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Note

*291 THE NEW RUM WAR:HAVANA CLUB AS A THREAT TO THE U.S. INTEREST IN INTERNATIONAL TRADEMARK HARMONIZATION

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*292 I. Introduction

In 1960, shortly after the revolution that brought Fidel Castro to power in Cuba, armed forces of the new government forcibly seized the rum *293 distillery belonging to one Jose Arechabala. [FN1] The Arechabala family had been distilling rum in their Cardenas distillery since the 1930s and selling it worldwide under the trademark and trade name "Havana Club." [FN2] The event might have been quickly forgotten as a minor footnote to the events surrounding the Cuban revolution, had it not resurfaced nearly 40 years later in the form a lawsuit, Havana Club Holding, S.A. v. Galleon, S.A. [FN3]--a battle for the right to control the Havana Club trademark and trade name in the United States, implicating issues of revolution, exile, and embargo.

At the heart of the lawsuit is a provision of a 1999 appropriations act, commonly referred to as § 211, which prohibits anyone from asserting rights in trademarks and trade names confiscated by the Cuban government without compensation, unless the original owner of the mark or name consents to the assertion of such rights. [FN4] Acting on behalf of Havana Club Holding ('HCH'), the Cuban and French joint venture which brought the lawsuit, the European Union ('EU') filed a complaint against the United States before the World Trade Organization ('WTO'), [FN5] alleging that § 211 placed the United States in violation of its treaty obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights ('TRIPs'). [FN6] The timing of the complaint is particularly embarrassing for the United States, which has been the most frequent and successful litigant before the WTO, because the United States has been an aggressive advocate for the establishment of strong and uniform international protection for intellectual property rights. [FN7]

This Note uses the Havana Club case as a framework to analyze whether § 211 violates U.S. treaty obligations under TRIPs and to discuss the implications such violations might have on the ongoing U.S. effort to harmonize international trademark law. Part I introduces the topic and frames the issues. Part II reviews the proceedings and arguments of the *294 Havana Club case. Part III analyzes the provisions of § 211 for TRIPs violations. Part IV describes how these violations threaten the U.S. interest in achieving a harmonized international law of trademark. Part V concludes the note.

II. Review of the Havana Club Case

In some ways, the Havana Club litigation reads like the plot to a good mystery novel: just when you think you have the mystery figured out, a dramatic new plot twist comes along to change the direction of the story. In addition to making interesting reading, these plot twists, and the courts' reaction to them, form the heart of the international law conflict that will be discussed in Part III. For the moment, a review of the Havana Club litigation is in order.

A. The Cuban Embargo

In 1963, the United States imposed a trade embargo on Cuba. [FN8] The embargo was enacted under § 5(b) of the Trading With the Enemy Act of 1917 [FN9] ('TWEA'), which gave the President authority to impose embargoes in both times of peace and war. The embargo, still in effect today, is embodied in the Cuban Asset Control Regulations ('CACR'). [FN10] There are several policy goals of the CACR: to limit the funds which Cuba may use to promote activities harmful to the United States; to use blocked funds as leverage in negotiations with the Cuban government; and to retain control over blocked funds for possible use in settling American claims. [FN11] In 1996, Congress enacted the Cuban Liberty and Democratic Solidarity Act ('LIBERTAD '), [FN12] which codified the CACR into law. LIBERTAD continues the embargo indefinitely and prescribes certain conditions that must occur in Cuba before the embargo can be lifted, among which are the transition to a democratically elected government. [FN13]

The President delegated his power under TWEA to the Secretary of the Treasury, who in turn delegated the administration of the CACR to an administrative agency: the Office of Foreign Assets Control ('OFAC '). [FN14] The CACR prohibit transfers of property, including trademarks, in which a Cuban entity has an interest, unless authorized by the OFAC by way of a license. [FN15] The OFAC grants two types of licenses: general licenses, which permit classes or categories of transactions with *295 Cuban nationals, [FN16] and specific licenses, which require individualized determinations and approval by OFAC. [FN17] OFAC acts on behalf of the President and enjoys considerable discretion to authorize, amend, and revoke licenses. [FN18]

B. The Havana Club Trademark

Following the seizure of their distillery, for which the Cuban government never provided compensation, [FN19] the Arechabala family fled Cuba for Spain and the United States. [FN20] With their assets gone, the family could no longer afford to distill rum and soon lost their rights to the Havana Club trademark in several countries, including the United States. [FN21] Though the Cuban government was never able to secure the Arechabala recipe, which the family had memorized, [FN22] the Castro regime began making its own version of the rum and selling it under the Havana Club trademark. [FN23] The rum was sold by a Cuban state enterprise, Empresa Cubana Exportadora De Alimentos y Productos Varios ('Cubaexport'), mostly to the Soviet Union and various Eastern European countries. [FN24] Cubaexport registered the trademark "Havana Club" in Cuba in 1974 [FN25] and in the United States in 1976. [FN26]

In 1993, after the fall of the Soviet Union, Cubaexport reorganized its business to incorporate a foreign partner. A newly formed Cuban company, Havana Rum and Liquors, S.A. ('HR&L'), entered into a joint *296 venture with a French company, Pernod Ricard, S.A. ('Pernod'). [FN27] Pernod is one of the world's leading distributors of wine and spirits. [FN28] HR&L and Pernod, in turn, set up two more companies, Havana Club Holding, S.A. ('HCH ') and Havana Club International, S.A. ('HCI'). [FN29] HR&L and Pernod each own a 50 percent interest in HCH and HCI. [FN30] In January, 1994, Cubaexport assigned its Havana Club trademark to HR&L, and in June, 1994, HR&L assigned the trademark to HCH. [FN31] OFAC approved these two assignments by way of a specific license granted to Cubaexport in November 1995. [FN32] HCH licensed the Havana Club trademark to HCI, which sold more than 38 million bottles of rum with the Havana Club trademark worldwide between 1994 and 1998. [FN33] Because of the Cuban embargo, no sales have been made in or to the United States. [FN34] However, U.S. travelers to Cuba, [FN35] who are permitted to return to with up to $100 in Cuban goods for personal use, [FN36] have made Havana Club rum one of the most popular items brought back. [FN37]

Meanwhile, in 1995, Galleon, S.A. ('Galleon'), a Bahamian producer of wine and spirits, began producing rum bearing the Havana Club name. [FN38] Sixteen cases of this rum were distributed in the United States in 1995, and another 906 were distributed between May and August, 1998. [FN39] Galleon was subsequently acquired by Bacardi-Martini, Inc. ('Bacardi'), also a world leader in the distribution of wine and spirits and a competitor of Pernod. In April, 1997, Bacardi purchased from the Arechabalas whatever rights the family still owned in the Havana Club trademark, the related goodwill of the business, and any rum business assets still owned by the family. [FN40] The stage was now set for the Havana Club lawsuit.

History of Bacardi's and HCH's claims to the Havana Club Trademark

Date	Bacardi's Claim	HCH's claim
1930s	. Arechabala family begins distilling rum in Cuba under Havana Club trademark.	
1960		. Cuban government seizes Arechabala distillery. . Cuban government forms Cubaexport to produce and distribute the distillery's rum
1960-1976	. Arechabala family allows U. S. registration of Havana Club trademark to lapse.	
1976		. Cubaexport registers Havana Club trademark in United States.
1993		. Cubaexport forms HR&L. . HR&L partners with Pernod. . HR&L and Pernod form HCH and HCI.
1994		. Cubaexport assigns Havana Club trademark to HR&L. . HR&L assigns Havana Club trademark to HCH. . HCH licenses use of the Havana Club trademark to HCI.
1995	. Galleon begins distilling rum in Bahamas under Havana Club trademark. . Bacardi acquires Galleon.	
1997	. Bacaradi purchases from Arechabala family whatever rights family owns in Havana Club trademark.	

Lawsuit Commences

C. Havana Club I

In March, 1997, HCH filed a lawsuit against Bacardi in the United States District Court for the Southern District of New York, alleging that Bacardi's sale of rum in the United States bearing the name Havana Club violated HCH's rights under its U.S. registration of the Havana Club *297 trademark. [FN41] HCH alleged violations of §§ 32 and 43 of the Lanham Act [FN42] and sought an injunction against Bacardi to enjoin it from selling rum. [FN43] As one of its defenses, Bacardi asserted that Cubaexport's assignment of the Havana Club trademark to HCH was invalid because Cubaexport omitted to inform OFAC that HCH was half-owned by the French company Pernod. Bacardi argued that this omission constituted fraud, and the resulting license from OFAC authorizing the assignment was therefore unlawfully obtained and should be revoked. [FN44]

*298 In Havana Club I, the district court only considered the issue of whether the OFAC decision to issue a specific license was judicially reviewable. [FN45] For three reasons, the court concluded that it was not. First, applying Constitutional and Administrative Procedure Act ('APA ') standing requirements, the court concluded that Bacardi lacked standing to challenge the OFAC's decision because the interest which it sought to have protected, use of the Havana Club trademark, did not fall within the zone of interest of the CACR, the range of foreign policy concerns governing the United States' relationship with Cuba. [FN46] Second, because OFAC operates under the aegis of the President's foreign relations authority, which entails sensitive judgments based on diplomatic issues beyond the purview of the judiciary, the court concluded that the judiciary should not second-guess OFAC decisions. [FN47] Third, the court concluded that OFAC decisions are committed to agency discretion by law under the APA and therefore unreviewable. [FN48]

D. OFAC Revokes Cubaexport's Specific License

In April, 1997, OFAC revoked the specific license, granted in November, 1995, which authorized the assignment of the U.S. registration of the Havana Club trademark from Cubaexport to HCH. [FN49] OFAC's notice of revocation stated, in part, that "as a result of facts and circumstances that have come to the attention of the Office which were not included in the application of October 5, 1995, License No. C-18147 ... is hereby revoked retroactive to the date of issuance." [FN50] OFAC did not further elaborate on the grounds of the revocation but did state that 'any action taken under the license is null and void as to matters under its jurisdiction.' [FN51]

*299 E. Havana Club II

OFAC's revocation of the specific license authorizing assignment of the Havana Club trademark from Cubaexport to HCH provides the first major plot twist in the Havana Club litigation, which sharply affected the district court's decision in Havana Club II. The court considered two issues: Bacardi's motion for summary judgment [FN52] to cancel HCH's registration of the Havana Club trademark, and HCH's motion to add new causes of action [FN53] to its complaint based on provisions of the Lanham Act [FN54] and the Inter- American Convention. [FN55]

