the pending OFAC license application as a matter of protecting US interests in the WTO dispute. If you have any questions or would like to discuss this in greater depth, please let me know.

Cordially,

Ignacio E. Sanchez

CC: R. Newcomb
Director - OFAC

---

[1] Unlike the civil law countries, the registration does not convey rights. Under our common law system, use of the trademarks is necessary. Bacardi has already acquired common law rights in the US through its own use commencing in 1995 and, as the successor in interest to the use of the Arechabala family dating back to the1930's.

United States Department of State

Under Secretary of State
for Economic, Business, and
Agricultural Affairs

Washington, D.C. 20520-7512

July 12, 1999

Dear Mr. Sanchez:

Thank you for your draft letter of May 6, 1999 in which you request a clarification of what was said about the Havana Club case and Section 211 of the Omnibus Appropriations Act at the December 18, 1998 US-EU Summit. I stated categorically, as I have said on many instances, that these issues were completely unrelated to Helms-Burton. I urged that the EU not pursue a WTO case and await the judgement of the courts.

I can assure you that although Sir Leon Brittan and I discussed the topic of Section 211 at the US-EU Summit, I never stated or implied that the Administration planned to urge an omnibus derogation, quite the contrary. Our minutes clearly reflect this. In fact, the Administration has issued regulations implementing this provision. Any different information in the EU minutes is grossly inaccurate. This was our position then and remains our position now.

I appreciate the opportunity to clarify this issue.

Very truly yours,

Stuart E. Eizenstat
Ambassador

Mr. Ignacio Sanchez,
Verner Liipfert,
3100 First Union Financial Center,
200 South Biscayne Boulevard,
Miami, Florida 33131.

HARRY REID
NEVADA

United States Senate

WASHINGTON, DC 20510-2803

October 14, 1999

The Honorable Stuart E. Eizenstat
Deputy Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, Northwest
Washington, D.C. 20220

Dear Mr. Deputy Secretary:

It has come to my attention that the Office of Foreign Assets Control (OFAC) at the Department of the Treasury currently has pending before it an application to license the sale and assignment of the HAVANA CLUB trademark registration which a Cuban state enterprise, Cubaexport, once held at the U.S. Patent and Trademark Office. I write today to urge you and OFAC to deny this requested license.

As you may be aware, the HAVANA CLUB trademark registration belonged to a family in Cuba that held all of its assets, including the Cuban trademark, which were confiscated without any compensation. This confiscated trademark is at the core of the license requested.

Our country has maintained a longstanding and principled policy of not recognizing or giving extraterritorial effect to uncompensated confiscations by government entities. This policy has been applied consistently to confiscations in Russia, post-World War II Eastern Europe, and Cuba. Furthermore, most of our Western European allies have followed this same tradition.

For these reasons, I urge OFAC to deny the pending license application regarding the HAVANA CLUB trademark registration. A denial of the requested license sends the right message by the United States and continues a longstanding and just policy.

Thank you for your consideration of this important matter.

With all best wishes

Sincerely,

Harry Reid

HARRY REID
United States Senator

E-Mail: senator_reid@reid.senate.gov
Web: http://reid.senate.gov

Congress of the United States

Washington, DC 20515

October 12, 1999

The Honorable Stuart Eizenstat
Deputy Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue
Washington, D.C. 20220

Dear Ambassador Eizenstat:

It has come to our attention that the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury currently has pending before it an application to license the sale and assignment of the HAVANA CLUB trademark registration which a Cuban state enterprise, Cubaexport, once held at the U.S. Patent and Trademark Office. I am writing to you to request your assistance in denying this requested license.

As you may be aware, the HAVANA CLUB trademark registration belonged to a family in Cuba that had all its assets, including the Cuban trademark, confiscated without any compensation. It is this confiscated trademark which is at the core of the license requested.

Our country has had a longstanding and principled policy of not recognizing or giving extraterritorial effect to governmental, uncompensated confiscations. This policy has been applied consistently, whether to confiscations in 1917 Russia, the post-World War II Eastern bloc or 1960 Cuba. We are not alone in this policy, most of our Western European allies have the same long-standing policy.

For this reason, OFAC should deny the requested license. Granting the license requested is tantamount to rejecting our principles and policy. Denying the requested license honors our policy and sends the right message by the United States.

Thank you for your prompt attention to this matter.

Sincerely,

Rep. Robert Menendez | Rep. Lincoln Diaz-Balart | Rep Ileana Ros-Lehtinen

Page Two -- The Honorable Stuart Eizenstat

Rep. Patrick Kennedy

Rep. Donald Payne

Rep. Peter King

Rep. Henry Bonilla

Rep. Peter Deutsch

Rep. Dan Burton

Rep. Steven Rothman

Rep. Allen Boyd

Rep. Alcee Hastings

Carrie P. Meek

Rep. Carrie Meek

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September 23, 1999

Maria Echaveste
Deputy Chief of Staff
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Maria:

On behalf of our client Bacardi, I am writing to request a meeting to update you on the significant developments which have occurred since our last discussions on the HAVANA CLUB trademark matter. When we last spoke, Bacardi was involved in a lawsuit with the Cuban government and that government's business partner, Pernod Ricard (a French spirits company). The proceedings before the New York federal court concluded in April, with Bacardi upheld on all counts.

Largely as a result of their defeat in the litigation, Pernod Ricard has shifted their focus to questioning the underlying validity of the U.S. statutory law (Section 211 of FY 1999 Omnibus Appropriations Act) which precluded their success in federal court. To that end, they secured a request by the E.U. for formal consultations under the WTO dispute mechanism. Formal consultations began this month, with follow-up consultations to take place in late October/early November.

Bacardi is deeply concerned with the tactics being employed by the Cuban/French partnership in escalating a commercial, legal dispute into a governmental, WTO dispute since they have been unable to prevail on the legal merits. Fortunately, we believe there is an opportunity to avoid lengthy WTO discussions on the matter, and would like the opportunity to brief you on a potential solution to this issue. This solution, which involves a pending application by the Cuban/French partnership for an OFAC license, is explained in the attached letter.

I appreciate your consideration of this matter and will follow up with you shortly.

Sincerely,

John

John A. Merrigan

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July 29, 1999

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L. Daniel Mullaney
Assistant General Counsel
Executive Office of the President
600 17th Street, N.W. Washington, D.C. 20508

BY TELECOPY

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Cordially,

Ignacio E. Sanchez

CC: R. Newcomb
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