HAVANA CLUB RUM:

The Havana Club trademark dispute[1] between U
potentially acrimonious cases for the World Tra
Empresa Cubana Exportadora de Alimentos y Pr
Havana Club Holding, S.A. and Havana Club Inte
Inc., Gallo Wine Distributors, Inc., G.W.D. Holdin
S. District Court for the Southern District of New
Club mark.

Factual matrix:

The Cuban corporation José Arechabala S.A. (JASA), owned and controlled by the Arechabala family until 1960, held the Havana club trademark, manufactured the rum in Cuba, and sold it in Cuba and overseas. Prior to the Cuban Revolution in 1959, Havana Club was one of the largest and popular selling rums in the world, with the United States being the major buyer. In early 1960, the Cuban government forcibly seized all of JASA's assets and property without an offer to repay or compensate them. Pernod-Ricard, French international spirits company, decided to enter into a joint venture agreement with a Cuban State-owned entity for the distribution and marketing of rum under the name of Havana Club.

In 1963, the United States imposed a restraint on Cuba through the Cuban Assets Control Regulations (CACR). In 1996, the United States Congress enacted the Cuban Liberty and Democratic Solidarity Act (LIBERTAD) which codified the regulations implementing the Cuban restraint. Cubaexports, a state-owned enterprise, exported Havana Club rum, primarily to the Soviet Union from 1972 to 1993. They had registered the 'Havana Club' trademark with the United States Patent and Trademark Office (USPTO) in 1976. Cubaexport decided to seek a foreign partner for its Havana Club rum business in 1993; in this regard, Havana Rum & Liquors, S.A. (HR&L) was formed under the Cuban laws.

Consequently, HR&L entered into a joint venture agreement, which formed Havana Club Holding, S.A. (HCH), a Luxemburg Corporation, and Havana Club International, S.A. (HCI), a Cuban corporation. Cubaexport then assigned its U.S. trademarks to HR&L, which in turn assigned them to HCH in 1994. HCH renewed the U.S. registration for the 'Havana Club' mark for a term of ten years in 1996. In 1996, Bacardi & Co. Ltd., a Bermudan corporation, and Bacardi-Martini USA Inc., a Delaware corporation (collectively 'Bacardi') began to sell Havana club-labelled rum in USA, made in Bahamas, which Galleon S.A., predecessor-in-interest sold in 1995. Bacardi also bought whatever rights it had to the 'Havana Club' mark from the Arechabala family in April 1997. Eventually, Pernod-Ricard through HCH and HCI filed a suit with the US Southern District Court of New York, seeking an injunction against Bacardi and an enforcement of its 'Havana Club' trademark in the US. This stemmed out of the belief that protection of rights in the US market would help as and when the 40 year Cuban restraint was lifted.

During this time, a new twist in the form of 'Omnibus Appropriations Act, 1998' (OAA) came up, specifically focussing on Section 211.

CASE ANALYSIS

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Inited States and Cuba has been one of the most prolonging, controversial and de Organization (WTO) till date. In this case Cubaexport (official name being roductos Varios) and French firm Pernod Ricard, jointly owning two corporations, i.e., ernational S.A., (hereinafter, the Plaintiffs) sued Galleon S.A., Bacardi-Martini USA gs, Inc. and Premier Wine and Spirits (hereinafter, the Defendants), in 1996 at the U. York, claiming trademark infringement regarding the use of the famous Havana

This came up as a result of heavy lobbying by Bacardi and was designed in order to prevent Pernod-Ricard from being able to enforce its rights to the trademark 'Havana Club' in the US. Section 211 of the OAA deals with trademarks, trade names, and commercial names which are similar or substantially similar to trademarks, trade names and commercial names used in connection with businesses or assets sequestered by the Cuban Government on or after July 1, 1959. This intended to prevent the registration and enforcement in US of trademarks requisitioned by Cuba. It is assumed that this provision was crafted specially to prove the US position before the WTO.

Dispute before the WTO

After much deliberation the district Court ruled against HCH and HCI in June 1999, further to which the European Union (EU) requested sessions under the Understanding on Rules and Procedures Governing Settlement of Disputes (DSU) at WTO. These consultations occurred between EU and US between September – December 1999. In February 2000, the Second Circuit issued its ruling upholding the District Court decision. Despite various consultations, EU and the US were unable to come to agreeable terms. Therefore in June 2000, EU requested the establishment of a Panel under Article 6 of the DSU and Article 64.1 of the TRIPS Agreement, alleging that Section 211 of the OAA was in violation of the TRIPS Agreement. In November 2000, the Dispute Settlement Body (DSB) established a Panel to adjudicate the dispute and recommended that US bring its domestic legislation into conformity with its obligations under the TRIPS Agreement. US denied that Section 211 of the OAA was inconsistent with its obligations under the TRIPS Agreement and requested the Panel to reject the claims of the EU in their entirety. The Panel found only one violation, i.e. Article 42 of the TRIPS Agreement by the US, with EU losing 11 out of 12 arguments in their complaint. On a cross appeal by the EU against the US, the Appellate Body held that Section 211 was not in violation of the TRIPS Agreement representing a major victory for the US.

But the Appellate Body specifically stressed that Section 211 (a) (2) was inconsistent with National Treatment provision under Article 3.1 of the TRIPS Agreement and Article 2 (1) of Paris Convention, as well as the Most Favoured Nation provision under Article 4 of the TRIPS Agreement. The Appellate Body reiterated that the National Treatment and MFN are two of the most important principles under the international agreements for IPR. These two are imposed so as to obligate every country to comply with them.[2] While the Panel had disagreed with this contention in their ruling, the Appellate Body reversed this and held that Sections 211 (a) (2) and (b) were discriminatory on their face and inconsistent with the obligations of the US under the TRIPS Agreement. Hence the Appellate Body concluded the following;

- That Section 211 (a) (2) was in violation of National Treatment principle;
- That Section 211 (a) (2) and (b) were in violation of national treatment with respect to owners;
- That Section 211 (a) (2) and (b) were in violation of MFN with respect to both owners as well as successors-in-interest

Conclusion

The Appellate Body held WTO Members must comply with the TRIPS Agreement, through which all other Members are voluntarily bound. A Member should not discriminate in a way that does not respect the obligations of national treatment and most-favoured-nation treatment, both being fundamental to the TRIPS Agreement.[3]

Footnotes

1 European Communities vs United States (Appeal), WT/DS176/AB/R, January 2, 2002, WTO.

2 National Treatment is when member countries are to accord the same national treatment which is no less favourable than which it provides its own nationals with respect to intellectual property rights. The MFN principle requires each Member to grant nationals of other member countries any advantage, favour, privilege or immunity given to nationals of any country with regard to the protection of intellectual property rights.

3 Id at 1, ¶ 363.

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Divya completed her graduation in law from University of Petroleum & Energy Studies, Dehradun and her masters in law specialising in Intellectual Property Rights from National Law University, Jodhpur. She has experience in trademark filing and prosecution, and writes for various publications on behalf of the firm. She also works on other research projects looking at various facets of Intellectual Property Rights laws.

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