1. Bacardi's Summary Judgment Motion

To support its motion for summary judgment, Bacardi argued that HCH's owership of the Havana Club trademark was void because OFAC's revocation of Cubaexport's license to transfer the trademark meant that HCH never acquired the mark to begin with. [FN56] HCH countered with four arguments as to why the revocation did not strip it of rights in the trademark. First, HCH argued that even if the assignment was not authorized by an OFAC specific license, it was nevertheless authorized by the OFAC general license pertaining to intellectual property. [FN57] The court rejected this argument, concluding that the language of the general license, which limited authorized transactions to those "related to the registration and renewal" of trademarks, did not encompass assignments, which are not registrations or renewals. [FN58] Second, HCH argued that the Inter-American Convention, to which both the United States and Cuba are parties, required the U.S. to recognize the *300 assignment under its provisions of national treatment [FN59] and recognition of assignments. [FN60] The court rejected this argument, concluding that the CACR, as codified into law by LIBERTAD, constituted an implied repeal by Congress of the Inter-American Convention, at least in so far as it pertains to the United States' relationship with Cuba. [FN61] Third, HCH argued that under due process standards applicable to the CACR, which require that government officials refrain from acting in an irrational, arbitrary, or capricious manner, OFAC's revocation of the specific license to assign the trademark was not a "deliberate or rational choice" nor grounded in "a reasonable basis," since the CACR general license authorizes registrations and renewals of trademarks. [FN62] The court rejected this argument, concluding that OFAC's choice was reasonable in light of the CACR's policy goal of keeping hard currency out of Cuba. [FN63] The court reasoned that the assignment of trademarks to foreign companies would facilitate the influx of currency into the country, whereas mere internal *301 registrations and renewals of trademarks by Cuban companies would not similarly generate revenue. [FN64] Fourth, HCH argued that neither a general license nor a specific license was needed to authorize the assignment because trademark registrations are not property, as that term is defined in the CACR. [FN65] The court rejected this argument, concluding that the CACR provision prohibiting assignments of "evidence of ownership of property" encompassed the trademark registration. [FN66]

As a result of this analysis, the court granted Bacardi's motion for summary judgment, reasoning that HCH had never acquired ownership of the Havana Club trademark because the OFAC's retroactive revocation of the specific license made the assignment of the trademark from Cubaexport to HCH ineffective. [FN67] Because the assignment was ineffective, the court concluded that ownership of the trademark remained with Cubaexport. [FN68] However, the court refused to cancel the trademark as to Cubaexport, finding that such a cancellation would impermissibly impair the rights of Cubaexport, a party not before the court. [FN69]

2. HCH's Motion to Amend its Complaint

HCH's original complaint claimed violations of §§ 32 and 43 of the Lanham Act. [FN70] In Havana Club II, HCH sought leave to add two more *302 causes of action to its complaint based on violations of the Inter- American Convention, as incorporated by § 44(b) of the Lanham Act. [FN71]

First, HCH claimed that Bacardi violated its rights to the Havana Club trademark under Article 7 of the Inter-American Convention, as incorporated by §§ 44(b) and 44(h) of the Lanham Act. [FN72] The court denied HCH leave to add this cause of action to its complaint, concluding that the court's cancellation of HCH's rights to the Havana Club trademark meant that HCH had no trademark left to protect. Second, HCH claimed that Bacardi violated its rights to the Havana Club trade name [FN73] under Article 18 of the Inter- American Convention, as incorporated by §§ 44(b) and 44(g) of the Lanham Act. [FN74] The court permitted HCH to add this *303 cause of action to its complaint, concluding that HCH had made sufficient use of the Havana Club trade name in the United States to make it eligible for protection. [FN75]

F. Havana Club III

In Havana Club III, the district court considered HCH's motion to dismiss six affirmative defenses and counterclaims raised by Bacardi to HCH's amended complaint. [FN76] Ultimately, the court dismissed all of Bacardi's defenses and counterclaims, except for two: Bacardi's affirmative defense that HCH asserted its claims with unclean hands and Bacardi's counterclaim for declaratory judgment that it have the exclusive right to use the Havana Club trademark and trade name in the United States. [FN77] With regard to its defense of unclean hands, [FN78] Bacardi argued that HCH had sold rum under the Havana Club trade name that was actually manufactured in Panama. [FN79] Because this would mean that HCH had dirtied its hands in the course of acquiring the interest it was seeking to have protected, the court allowed Bacardi to assert the defense. [FN80] With regard to its counterclaim for declaratory judgment, Bacardi argued that it was first to use the Havana Club trade name in the United States. [FN81] Therefore, the court allowed Bacardi to assert its declaratory judgment counterclaim. [FN82]

*304 G. Congress Enacts § 211

In October, 1998, Congress enacted the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 ("Act"). [FN83] Section 211 of the statute enacted several provisions limiting the ability to assert rights in trademarks confiscated by the Cuban government or involving designated nationals. Confiscated trademarks are defined by the CACR, in relevant part, as property seized by the Cuban government: without return or adequate and effective compensation, or the claim to the property having been settled pursuant to an international claims settlement agreement or other mutually accepted settlement procedure. [FN84] A designated national is defined by the CACR, in relevant part, as Cuba and any national thereof. [FN85]

Section 211(a)(1) provides that transactions otherwise permitted by the OFAC general license for intellectual property [FN86] be prohibited if the subject of the transaction is a trademark or trade name confiscated by Cuba, unless the original owner of the trademark or trade name consents. [FN87]

Section 211(a)(2) states that no U.S. court shall enforce rights in a confiscated trademark or trade name that was acquired at common law or by way of registration authorized under the OFAC general license for intellectual property. [FN88]

Section 211(b) mandates that no U.S. court shall enforce rights in a confiscated trademark or trade name that is asserted under any treaty, as incorporated by §§ 44(b) and 44(e) of the Lanham Act, unless the original owner of the trademark or trade name consents. [FN89]

*305 Section 211(c) authorizes the Secretary of the Treasury to promulgate regulations necessary to give effect to § 211, [FN90] and § 211(d) defines the terms "confiscated" and "designated national." [FN91]

H. Havana Club IV

The passage of § 211 was the second major plot twist in the Havana Club litigation, which again sharply affected the district court's decision in Havana Club IV. The case was the district court's final adjudication of the merits. The court's analysis was broken down into two sections: an analysis of HCH's trade name claims and an analysis of HCH's § 43(a) claim.

1. HCH's Trade Name Claims

Bacardi argued that the recently enacted § 211(b) nullified HCH's trade name claims, [FN92] which were based on Article 18 of the Inter-American Convention as incorporated by §§ 44(b) and 44(g) of the Lanham Act. [FN93] The court agreed, first finding that § 211(b) constituted an implied repeal of Article 18 of the Inter-American Convention by Congress, [FN94] and then finding that the provisions of § 211(b) operated to nullify HCH's trade name claims. [FN95] HCH countered with four arguments as to why § 211(b) should not nullify its trade name claims, which the court dealt with in turn.

First, HCH argued that the language of § 211(b) made the statute applicable only to claims asserted directly under § 44(b) of the Lanham *306 Act. [FN96] Because the Inter-American Convention is self- executing, [FN97] HCH argued that it could assert its trade name claims directly under Article 18 of the treaty, bypassing § 44(b) of the Lanham Act altogether. [FN98] Thus, under HCH's conception of the Lanham Act, § 44(b) is little more than implementing legislation for non-self-executing treaties to which the United States is a party. The court rejected this argument, holding that the language of § 211(b) applies to treaties generally, and that the language in § 211(b) referring to §§ 44(b) and 44(e) was merely an addition to, and not a limitation of, the reach of § 211(b). [FN99]

Second, HCH argued that § 211(b) should not operate where the original owner of a confiscated trademark has since abandoned rights in the trademark. [FN100] The court rejected this argument, concluding that the language of § 211(b) neither imposed a requirement of continuous use of a trademark by the original owner nor created a defense of abandonment to application of the statute. [FN101]

Third, HCH argued that application of § 211(b) in the instant case would retroactively impair rights HCH held before § 211(b) was enacted. [FN102] The court rejected this argument, concluding that application of § 211(b) in the instant case would not have retroactive effect because HCH's lawsuit sought only an injunction against Bacardi to stop selling rum labeled with the Havana Club trade name. [FN103] Because injunctions are future remedies, application of § 211(b) to deny HCH an injunction would not impair any of the rights HCH had in its trade name at the outset of the lawsuit. [FN104]

*307 Fourth, HCH argued that § 211 violates the separation of powers doctrine because it represented an attempt by Congress to determine the outcome of the Havana Club litigation. [FN105] The court rejected this argument, concluding that § 211(b) changed only underlying law applicable to the Havana Club litigation, that § 211(b) prescribed no rule of decision, and the court still retained the function of determining if the facts of the case warranted application of the statute. [FN106]

As a result of this analysis, the court found against HCH and held that § 211(b) precluded HCH from asserting any of its trade name claims.

2. HCH's False Designation of Origin Claim

In its final claim against Bacardi, HCH argued that Bacardi's sales of rum in the United States bearing the Havana Club trademark falsely designated the origin of the rum under § 43(a) of the Lanham Act, since Bacardi's rum was actually manufactured in the Bahamas. [FN107] The court dismissed HCH's § 43(a) claim, finding that HCH had no standing to bring the claim because HCH could not prove that Bacardi's sales would cause injury to HCH. [FN108] Noting that the Cuban embargo prevented HCH from selling its rum in the United States, the court found that HCH's mere intent to enter the U.S. market after the removal of the embargo was too remote of an interest to confer standing. [FN109] The court also reasoned *308 that HCH's sales of rum to U.S. nationals visiting Cuba would not be harmed by Bacardi's sales of rum in the United States. [FN110]

Because the court dismissed all of HCH's claims against Bacardi, the court found in Bacardi's favor on all claims and entered judgment accordingly. [FN111]

I. The EU Files a Complaint Against the United States Before the WTO

On July 7, 1999, shortly after the ruling in Havana Club IV, the EU filed a Request for Consultations with the United States, alleging that § 211 violated various sections of the TRIPs agreement. [FN112] The Request for Consultations is the first step of the dispute settlement procedure outlined in the General Agreement on Tariffs and Trade ("GATT"), which is incorporated into the TRIPs agreement. [FN113] At the consultations stage, parties to the dispute are required to meet with each other to determine if the dispute can be settled without resorting to the more formal dispute settlement mechanisms of GATT. [FN114] The EU invoked the consultation procedure on behalf of France, a member nation of the EU and, along with the United States and Cuba, a signatory of the TRIPs agreement. [FN115] *309 France's interest, in turn, stemmed from its 50 percent ownership of HCH and HCI. [FN116]

If consultations fail to resolve the dispute, the formal mechanism of the GATT dispute resolution procedure is applied. Settling disputes is the responsibility of the Dispute Settlement Body ("DSB"), established by GATT. [FN117] After the failure of consultations, the DSB establishes a panel to consider the dispute and recommend an outcome. [FN118] The DSB must adopt the panel's recommendation unless each member of the DSB votes to reject it. [FN119] Parties to the dispute can appeal decisions of the panel on issues of law, but not on issues of fact. [FN120] Appeals are heard by a seven- member Appellate Body set up by the DSB, [FN121] and decisions of the Appellate Body must be adopted by the DSB unless each member of the DSB votes to reject it. [FN122] The losing party under the GATT dispute settlement procedure must comply with the ruling of the DSB or face trade sanctions under GATT. [FN123]

J. Havana Club V

Havana Club V was an appeal by HCH of the district court's rulings to the United States Court of Appeals for the Second Circuit. After considering the issues, the Second Circuit affirmed the district court's rulings regarding cancellation of the assignment of the Havana Club trademark, [FN124] dismissal of HCH's trade name claims, [FN125] dismissal of HCH's *310 false designation of origin claim, [FN126] and dismissal of HCH's unfair competition claim under Article 7 of the Inter-American Convention, as incorporated by §§ 44(b) and 44(h) of the Lanham Act. [FN127]

K. The End of the Havana Club Litigation?

Despite its involved history, it is unlikely the Second Circuit's decision will mark the end of the Havana Club litigation. As of this writing, HCH has vowed to appeal the Havana Club decision to the Supreme Court. [FN128] Further, the EU's complaint before the WTO is still pending and has yet to be resolved.

III. Does § 211 Violate the TRIPs Agreement?

Before analyzing § 211 for violations of the TRIPs agreement, it is worth noting that even though the Havana Club litigation did not specifically discuss TRIPs, an analysis of § 211 for TRIPs violations implicates the key issues discussed in Havana Club because the CACR and § 44(b) of the Lanham Act are incorporated into the application of § 211. In fact, the provisions of § 211 go beyond the results reached under these two statutes: where the CACR commits authorization of trademark assignments to the discretion of OFAC's specific licensing procedure, § 211(a)(1) flatly prohibits such transactions; [FN129] where the CACR allows registrations and renewals of trademarks pursuant to the CACR general license for intellectual property, § 211 prevents U.S. courts from recognizing rights asserted under such registration, or even rights acquired at common law by use; [FN130] and where § 44(b) gives foreign nationals a cause *311 of action under U.S. law to vindicate treaty rights, § 211(b) prevents U.S. courts from recognizing such rights. [FN131]

In its Request for Consultations, the EU claimed that § 211 violated Articles 2-4, 15-21, 41-42, and 62 of the TRIPs agreement. These sections can be broken down into the following conceptual units: national treatment and most favored nation status under Articles 3-4, substantive trademark rights under Articles 15-21, and enforcement procedures under Articles 41-42 and 62. Article 2 of TRIPs does not establish any rules, but rather acts to incorporate Articles 1 through 12 and 19 of the Paris Convention [FN132] into the TRIPs agreement. Analysis of the foregoing TRIPs provisions therefore necessitates analysis of the relevant provisions of the Paris Convention.

The following sections analyze the provisions of § 211 against the relevant provisions of the TRIPs agreement. Each section begins by establishing the rules set forth in the TRIPs agreement. The provisions of § 211 are then analyzed against these rules to determine if a conflict exists.

A. National Treatment and Most Favored Nation Status

1. Rules Set Forth in TRIPs

Article 3(1) of TRIPs establishes the rule of national treatment: each member shall accord to the nationals of other members treatment no less favorable than it accords to its own nationals. [FN133] This rule is expressly made subject to the exceptions of the Paris Convention, [FN134] which exempt from national treatment laws relating to judicial and administrative procedure, jurisdiction, [FN135] and conditions for the filing and registration of trademarks. [FN136] However, Article 3(2) of TRIPs requires that members use these exceptions only if the exception is necessary to secure compliance with laws and regulations that are not inconsistent with the provisions of TRIPs and are not applied in a manner that constitutes a disguised restriction on trade. [FN137]

Article 4 of TRIPs establishes the rule of most favored nation status. Any advantage, favor, 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 members. [FN138]

*312 2. Analysis of the Provisions of § 211 Against TRIPs Article 3

a. § 211(a)(1)

Section 211(a)(1) operates to limit transactions with respect to a certain class of trademarks and trade names: those that have been confiscated within the meaning of the CACR and without the original owner's consent. [FN139] The provisions of the section are applicable only to trademarks and trade names that have achieved the status of being confiscated. Therefore, the operation of § 211(a)(1) is tied to a specific attribute of particular trademarks and trade names, not the nationality of parties applying for trademarks. For example, the section would not bar HCH, a Cuban national, from assigning the Havana Club trademark or trade name if HCH had received consent from the Arechabala family to do so. Conversely, the section would bar Bacardi, a Bahamian national, from assigning the Havana Club trademark or trade name if Bacardi had not received consent from the Arechabala family to do so. In either case, the deciding factor is the status of the Havana Club trademark and trade name as being confiscated; the nationality of the parties attempting to assign the trademark and trade name is irrelevant. This being the case, § 211(a)(1) likely does not violate the principle of national treatment as set forth in Article 3(1) of TRIPs.

Because the applicability of § 211(a)(1) turns on the status of a trademark or trade name as confiscated, it is necessary to examine how a mark achieves the status of being confiscated to see if this process violates the national treatment principle. Section 211(a)(1) uses the definition of confiscated provided by the CACR: [FN140]

a trademark or trade name is confiscated if it was nationalized, expropriated, or otherwise seized by the Cuban government without the trademark or trade name having been returned, adequate and effective compensation being provided, or the claim having been settled pursuant to an international claims settlement agreement or other mutually acceptable procedure. [FN141]

Analogous to the language of § 211(a)(1), the status of trademarks and trade names as confiscated depends on a specific attribute of the trademark or trade name itself, not on the nationality of the parties involved. Therefore, CACR definition of confiscated likely does not violate the principal of national treatment as set forth in Article 3 of TRIPs.

If a trademark or trade name is not confiscated within the meaning of § 211, it is still subject to OFAC licensing procedure if a Cuban national is seeking to use it in a transaction. Consequently, it is necessary to examine the OFAC licensing procedure for potential violations of the national treatment rule. The CACR general license specifically authorizes *313 transactions related to the registration and renewal of trademarks. Because of this authorization, Cuban nationals receive the same treatment as U.S. citizens seeking to register or renew trademarks. Therefore, the OFAC general licensing procedure likely does not violate the principal of national treatment as set forth in Article 3 of TRIPs.

All other transactions related to trademarks and trade names in which a Cuban national has an interest must be authorized by an OFAC specific license. Because the specific licensing procedure is limited to cases where a Cuban national has an interest, the procedure constitutes a requirement that is not present where only U.S. interests are involved. Consequently, the specific licensing procedure discriminates between U.S. nationals and Cuban nationals. Therefore, the OFAC specific licensing procedure likely violates the principal of national treatment as set forth in Article 3 of TRIPs.

b. Section 211(a)(2) and § 211(b)

Section 211(a)(2) and § 211(b) both operate to prevent U.S. courts from recognizing the assertion of rights in confiscated trademarks and trade names by a certain class of persons, designated nationals within the meaning of the CACR. [FN142] Section 211(a)(2) applies where the rights that are sought to be asserted are based on common law use of the trademark or trade name or are based on a registration otherwise authorized by the CACR general license for intellectual property. [FN143] Section 211(b) applies to the situation where the rights that are sought to be asserted are based on treaty rights incorporated by § 44(b) of the Lanham Act. [FN144] Therefore, unlike § 211(a)(1), § 211(a)(2) and § 211(b) are tied to the nationality of the party asserting rights. For example, under § 211(a)(2), even if HCH had received consent from the Arechabala family to use the Havana Club trademark or trade name, the section would prevent U.S. courts from recognizing rights asserted by HCH in the trademark or trade name, because HCH is a designated national within the meaning of the CACR. [FN145] In the same situation, Bacardi's assertion of rights would be *314 recognized because Bacardi is not a designated national within the meaning of the CACR. Similarly, under § 211(b), HCH would have to seek and receive consent from the Arechabala family before a U.S. court could recognize HCH's assertion of treaty rights to the Havana Club trademark or trade name under § 44(b) of the Lanham Act. In the same situation, Bacardi would not need to seek the consent of the Arechabala family because Bacardi is not a designated national within the meaning of the CACR. [FN146] In either case, the deciding factor is the nationality of the parties involved. Thus, on their face, §§ 211(a)(2) and 211(b) violate the national treatment principle outlined in Article 3 of TRIPs. If the provisions are to avoid a violation of the principle, one of the exceptions to Article 3 must apply.

Excepted from TRIPs' national treatment rule are domestic laws relating to judicial and administrative procedures, laws relating to jurisdiction, and laws prescribing conditions for filing and registration. [FN147] Because §§ 211(a)(2) and 211(b) do not purport to prescribe any rule of judicial or administrative procedure, nor any rule of jurisdiction, it unlikely that either of these exceptions apply. Further, because §§ 211(a)(2) and 211(b) limit the recognition of substantive trademark and trade name rights by U.S. courts, it is unlikely that these two sections could be characterized as conditions for filing and registration. In any case, TRIPs requires that laws enacted pursuant to any of these exceptions not be otherwise inconsistent with the provisions of TRIPs and not constitute a disguised restriction of trade. [FN148] Because §§ 211(a)(2) and 211(b) operate to prevent U.S. courts from recognizing substantive trademark and trade name rights, it is likely that these provisions are inconsistent with the substantive provisions of TRIPs relating to trademarks. [FN149] Further, to the extent that §§ 211(a)(2) and 211(b) further the interests advanced by the Cuban embargo, the sections are clearly designed to restrict trade with Cuba. For these reasons, it is likely that none of the exceptions to the TRIPs rule on national treatment apply to §§ 211(a)(2) and 211(b), and the two sections therefore violate the rule of national treatment as set forth in Article 3 of TRIPs.

*315 3. Analysis of the Provisions of § 211 Against TRIPs Article 4

Section 211 operates to limit rights where those rights are asserted with respect to confiscated trademarks or trade names or where those rights are asserted by designated nationals. [FN150] Because the section makes no affirmative grant of an advantage, favor, privilege, or immunity to persons of any nationality, it is unlikely that § 211 violates the rule of most favored nation status as set forth in Article 4 of TRIPs.

B. Substantive Trademark Rights

The substantive trademark rights provisions of the TRIPs agreement, contained in Articles 15-21, can be divided into three areas: eligibility for protection, rights conferred, and assignments.

1. Eligibility for Protection

a. Rules Set Forth in TRIPs

Article 15(1) of TRIPs provides that any sign capable of distinguishing the goods or services of one undertaking from those of other undertakings shall be capable of constituting a trademark. [FN151] However, members may deny registration of a trademark on other grounds, provided that such grounds do not derogate from the provisions of the Paris Convention. [FN152] The Paris Convention provides that trademarks duly registered in the country of origin must be accepted for filing and protected in the countries of the Paris Union. [FN153] Exceptions are provided where registration would infringe the preexisting rights of third parties, [FN154] where the trademark is devoid of any distinctive character, [FN155] or where the trademark is contrary to morality, public order, or would deceive the public. [FN156] The Paris

Convention provides that trade names shall be protected without the requirement of registration. [FN157]

b. Analysis of the Provisions of § 211 Against the TRIPs Rules on Eligibility of Protection

i. Section 211(a)(1)

The CACR general license for intellectual property authorizes the registration and renewal of trademarks in which a Cuban national has an interest. [FN158] Section 211(a)(1) operates to prevent a registration otherwise *316 authorized under the general license where a trademark has gained the status of being confiscated. [FN159] Under TRIPs, denying registration of a trademark based on its status as confiscated is only permissible if such denial does not derogate from the terms of the Paris Convention.

In order to comply with the Paris Convention, § 211(a)(1) would have to fit into one of the three categories of permissible reasons to deny registration of a trademark under the convention. Section 211(a)(1) does not fit the exception for trademarks that would infringe the preexisting rights of third parties because the language of the section does not protect preexisting trademark rights; it only protects original owners of trademarks that have been confiscated, regardless of whether such owners still retain rights in the trademark. [FN160] Section 211(a)(1) does not fit the exception relating to trademarks devoid of distinctive character because the language of the section makes no mention at all of the distinctiveness of trademarks. Finally, § 211(a)(1) does not fit the exception relating to morality, public order, and deception, because the section operates only to protect original owners of confiscated marks. [FN161] Because § 211(a)(1) does not fall into any of three categories of permissible reasons to deny registration to a trademark, the section derogates from provisions of the Paris Convention and therefore likely violates the TRIPs provisions relating to eligibility of protection.

ii. Section 211(a)(2) and § 211(b)

Section 211(a)(2) and § 211(b) do not relate to the registration of trademarks; they operate to limit rights that have already been established by registration or common law use. [FN162] Therefore, these sections likely do not violate the TRIPs provisions relating to eligibility of protection.

2. Rights Conferred

a. Rules Set Forth in TRIPs

Article 16(1) of TRIPs provides that the owner of a registered trademark shall have the exclusive right to prevent all third parties from using *317 the same or a similar mark on the same or similar goods, where such use would result in a likelihood of confusion. [FN163] TRIPs allows limited exceptions to the rights conferred by a trademark, such as fair use or descriptive terms, provided that the exceptions take account of the legitimate interests of the trademark owner and third parties. [FN164] The Paris Convention provides that trade names shall be protected in all countries of the Union without the obligation of filing or registration, whether or not the trade name forms part of a trademark. [FN165]

b. Analysis of the Provisions of § 211 Against the Rights Conferred Under TRIPs

i. Section 211(a)(1)

Section 211(a)(1) operates to prohibit transactions of trademarks and trade names otherwise authorized under the OFAC general license for intellectual property. As such, it neither confers nor withdraws any rights in a trademark or trade name; it only restricts transactions of the trademark or trade name itself. Therefore, it is unlikely that § 211(a)(1) violates the TRIPs and Paris Convention provisions conferring rights in trademarks and trade names.

ii. Section 211(a)(2) and § 211(b)

Section 211(a)(2) operates to deny the assertion of rights conferred by U.S. law upon registration of a trademark in the United States or common law use of a trademark or trade name. [FN166] But for the provisions of § 211(a)(2), the holder of a properly registered trademark or trade name duly used in commerce would be able to assert the rights in the trademark or trade name conferred by registration or common law. Section 211(b) operates to deny the assertion of trademark and trade name rights under treaties to which the U.S. is a party, as such treaties are incorporated into § 44(b) of the Lanham Act. [FN167] But for the provisions of § 211(b), the holder of trademark rights under a treaty and incorporated by § 44(b) would be able to assert the treaty rights to the trademark in the United States.

Under TRIPs, these prohibitions on the exercise of trademark rights are permissible only if they constitute limited exceptions, such as fair use or descriptive terms, that take into account the legitimate interests of the trademark owners and of third parties. [FN168] Under the Paris Convention, *318 there are no exceptions for the protection of trade names. [FN169] Because § 211(a)(2) and § 211(b) enact broad prohibitions against the assertion of trademark and trade name rights, it is unlikely that the sections would be considered limited exceptions within the meaning of TRIPs. This point is strengthened by noting that § 211(a)(2) and § 211(b) in fact prohibit the assertion of any and all rights in trademarks and trade names which have gained the status of being confiscated, and comparing this complete prohibition against the two examples of limited exceptions contemplated in the TRIPs agreement, fair use and descriptive terms. Therefore, § 211(a)(2) and § 211(b) likely violate the TRIPs and Paris Convention provisions conferring rights in trademarks and trade names.

3. Assignments

Article 21 of TRIPs provides that members may determine the conditions on assignments. [FN170] Therefore, it unlikely that any provisions of § 211 imposing conditions on assignments violate the TRIPs provisions on assignments.

C. Enforcement Procedures

1. Rules Set Forth in TRIPs

Taken together, Articles 41, 42, and 62 of TRIPs establish three categories of rules related to enforcement procedures: rules regarding the availability of enforcement procedures, rules establishing minimum standards for enforcement procedures, and rules requiring judicial review of enforcement procedures.

a. Rules Requiring the Availability of Enforcement Procedures

Article 41 of TRIPs obligates members to ensure that enforcement procedures, as specified in TRIPs, are available under their domestic laws so as to permit effective action to prevent the infringement of rights covered in the agreement, including expeditious remedies to prevent infringements and remedies which deter further infringements. [FN171] Article 42 of TRIPs obligates members to make available civil judicial procedures concerning the enforcement of any intellectual property rights covered by TRIPs. [FN172] Article 62 of TRIPs provides that members may *319 require, as a condition of the acquisition or maintenance of the intellectual property rights provided for in TRIPs, compliance with reasonable procedures and formalities. [FN173] Such procedures must be consistent with the provisions of TRIPs. [FN174]

b. Rules Establishing Minimum Standards for Enforcement Procedures

Article 41 requires that enforcement procedures must be fair and equitable, not unnecessarily complicated or costly, and not entail unreasonable time limits or unwarranted delays. [FN175] Decisions on the merits of a case shall be reasoned, preferably in writing, made available to the parties without undue delay, and based on evidence offered by the parties. [FN176] Parties shall have an opportunity for review by a judicial authority of final administrative decisions. [FN177] Reasonable procedures and formalities enacted pursuant to Article 62, where such procedures relate to the acquisition or maintenance of intellectual property rights, must comply with the standards set out Article 41. [FN178]

c. Rules Establishing the Right of Judicial Review

Article 41 provides that parties shall have an opportunity for review by a judicial authority of final administrative decisions. [FN179] Reasonable procedures and formalities enacted pursuant to Article 62 must be subject to review by a judicial or quasi-judicial authority. [FN180]

2. Analysis of § 211 Against the Enforcement Procedures of TRIPs

a. Rules Requiring the Availability of Enforcement Procedures

Section 211 operates to affect the disposition of substantive trademark rights. Nothing in § 211 operates to prevent access to the judicial system by a party seeking to have trademark rights adjudicated. This conclusion is strengthened by noting that § 211 was the focus of the adjudication of rights by the federal district and circuit courts in Havana Club IV and Havana Club V. Therefore, it is unlikely that § 211 violates the TRIPs enforcement procedures guaranteeing access to enforcement and civil judicial procedures.

Section 211(a)(1) requires the consent of the original owner before any transaction in a confiscated trademark or trade name will be authorized *320 under the OFAC general license for intellectual property. [FN181] The consent requirement is an additional procedure for confiscated trademarks and trade names not otherwise required for non-confiscated trademarks and trade names. As such, it is only permissible under TRIPs if it is a reasonable procedure or formality and is otherwise consistent with the provisions of TRIPs. [FN182] TRIPs does not define what constitutes a reasonable procedure formality. [FN183] However, because § 211 affects the assertion of substantive rights in trademarks and trade names, it is doubtful that the section could be characterized as a procedure or a formality. Additionally, by restricting rights otherwise granted in the TRIPs provisions related to substantive trademark and trade name protection, and by singling out and restricting certain rights that Cuban nationals would otherwise enjoy, § 211 is inconsistent with these provisions of TRIPs. Therefore, it is likely that the § 211 consent requirement is not a reasonable procedure or formality, is not consistent with the provisions of TRIPs, and therefore violates the provisions of TRIPs related to the availability of enforcement procedures.

If Cuban nationals comply with the provisions of § 211, they must still comply with the provisions of the Cuban embargo in order to acquire and maintain rights in trademarks and trade names. [FN184] For transactions related to the registration or renewal of trademarks, this requires compliance with the OFAC general licensing procedure. [FN185] For all other transactions related to trademarks and trade names, this requires compliance with the OFAC specific licensing procedure. [FN186] As above, the licensing procedures are only permissible under TRIPs if they are reasonable procedures or formalities and are otherwise consistent with the provisions of TRIPs. Unlike § 211, the licensing procedures do not affect the assertion of substantive rights in trademarks and trade names; they only affect transactions of the trademarks and trade names themselves. Consequently, it is likely that the licensing procedures could be characterized as procedures and formalities. Further, because the general license unconditionally authorizes transactions within its scope, it is probably both reasonable and consistent with the provisions of TRIPs. However, because the specific licensing procedure is completely within OFAC's discretion, its reasonableness is debatable. Additionally, by subjecting to the specific licensing procedure only to trademarks and trade names in which a Cuban national has an interest, the procedure is likely inconsistent with the TRIPs provision related to national treatment. Therefore, it is likey that OFAC specific licensing procedure, but not the general licensing procedure, *321 violates the provisions of TRIPs related to the availability of enforcement procedures.

b. Rules Establishing Minimum Standards for Enforcement Procedures

Under U.S. law, the enforcement and civil judicial procedures available to adjudicate trademark rights are proceedings before the United States Patent and Trademark Office ("PTO") and before the state and federal courts of the United States. For the special case of property subject to the Cuban embargo, proceedings before the OFAC may be necessary. The proceedings of each of these institutions are conducted according the protections of the U.S. Constitution. These Constitutional protections comport with the procedural safeguards outlined in TRIPs. Therefore, it is unlikely that § 211 violates the TRIPs enforcement procedures establishing minimum standards that enforcement and civil judicial procedures must have.

c. Rules Establishing the Right of Judicial Review

Section 211 operates to limit the rights associated with confiscated trademarks and trade names and restricts the rights than can be asserted by Cuban nationals. [FN187] Nothing in the statute operates to prevent judicial review of dispositions made pursuant to the terms of the statute. Therefore, it is unlikely that § 211 violates the TRIPs enforcement procedures related to the right of judicial review.

If the provisions of § 211 are complied with, Cuban nationals are still subject to the provisions of the CACR. Transactions otherwise prohibited by the CACR can only be authorized by way of an OFAC specific or general license. Following the decision of Havana Club I, licensing decisions of the OFAC are not judicially reviewable. Therefore, it is likely that the OFAC licensing procedure under the CACR violates the TRIPs enforcement procedures related to the right of judicial review.

D. Summary

The foregoing analysis suggests that several provisions of § 211 likely violate the portions of TRIPs specified by the EU in its Request for Consultations with United States before the WTO. Section 211(a)(1) likely violates the TRIPs provisions regarding conditions that states can impose on trademarks and trade names to make them eligible for protection, as well as the TRIPs provisions regarding the availability of domestic enforcement procedures to foreign trademark owners. Section 211(a)(2) and § 211(b) likely violate that TRIPs provisions regarding national treatment and the minimum standards of substantive protection for trademarks. Finally, the OFAC specific licensing procedure likely violates the *322 TRIPs provisions regarding national treatment and the availability of domestic enforcement procedures to foreign trademark owners, and both the OFAC specific and general licensing procedures likely violate the TRIPs provisions regarding the availability of judicial review of administrative-level decisions concerning trademark rights.

IV. Havana Club as a Threat to International Trademark Harmonization

Trademarks represent valuable assets to businesses seeking to establish an international presence. One of the great difficulties that businesses face in acquiring and maintaining trademark rights internationally is the patchwork system of international trademark law, which varies widely from country to country. [FN188] Responding to the concerns of the business community, the US government has proved to be a staunch supporter of the harmonization of international trademark law to ease these difficulties. [FN189] In applying § 211, Havana Club represents a break from the United States' commitment to harmonization. The following sections discuss the US interest in protecting trademarks internationally, the benefits of harmonization, how Havana Club poses a threat to harmonization, the possible justifications for Havana Club, and how to balance the competing interests of Havana Club and harmonization.

A. The US Interest in Protecting Trademarks Internationally

Since the end of the Cold War, the business enterprise has emerged as the major actor on the world stage. [FN190] The driving force in the world economy has shifted from superpowers to super-markets, and the initiative for fundamental economic change now comes more from companies than capitals. [FN191] Government has become a supporting player, no longer making all the key economic decisions in the global economy. [FN192] Already, more than $1 trillion in financial transactions crosses borders every day. [FN193] The very idea of globalization is no longer a buzz-word; international trade is growing twice as fast as world production, and overseas investment is increasing at least twice as fast as trade. [FN194]

The economic incentives for global operations are substantial. [FN195] In the case of U.S. manufacturing firms, sales by companies with foreign activities *323 grow twice as rapidly as those of strictly domestic firms. [FN196] Their profits are also higher. [FN197] There are strong links between overseas trends and domestic developments. [FN198] To an extent not fully appreciated by the public, many well-known U.S. firms already depend on overseas markets for the bulk of their revenues. [FN199] A large array of companies report that more than half of their profits arise from overseas business. [FN200] And perhaps more importantly, an almost equally large listing of big US-based corporations have more than one-half of their assets in foreign countries. [FN201]

Among the key exports of the United States to the international economy is U.S. intellectual property. In 1999, U.S. exports in the form of royalties and licensing revenue exceeded $37 billion--topping such traditional blue chip items as aircraft and telecommunications equipment. [FN202] Morevoer, the intellectual property trade surplus, or exports minus imports, is running at about $25 billion annually and growing. [FN203] The importance of the intellectual property component of the U.S. economy becomes apparent when intellectual property exports are compared with more traditional U.S. exports. For example, the U.S. surplus with Japan in intellectual property topped $4 billion last year, while the U.S. trade deficit with Japan in goods was $5.5 billion for January of 2000 alone. [FN204] Further, the increasing importance of the information economy stands to boost the importance of U.S. intellectual property exports. The current lead of the United States in Internet and e-commerce innovation, compared with the rest of the world, creates the potential for global licensing and royalty revenue to explode. [FN205]

However, just as apparent as the impressive value of U.S. intellectual property in the world market is the fact that the U.S. loses billions of dollars a year in exports because of the inadequate protection of intellectual property rights in foreign countries. [FN206] The problem is exacerbated by the fact that developing countries often see little incentive to protect the rights in intellectual property exported by developed countries. [FN207]

*324 These countries view ready access to intellectual property as important to development, whereas the enforcement of intellectual property law is considered a burden on development. [FN208] Further, the importation of intellectual property often is viewed as a tool to dominate and exploit the economic potential of the importing countries. [FN209] Finally, intellectual property frequently is simply too new of a concept in many developing countries to have become a legal tradition. [FN210] For these reasons, developing countries often resist allocating scarce government resources to the enforcement of intellectual property rights. [FN211]

Trademarks are a key intellectual property export of the United States in the international economy. By identifying the source of goods placed in commerce and distinguishing among the goods of different manufacturers, [FN212] they perform several key functions for U.S. businesses seeking to establish an international presence. First, trademarks encourage the production of quality goods and services by allowing foreign consumers to connect a product with its U.S. manufacturer. [FN213] Because consumers reward quality products with continued patronage, U.S. manufacturers have an incentive to keep quality high. [FN214] As a result, trademarks come to embody the reputation of the U.S. manufacturer. Second, trademarks reduce the foreign consumer's cost of searching for information about U.S. products. [FN215] Information, and the time required to acquire it, are not costless. A trademark comes to embody all of the information a foreign consumer associates with a U.S. product, allowing the consumer to rely on the trademark rather than investigate each purchasing decision anew. Third, trademarks protect foreign consumers against confusion and deception. [FN216] A trademark ensures that the brand information received by consumers is accurate, preventing the consumer from purchasing a product with the mistaken belief that it comes from a U.S. source, when in actuality it comes from another source. Finally, trademarks are essential to the functioning of a competitive international economy. [FN217] Without trademarks and the policy goals they serve, competition in product quality could not exist. By allowing consumers worldwide to make rational, informed purchasing decisions, trademarks foster *325 the entry of U.S. manufacturers into the competition for consumer attention in international markets.

B. The Benefits of Harmonization

The different levels of international protection for trademarks can be easily visualized using the "patchwork-quilt-blanket" model. [FN218] The traditional system of international trademark protection is best viewed as a "patchwork," or territorial system of trademark law. Under the doctrine of territoriality, a trademark has a separate legal existence in each sovereign territory where it is registered or legally recognized. [FN219] The result is a "patchwork" system of trademark protection, where the same trademark can have different levels of protection in different countries.

Under the patchwork system, companies seeking to market their trademarks worldwide are forced to meet procedural and substantive requirements that vary in every country. [FN220] These requirements can include the filing of numerous legal documents in various languages, submission of different trademark samples on varying media, and payment of official fees in various currencies. [FN221] Because these requirements vary from jurisdiction to jurisdiction, it is often necessary to hire specialized trademark agents or attorneys in each jurisdiction to prosecute trademark rights. [FN222] The time, effort, and expense associated with pursuing trademark rights worldwide under this system often prevents businesses from marketing their trademarks internationally at all. [FN223]

An alternative to the patchwork system is the "blanket" system, or the unification of international trademark law. Under this system, every country in the world would follow an identical, unified "blanket" law governing trademarks. Given the wide-ranging differences in legal cultures and traditions that exist around the world, it is extremely unlikely that international trademark law will follow the blanket system in the foreseeable *326 future, if ever. [FN224] Further, there is likely an inherent value in preserving these diverse legal cultures. [FN225]

Consequently, the trend in international trademark law has been towards the "quilt" system, or the harmonization of international trademark law. Under this system, trademarks still retain a separate legal status in each country around the world, but each country is required to harmonize the substance and procedure of its trademark law. The result is a "quilt" of international trademark protection, with each square retaining its individual characteristics but working with the others to provide a harmonized system of protection. The goal is to make the worldwide protection of trademark rights less onerous than it is under the patchwork system. Beginning with the Paris Convention, the international treaties governing trademark law have directed their efforts toward harmonizing international trademark law rather than unifying it. [FN226]

Relative to the patchwork system of international trademark law, a harmonized system would provide trademark owners with speed, certainty,*327 and efficiency in seeking and maintaining their rights internationally. [FN227] These benefits are generally perceived to be an improvement over the relatively time-consuming, unpredictable, and inefficient method of seeking and maintaining international trademark rights under the patchwork system. [FN228]

C. Havana Club as a Threat to Harmonization

Section 211 represents a break from the principles of harmonization, and the application of § 211 in Havana Club threatens to derail the U.S. effort to bring harmonization about. In addition to threatening the harmonization principles of speed, efficiency, and certainty, § 211 undermines the basic functions that trademarks serve in the international marketplace and questions the credibility of the U.S. commitment to pursuing strong intellectual property protection abroad. The following sections examine each of these situations in turn.

1. Havana Club as a Threat to Speed, Certainty, and Efficiency in Prosecuting International Trademark Rights

A harmonized international law of trademarks would result in common standards and procedures for the acquisition and maintenance of trademark rights throughout the world. The speed of trademark prosecution in each jurisdiction would be increased because trademark owners would become familiar with and could apply the same harmonized standards and procedures across jurisdictional boundaries. Similarly, trademark owners would be more certain of their rights, because the harmonized procedures would allow for standardized expectations and predictable outcomes, regardless of the specific jurisdiction involved. Finally, the ability to rely on harmonized standards and procedures would reduce the transaction costs associated with prosecuting trademarks across jurisdictional boundaries, making the process more efficient and maximizing the value of the trademarks themselves.

Section 211 undermines each of these goals by imposing an additional set of standards and procedures for trademarks that are deemed confiscated or otherwise covered by the Cuban embargo. For these trademarks, the speed of prosecution in the United States is decreased relative to other countries because the trademark holder is required to obtain consent from the original trademark owner and to comply with the OFAC licensing procedure. Similarly, trademark owners would be less certain of their rights because the consent requirement and the OFAC *328 licensing procedure discourages standardized expectations and predictable outcomes. Finally, compliance with the consent requirement and OFAC licensing procedure increases the transaction costs associated with prosecuting confiscated trademarks or trademarks covered by the Cuban embargo, making the process less efficient and decreasing the value of these trademarks in the United States.

To see how § 211 adversely affects the harmonization goals of speed, certainty, and efficiency, one need look no further than the Havana Club litigation itself. To date, the Havana Club litigation has dragged on for three years. During this extended period, the rights to the Havana Club trademark and trade name have remained in doubt. And the process has proved a horribly inefficient allocation of resources.

2. Havana Club as Undermining Trademark Functions in the International Marketplace

Harmonization furthers the basic trademark functions of identifying and distinguishing goods in the far-flung international market. By allowing manufacturers to use the same trademark in connection with goods and services, regardless of the particular jurisdiction in which those goods and services are offered, the basic policy goals of trademarks are served: the trademark comes to embody the standard of quality associated with the manufacturer's goods and services; consumers are able to rely on the trademark as an accurate source of information about the product; and consumers are able to rely on the trademark as a safeguard against the confusing or deceptive practices of other manufacturers. These policy goals of trademarks are particularly important in the international marketplace, where the link between consumer and manufacturer is at its most attenuated and consumers often have no other source of information about the product other than what is on the packaging.

Section 211 undermines these basic functions of trademarks by creating a situation where, like that patchwork system, trademarks have a different legal status in the United States than abroad. If a trademark owner does not comply with the § 211 consent requirement and the OFAC licensing procedures, a trademark otherwise validly protected in other international jurisdictions will not be protected in the United States. Taking the international market as a whole, these trademarks will no longer be able to adequately identify and distinguish their goods and services, because the trademarks will have different meanings to consumers depending on whether they are in the United States or in a foreign market. If the trademark has a different meaning depending on the particular jurisdiction, consumers in the international market will no longer be able to rely on the trademark as embodying the reputation for quality of a particular manufacturer, as conveying accurate information about a product, or as a safeguard against confusion or deception among different products.

*329 Again, to see how § 211 undermines the basic functions of trademarks, one need look no further than the Havana Club litigation. As a result of the application of § 211 to bar HCH from asserting U.S. trademark rights in the Havana Club trademark and trade name, the trademark and trade name now have separate identities inside and outside the United States. Within the United States, the trademark and trade name identify rum produced by Bacardi, and serve to distinguish Bacardi's rum from that of other manufacturers. Outside of the United States, the trademark and trade name serve to identify rum produced by HCH, and to distinguish HCH's rum from that of other manufacturers. When confronted with a bottle of rum labeled with the Havana Club trademark or trade name, consumers can no longer be sure which company's reputation for quality is implied, what information about the rum is being conveyed, and which company the rum actually originates from.

3. Havana Club as Questioning the U.S. Commitment to Harmonization

U.S. trade policy has evolved from an essentially "do nothing" approach to an extremely activist approach. [FN229] In the past, U.S. policy regarding the enforcement of intellectual property rights focused on border control measures and cooperation with various international agencies to develop piecemeal protection schemes. [FN230] In the decade following the end of the Cold War, however, the United States has come to regard intellectual proprety protection as an integral part of trade policy, inseparable from such traditional issue as tariffs. [FN231] As a result, the United States was a key player in pushing for the adoption of the TRIPs agreement as an application of the trade policy embodied in GATT to intellectual property protection. [FN232] Under TRIPs, the United States has aggressively used the WTO dispute settlement procedure to protect U.S. intellectual property rights abroad [FN233] and pushed hard to ensure that developing countries implement TRIPs provisions by the deadlines outlined *330 in the agreement. [FN234] Additionally, the United States has continuously maintained implementation of WTO intellectual property provisions as a fundamental condition of WTO membership. [FN235]

Because § 211 likely violates several provisions of the TRIPs agreement, the statute stands as a highly visible discrepancy to the otherwise consistently activist stance that the United States has taken in pursuing the worldwide protection of intellectual property rights. This discrepancy is all the more striking given the United States' frequent use of the WTO dispute resolution mechanism to enforce the provisions of TRIPs against other countries. [FN236]

By virtue of its strong intellectual property economy and activism on intellectual property issues, the United States is perceived as a leader on global intellectual property issues. By enacting domestic legislation that conflicts with the TRIPs agreement, the United States is sending conflicting messages to the international community regarding its commitment to intellectual property issues. Given the existing lack of incentive on the part of developing countries to implement measures to protect U.S. intellectual property abroad, [FN237] these signals could be interpreted, at best, as a wavering of the United

States to its intellectual property commitment, and, at worst, as a hypocritical policy on international intellectual property issues. Further, by favoring the domestic policy goals of the Cuban embargo over its international commitment to worldwide intellectual property protection, the United States is inviting foreign countries to enact similar laws favoring domestic policy goals at the expense of intellectual property rights protection. The result would be a serious impediment to the international harmonization of trademark law, as individual countries would enact laws favoring domestic trademark policy at the expense of harmonization.

D. The Policy Underpinnings of Havana Club

Because the application of § 211 in Havana Club undermines the U.S. interest in harmonizing international trademark law, it is worthwhile to identify the statute's other policy underpinnings. Section 211 serves two primary policy goals: to further the ends of the Cuban embargo and to discourage the expropriation of property by foreign governments.

*331 1. Furthering the Interests of the Cuban Embargo

As outlined earlier in this Note, [FN238] the policy goals of the Cuban embargo are to limit the funds which Cuba may use to promote activities harmful to the United States, to use blocked funds as leverage in negotiations with the Cuban government, and to retain control over blocked funds for possible use in settling American claims. The passage of LIBERTAD has further entrenched the embargo as a component of U.S. foreign policy. [FN239] In recent years, the embargo has come under serious attack from a variety of quarters. [FN240] However, while the effectiveness of the embargo may still be open to debate, it nevertheless represents a considered foreign relations judgment made by the executive and legislative branches. Consequently, the embargo's policy goals continue to be viable policy underpinnings for U.S. statutes.

Section 211 furthers the policy goals of the Cuban embargo by eliminating a potential source of revenue for the state-owned enterprises of the Cuban government. For the same reasons that U.S. trademarks are valuable in foreign markets, [FN241] foreign trademarks are valuable in U.S. markets. When § 211 is triggered against a Cuban trademark, the Cuban government is prevented from generating revenue associated with exploiting the trademark in the U.S. market. These funds are therefore unavailable for use in promoting activities harmful to U.S. interests and provide leverage for the United States in its dealings with Cuba. [FN242]

2. Discouraging the Expropriation of Property by Foreign Governments

Although there is disagreement in the international community over the definition of "expropriation," it is generally well established that states have the sovereign right to expropriate the assets of foreign nationals located within the state's territory so long as adequate, effective, and *332 prompt consideration is paid for it. [FN243] This principle of international law has formed the basis of U.S. claims against Cuba for the expropriation of U.S. property by the Castro government. [FN244] U.S. courts have held that Cuba's expropriations of U.S. nationals' assets violated international law because

Cuba failed to provide adequate compensation and because it carried the expropriations out in a discriminatory and retaliatory manner. [FN245]

Unlike U.S. citizens, Cuban nationals cannot rely on international law as a remedy against expropriations by their own government. However, the United States has consistently taken the position that U.S. courts will not give extraterritorial effect to a confiscatory decree of a foreign state, even where directed against its own nationals. [FN246] Thus, U.S. courts still provide a remedy against the Cuban government for expropriation of property belonging to Cuban nationals.

Section 211 furthers the goal by discouraging foreign expropriations of property without compensation. The Act targets only confiscated trademarks and trade names in which Cuban nationals have an interest and for which the original owners were not compensated. The Act is therefore consistent with the established U.S. policy of discouraging the expropriation of property by foreign governments without compensation.

E. Balancing Havana Club Against the U.S. Interest in Harmonization

To balance the decision in Havana Club against the U.S. interest in harmonization is to make a value judgment on the competing policy interests advanced by the two interests. The task is complicated by the fact that Havana Club and harmonization represent two different spheres of policy--the political interests associated with the Cuban embargo and the economic interests associated with harmonization. Ultimately, the key to balancing Havana Club against the U.S. interest in harmonization comes from realizing that only one can be had at the expense of the other. Because the two interests directly compete and cannot coexist simultaneously, the decision comes down to a value judgment as to which interest more capably services U.S. global policy goals.

*333 V. Conclusion

This Note has attempted to illustrate the potential threat that § 211, as applied in the Havana Club case, poses to the U.S. interest in the harmonization of international trademark law. The focus of the Note has been to review the facts leading to the application of § 211 in Havana Club, examine the provisions of the statute, outline the policy interests at stake, and trace the effect of the statute on those policy interests. The Note has tried to avoid making a value judgment as to whether § 211 is a desirable law in and of itself. Rather, it has sought to simply identify the competing interests at stake and identify the consequences of pursuing the precedent set forth in Havana Club.

As a final thought, however, is it worth noting that the Cuban embargo, as recently reaffirmed and strengthened in LIBERTAD, has been in effect for nearly 40 years. No less than the district court judge in Havana Club I noted that whatever else one may have to say about the embargo, it is unlikely that it will end in the near future. [FN247] As this is the case, it appears likely that U.S. trademark owners will have to be prepared to live with the consequences of § 211 for the foreseeable future.

[FN1]. Havana Club V, infra note 3, at 119.

[FN2]. Id.

[FN3]. To date, there have been five opinions issued in the Havana Club litigation. These five opinions, referred to by roman numeral for convenience, are: 961 F. Supp. 498 (S.D.N.Y. 1997) [hereinafter Havana Club I]; 974 F. Supp. 302 (S.D.N.Y. 1997) [hereinafter Havana Club II]; 49 U.S.P.Q. 2d 1296 (S.D.N.Y. 1998) [hereinafter Havana Club III]; 62 F. Supp. 2d 1085 (S.D.N.Y. 1999) [hereinafter Havana Club IV]; 203 F. 3d 116 (2d Cir. 2000) [hereinafter Havana Club V].

[FN4]. Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Pub.L.No. 105-277, October 21, 1998 [hereinafter § 211].

[FN5]. Request for Consultations by the European Union and Their Member States, WTO Doc. WT/DS176/1, IP/D/20, July 15 1999 [hereinafter Request for Consultations].

[FN6]. 33 I.L.M. 81 (Dec. 15, 1993) [hereinafter TRIPs].

[FN7]. Laurence Helfer, World Music on a U.S. Stage: A Berne/TRIPs and Economic Analysis of the Fairness in Music Licensing Act, 80 B.U.L. Rev. 93, 100 (Feb. 2000) [hereinafter Helfer].

[FN8]. Havana Club V, supra note 3, at 120.

[FN9]. 12 U.S.C. § 95a (1994) [hereinafter TWEA].

[FN10]. 31 C.F.R. §§ 515.101-515.901 (1999).

[FN11]. Havana Club II, supra note 3, at 309.

[FN12]. 22 U.S.C. §§ 6021-24, 6031-46, 6061-67, 6081- 85, 6091 (1994) [hereinafter LIBERTAD].

[FN13]. Id. at §§ 6061, 6064-66.

[FN14]. Havana Club I, supra note 3, at 500.

[FN15]. 31 C.F.R. §§ 515.201(b), 515.311.

[FN16]. E.g., 31 C.F.R. §§ 515.542, authorized the receipt of mail between the United States and Cuba.

[FN17]. 31 C.F.R. § 515.801.

[FN18]. Havana Club I, supra note 3, at 500.

[FN19]. Havana Club V, supra note 3, at 119-20.

[FN20]. James Cox, Rum Rivals Fight Castro on U.S. Trademark Turf, USA Today, Aug. 11, 1999, p. 1A.

[FN21]. Id. Under U.S. law, if the owner of a trademark or trade name fails to use the mark or name in commerce for a statutorily defined period of time, the owner is deemed to have abandoned his rights in the mark or name. The Lanham Trade-mark Act of 1946, 15 U.S.C. § 1051 (1994 & Supp. 1999) [hereinafter Lanham Act]. The Havana Club court did not expressly address the issue of whether the Arechabala family had abandoned the Havana Club trademark and trade name, noting only that Bacardi purchased "the Arechabala family's rights (if any) to the Havana Club trademark ..." Havana Club V, supra note 3, at 120.

[FN22]. Cox, supra note 20.

[FN23]. Havana Club V, supra note 3, at 1.

[FN24]. Id.

[FN25]. Id.

[FN26]. U.S. law provides that foreign nationals can register trademarks with the Patent and Trademark Office. Lanham Act, supra note 20, at § 1126. The Havana Club case did not explore the details of the 1976 registration, but presumably it complied with the provisions of the OFAC licensing procedure.

[FN27]. Havana Club II, supra note 3, at 305.

[FN28]. Cox, supra note 20.

[FN29]. Havana Club II, supra note 3, at 305.

[FN30]. Id.

[FN31]. Havana Club V, supra note 3, at 120.

[FN32]. Id.

[FN33]. Id at 121.

[FN34]. Id.

[FN35]. Id. The CACR permit certain classes of U.S. citizens to travel to Cuba. Id. at 2.

[FN36]. Id.

[FN37]. Id.

[FN38]. Id.

[FN39]. Id.

[FN40]. Id at 120.

[FN41]. Havana Club I, supra note 3, at 499.

[FN42]. The Lanham Act is the popular name for the U.S. federal trademark statute. See Lanham Act, supra note 21.

[FN43]. Id.

[FN44]. Id. at 503.

[FN45]. Id. at 499.

[FN46]. Id. at 504. There are three constitutional requirements for standing: 1) injury in fact, 2) a causal connection between the injury and the offending conduct, and 3) redressability. Id. Additionally, for review of agency actions, the APA imposes the zone of interest test--the party challenging the agency action must show that the injury of which he complains fall within the zone of interests sought to be protected by the statutory provision whose violation forms the legal basis for his complaint. Id.

[FN47]. Id. at 504-05.

[FN48]. Id. at 505. The APA provides that if a statute is drawn so that a court would have no meaningful standard against which to judge an agency's exercise of discretion, judicial review is precluded. Id. The court concluded that the OFAC's broad discretion in licensing resulted in no meaningful standard upon which to base a review. Id.

[FN49]. See Havana Club II, supra note 3, at 306.

[FN50]. Id.

[FN51]. Id.

[FN52]. Under Federal Rule of Civil Procedure 56(c), a party is entitled to summary judgment where there is no genuine issue of material fact and the undisputed facts warrant judgment for the moving party as a matter of law. Id at 304. The court's role is not to try issues of fact, but rather to determine whether issues exist to be tried. Id. The burden of demonstrating the absence of a material factual dispute rests on the moving party. Id. Once that burden is met, the non-moving party must present significant probative supporting evidence that a factual dispute exists. Id.

[FN53]. Pursuant to Federal Rule of Civil Procedure 15(a), leave to amend a complaint is generally freely given, but a court may exercise its discretion to deny leave in a number of circumstances. Havana Club II, supra note 3, at 312, 313.

[FN54]. Lanham Act, supra note 21, at §§ 1051 et. seq.

[FN55]. General Inter-American Convention for Trademark and Commercial Protection, Feb. 20, 1929, 46 Stat. 2907, 124 L.N.T.S. 357 [hereinafter Inter-American Convention].

[FN56]. Havana Club II, supra note 3, at 306.

[FN57]. 31 C.F.R. § 515.527(a). This general license authorizes, in pertinent part, "[t]ransactions related to the registration and renewal in the United States Patent and Trademark Office or the United States Copyright Office of patents, trademarks, and copyrights in which the Government of Cuba or a Cuban national as an interest ..." Id.

[FN58]. Id.

[FN59]. Article 1 of the Inter-American Convention compels signatory nations to grant the nationals of other signatory nations the same rights and remedies that their laws extend to their own nationals. Inter-American Convention, supra note 55, at art. 1.

[FN60]. Article 11 of the Inter-American Convention provides that the assignment of a registered trademark in the country of original registration shall be effective and recognized in other contracting states, provided that reliable proof of the assignment is provided and that the assignment has been executed in accordance with the internal law of the country in which the transfer took place. Id. at art. 11.

[FN61]. Under the Constitution, statutes and treaties are both the supreme law of the land, and the Constitution establishes no order of precedence between them. Havana Club II, supra note 3, at 308. The Supreme Court has repeatedly taken the position that an Act of Congress, which must comply with the Constitution, is on a full parity with a treaty, and that when a statute that is subsequent in time is inconsistent with a treaty, the statute to the extent of the conflict renders the treaty null. Id. Although repeal by implication is not favored, the Supreme Court has articulated two well-settled categories of implied repeals: 1) Where provisions in the two acts are in irreconcilable conflict, the later act to the extent of the conflict constitutes an implied repeal of the earlier one; and 2) if the later act covers the whole subject of the earlier and is clearly intended as a substitute, it will operate similarly as a repeal of the earlier act. Id. In either case, the intention of the legislature must be clear and manifest; otherwise the later act is to be construed as a continuation of, and not a substitute for, the first act. Id at 309. Here, the court concluded that the CACR were in irreconcilable conflict with the Inter-American Convention because the CACR permitted OFAC to revoke HCH's specific license authorizing assignment of the Havana Club trademark. Id. at 309. Further, the court found Congress' intent to repeal the Inter-American Convention based on the stated policy goals of the CACR itself and of LIBERTAD, which codified the CACR into law.

Id. Because the CACR, enacted in 1963, were subsequent in time to the Inter-American Convention, ratified in 1929, the court concluded the CACR constituted an implied repeal by Congress of the CACR. Id.

[FN62]. Havana Club II, supra note 3, at 310.

[FN63]. Id.

[FN64]. Id.

[FN65]. Id. The CACR define "property" and "property interests" to include trademarks. 31 C.F.R. § 515.311. HCH argued that the federal registration of trademark does not itself create a trademark right; it only recognizes a trademark right which has been acquired through use. Havana Club II, supra note 3, at 310. Because HCH had not used the Havana Club trademark in the U.S., HCH argued that no trademark rights had yet vested in HCH. Id.

[FN66]. Id. The CACR prohibit all transfers of evidences of ownership of property, specifically including trademark registrations, as well as any transaction in which Cuban nationals at any time had any interest of any nature, direct or indirect, in the property involved. 31 C.F.R. § 515.201(b)(1).

[FN67]. Havana Club II, supra note 3, at 311.

[FN68]. Id.

[FN69]. Id. Federal Rule of Civil Procedure 19(a) requires that "[a] person who is subject to service of process and whose joinder will not deprive the court of jurisdiction over the subject matter of the action hall be joined as a party in the action if ... the person claims an interest relating to the subject matter of the action and is so situated that the disposition of the action in the person's absence may ... as a practical matter impair the person's ability to protect that interest." Fed. R. Civ. P. 19(a) (1997). A court may raise compulsory joinder on its motion when it believes that an absentee may be needed for just adjudication. Havana Club II, supra note 3, at 310, 311.

[FN70]. Id. at 312.

[FN71]. Id. at 312-313. Section 44(b) of the Lanham Act provides that "any person whose country of origin is a party to any trademark convention or treaty to which the United States is a party shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty, or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled under this Act." Lanham Act, supra note 21, at 15 U.S.C. § 1126(b). This section is designed to give foreign nationals a cause of action under U.S. law to vindicate rights guaranteed to them under international trademark treaties. Section

44(b) establishes this principle; the remaining paragraphs of § 44 provide the specific causes of action available to foreign nationals.

[FN72]. Havana Club II, supra note 3, at 313. Article 7 of the Inter- American Convention provides that the owner of a trademark protected in the United States has the right to oppose the use of an infringing mark by proving that the infringer know of the existence and continuous use of the mark in any other member nation in connection with the same class of goods. Inter-American Convention, supra note 55, at art. 7. Section 44(h) of the Lanham Act allows foreign nationals eligible for protection under § 44(b) to be protected against unfair competition. Lanham Act, supra note 21, at 15 U.S.C. § 1126(h). HCH argued that it was a person eligible for protection under § 44(b), that § 44(h) incorporated Article 7 of the Inter-American Convention, and that HCH therefore had an action for unfair competition under § 44(h). Havana Club II, supra note 3, at 313.

[FN73]. The distinction between a trademark and a trade name became a critical point in the Havana Club litigation. A trade name is usually adopted for the purpose of identifying the company and distinguishing it from other producers, rather than for the trademark purpose of identifying goods and distinguishing them from those produced by other producers. 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 9.3 (4th ed. 2000). The distinction between trademarks and trade names gives rise to practical effects. For example, unlike trademarks, trade names cannot be registered with the Patent and Trademark Office. Id.

[FN74]. Havana Club II, supra note 3, at 314. Article 18 of the Inter- American Convention provides any owner of a trade name in a signatory nation may, 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 by proving a) the infringing name is identical with or deceptively similar to the trade name, and b) the trade name was adopted and used before the infringing name. Inter-American Convention, supra note 55, at art. 18. Section 44(g) of the Lanham Act allows foreign nationals eligible for protection under § 44(b) to seek protection of trade names without the obligation of filling or registration, whether or not they form parts of marks. Lanham Act, supra note 21, at 15 U.S.C § 1126(g).

[FN75]. Havana Club II, supra note 3, at 314. Although the Cuban embargo prevented HCH from selling rum in the United States, the court concluded that HCH's use of the Havana Club trade name abroad, the importation of HCH rum into the United States as baggage, and the coverage of the Havana Club case in U.S. newspapers established the name in the minds of U.S. consumers. Id.

[FN76]. Havana Club III, supra note 3, at 1. The six affirmative defenses and counterclaims were: 1) violation of the Lanham Act, 2) abandonment, 3) false designation of origin, 4) unclean hands, 5) declaratory judgment, and 6) failure to state a claim upon which relief could be granted. Id.

[FN77]. Id. at 6.

[FN78]. The clean hands doctrine is the principle that a party cannot seek equitable relief or assert an equitable defense if that party has violated an equitable principle, such as good faith. Black's Law Dictionary 244 (7th ed 2000).

[FN79]. Havana Club III. supra note 3, at 4-5. Motions to dismiss are governed by Federal Rule of Civil Procedure 12(b)(6). Id. at 2. In deciding a 12(b)(6) motion, the court must accept as true material fact alleged in the nonmovant's pleadings and draw all reasonable inferences in its favor. Id. Dismissal can only be granted if it appears beyond doubt that the nonmovant can prove no set of facts in support of its claim which would entitle it to relief. Id.

[FN80]. Id. at 5

[FN81]. Id. at 6.

[FN82]. Id.

[FN83]. Section 211, supra note 4.

[FN84]. 31 C.F.R. § 515.336.

[FN85]. 31 C.F.R. § 515.305.

[FN86]. 31 C.F.R. § 515.527(a).

[FN87]. Section 211, supra note 4, at (a)(1). The language of the section reads 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 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. Id.

[FN88]. Id. at § 211(a)(2). The language of the section reads as follows: 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. Id.

[FN89]. Id. at § 211(b). The language of the section reads 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 USC 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 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. Id.

[FN90]. Id. at § 211(c).

[FN91]. Id. at § 211(d).

[FN92]. Havana Club IV, supra note 3, at 4.

[FN93]. For a discussion of HCH's claims under Article 18 of the Inter- American Convention and §§ 44(b) and 44(g) of the Lanham Act, see discussion supra Part II(E)(2).

[FN94]. For a discussion of implied repeals of treaties, see discussion supra Part II(E)(2). Here, the court found § 211 in irreconcilable conflict with the Inter-American Convention because it operated to deny HCH from asserting treaty rights in protecting trade names guaranteed to it under the treaty. See note 89, infra. The court concluded that § 211(b), specifying that no U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national, demonstrated the Congress intended to repeal rights in trademarks and trade names derived from treaties, where such trademarks and trade names satisfied the requirements of § 211. Havana Club IV, supra note 3, at 1092.

[FN95]. The court held that HCH is a designated national within the meaning of § 211, and that the Havana Club trademark was confiscated, within the meaning of § 211. Id.

[FN96]. Id.

[FN97]. Id. Self-executing instruments are effective immediately without the need for any type of implementing actions. Treaties are self-executing under the Supremacy Clause of the U.S. Constitution (Article IV, § 2) if textually capable of judicial enforcement and intended to be enforced in that manner. Black's Law Dictionary 1095 (7th ed. 2000).

[FN98]. Havana Club IV, supra note 3, at 1093-94.

[FN99]. Id. The court also concluded that it would be illogical to apply § 211(b) only to non-self-executing treaties and permit claims asserted under self-executing treaties. Id. at 1093.

[FN100]. Id. at 1094.

[FN101]. Id.

[FN102]. Id. at 1095.

[FN103]. Id.

[FN104]. Id. The court also noted that while the presumption against retroactive application of statutes was rooted in considerations of fairness and reasonable reliance and the principle that individuals should be able to conform their conduct to the law, retroactive application of § 211(b) would not unfairly upset HCH's settled expectations or unfairly impair its investment. HCH knew of the embargo preventing it from selling rum in the United States and built its business on sales in other countries, not on sales or reputation developed in the United States. Id. at 1094, 1095.

[FN105]. Id. at 1095. Legislation violates the separation of powers doctrine when it prescribes a rule of decision for courts to follow without permitting courts to exercise their judicial powers independently. Id. The rule prevents Congress from changing the law applicable to pending cases. Id. Where legislation can be characterized as changing the underlying law rather than prescribing a different outcome under preexisting law, it will not violate the separation of powers doctrine. Id. Moreover, the fact that the change in law affects only a limited class of cases does not compel the conclusion that it violates separation of powers. Id.

[FN106]. Id.

[FN107]. Id. at 1096. The Lanham Act provides that any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which--(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services or commercial activities by another person ... shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act. Lanham Act, supra note 21, at 15 U.S.C. § 1125(a).

[FN108]. Havana Club IV, supra note 3, at 1100. For a discussion of standing requirements, see discussion supra Part I(C).

[FN109]. Id. at 1099. The court reasoned that the Cuban embargo had been in place for more than 35 years, and that the recent enactment of LIBERTAD, codifying the CACR as law, attested to the embargo's continuing vitality. Id.

[FN110]. Id. at 1100. The court reasoned that U.S. nationals visiting Cuba constituted a limited class of people uniquely aware of the existence of the Cuban embargo. As such, these persons would not be confused into thinking that Bacardi's rum originated in Cuba when exposed to it upon return to the United States. Id. at 1099-100.

[FN111]. Id. at 1100.

[FN112]. Request for Consultations, supra note 5.

[FN113]. The GATT is a collection of multilateral agreements that govern international trade. The original GATT agreements entered in force in 1947, but they have been constantly updated by way of periodic rounds of trade negotiations. General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. A5, 55 U.N.T.S. 194. See also David A. Gantz, Introduction to the World Trading System and Trade Laws Protecting U.S. Business, 18 Whittier L. Rev. 289, 294 (1997). The latest round was concluded in Uruguay in 1994 and resulted in several key developments. Id. at 295. One key development was the addition of the TRIPs agreement to the collection of agreements that make up GATT. Id. at 296. Another was the creation of the WTO to supervise the GATT system of trade agreements. Id. at 295. One of the first actions of the WTO was the creation of the Dispute Settlement Understanding ("DSU"), a truly unique mechanism in international law. Id. at 297. The DSU provides a defined and binding framework for resolving trade disputes between WTO members. Id. The TRIPs agreement incorporates the DSU as its method for resolving TRIPs disputes. TRIPs, supra note 6, at art. 64.

[FN114]. The WTO's Most Individual Contribution (visited March 27, 2000) < http://www.wto.org/wto/about/dispute.htm>.

[FN115]. Request for Consultations, supra note 5. France is one of the member states on whose behalf the European Communitites (now the European Union) requested consultations.

[FN116]. Havana Club V, supra note 3, at 120.

[FN117]. The WTO's Most Individual Contribution, supra note 114.

[FN118]. Id.

[FN119]. Id.

[FN120]. Id.

[FN121]. Id.

[FN122]. Id.

[FN123]. Id.

[FN124]. Havana Club V, supra note 3, at 119. For a discussion of the district court's ruling regarding cancellation of the assignment of the Havana Club trademark, see discussion supra PartI(E)(1). Regarding the scope of the CACR general license for intellectual property, the Second Circuit added that a narrow interpretation of the general license was further justified to give effect to the otherwise broad prohibitions of the CACR and because OFAC, the agency in charge of administering the CACR, narrowly interpreted the general license. Havana Club V, supra note 3, at 123-124. Regarding

Congress' implied repeal of the Inter-American Convention, the Second Circuit added that the language of the recently enacted § 211 added even further evidence of Congress' intent. Id. at 126.

[FN125]. For a discussion of the dismissal of HCH's trade name claims, see discussion supra Part I(H)(1). Regarding the applicability of § 211 only to claims asserted directly under § 44(b) of the Lanham Act, the Second Circuit added that the legislative history of § 44(b) stated that § 44(b) was intended to apply to rights asserted under the Inter-American Convention. Havana Club V, supra note 3, at 128. Because § 211 applies to rights asserted under § 44(b), § 211 therefore also applies to rights asserted under the Inter-American Convention. Id.

[FN126]. For a discussion of the dismissal of HCH's false designation of origin claim, see discussion supra Part I(H)(2).

[FN127]. For a discussion of the dismissal of HCH's unfair competition claim under §§ 44(b) and 44(h) of the Lanham Act, see discussion supra Part I(E)(2). On appeal, HCH further argued that Article 21(c) of the Inter-American Convention, which defines unfair competition to include "false indications of geographical origin," was incorporated into § 44(h). Havana Club V, supra note 3, at 134. The court found that Article 21(c) was inapplicable, because the section also contained language limiting its application to cases where false indications of geographic origin are not dealt with adequately under state law. Id. Because U.S. law provides a cause of action for false designation of origin under § 43(a) of the Lanham Act, the court concluded that Article 21(c) was inapplicable and therefore HCH had no cause of action under § 44(h). Id at 135.

[FN128]. Larry Speer, Intellectual Property: Battle Over Cuban Rum Trademark New Threat to E.U.-U.S. Relations, [Jan.-June], 17 International Trade Reporter (BNA) No. 7, at 269 (Feb. 17, 2000).

[FN129]. Section 211, supra note 4, at (a)(1).

[FN130]. Id. at (a)(2).

[FN131]. Id. at (b).

[FN132]. Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, art. 1-12, 19, 25 Stat. 1372, 1374-77, 1379 [hereinafter Paris Convention].

[FN133]. TRIPs, supra note 6, at art. 3(1).

[FN134]. Id.

[FN135]. Paris Convention, supra note 132, at art. 2(3).

[FN136]. Id. at art. 6(1).

[FN137]. TRIPs, supra note 6, at art. 3(2).

[FN138]. Id. at art. 4.

[FN139]. Section 211, supra note 4, at (a)(1).

[FN140]. Id. at (d)(2).

[FN141]. 31 C.F.R. § 515.336 (1999).

[FN142]. Section 211, supra note 4, at (a)(2) and (b).

[FN143]. Id. at (a)(2).

[FN144]. Id. at (b).

[FN145]. The fact that HCH's rights would be limited in this way, despite consent from the Arechabala family, stems from the omission in § 211(a)(2) of the consent language included in §§ 211(a)(1) and 211(b). If one assumes that Congress intended § 211 to safeguard the interests of original owners whose trademarks and trade names were confiscated, this application of § 211(a)(2) might be considered an anomalous result. Unfortunately, Congress included no legislative history accompanying § 211. Even if § 211 included that consent language, however, it would still violate the national treatment principle by forcing Cuban nationals to seek the consent of original owners, a requirement not imposed on any other nationals. See generally § 211, supra note 4.

[FN146]. The fact that Bacardi would not have to seek the consent of the Arechabala family, despite the Havana Club trademark and trade name's confiscated status, stems from the inclusion in § 211(b) of the designated national language. Again, this application of § 211(b) might lead to an anomalous result if one assumes that Congress' intent in enacting § 211(b) was to safeguard the interests of original owners. See generally id.

[FN147]. TRIPs, supra note 6, at art. 3(1). This article of TRIPs incorporates article 2(3), 6(1), and 6(2) of the Paris Convention, which set forth the exceptions to the national treatment rule. Paris Convention, supra note 132, at arts. 2(3), 6(1), and 6(2).

[FN148]. TRIPs, supra note 6, at art. 3(2).

[FN149]. See discussion infra Part II B, infra.

[FN150]. Section 211, supra note 4.

[FN151]. Id. at art. 15(1).

[FN152]. Id. at art. 15(2).

[FN153]. Paris Convention, supra note 132, at art 6quinquies (A)(1).

[FN154]. Id. at art. (B)(1).

[FN155]. Id. at art. (B)(2).

[FN156]. Id. at art. (B)(3).

[FN157]. Id. at art 8.

[FN158]. 31 C.F.R. § 515.527 (1999).

[FN159]. Section 211, supra note 4, at (a)(1).

[FN160]. For example, § 211(a)(1) would operate to protect the Arechabala family, even though the family has probably lost all of its rights to the Havana Club trademark by way of abandonment. This violates the exception relating to protection of the preexisting rights of third parties, because the Arechabala family has no rights to protect.

[FN161]. It is possible to make a long-shot argument that § 211(a)(1) denies registration of confiscated marks on grounds of morality, in the sense that it is immoral to confiscate property without compensation. However, this is interpretation of morality is counter to the traditional interpretation of the term, which usually relates to such subjects as obscenity, profanity, etc.

[FN162]. Section 211, supra note 4, at (a)(2) and (b).

[FN163]. TRIPs, supra note 6, at art. 16.

[FN164]. Id. at art. 17.

[FN165]. Paris Convention, supra note 132, at art. 8.

[FN166]. Section 211, supra note 4, at (a)(2).

[FN167]. Id. at (b).

[FN168]. TRIPs, supra note 6, at art. 17.

[FN169]. Paris Convention, supra note 132, at art. 8.

[FN170]. TRIPs, supra note 6, at art. 21.

[FN171]. Id. at art. 41(1). The specified procedures referred to in Article 41 are contained in Articles 41 to 61 of TRIPs. Id. at arts. 41- 61. The procedures include, for example, the right of judicial authorities to require that an opposing party disclose evidence relevant to a dispute and the right of judicial authorities to order an infringer to pay both compensatory damages for harm suffered and the costs associated with bringing an action. Id. at arts. 43, 45.

[FN172]. Id. at art. 42.

[FN173]. Id. at art. 62(1).

[FN174]. Id. at art. 62(1).

[FN175]. Id.

[FN176]. Id. at art. 41(3).

[FN177]. Id. at art. 41(4).

[FN178]. Id. at art. 62(4).

[FN179]. Id. at art. 41(4).

[FN180]. Id. at art. 62(5).

[FN181]. Section 211, supra note 4, at (a)(1).

[FN182]. TRIPs, supra note 6, at art. 62(1).

[FN183]. Id.

[FN184]. See discussion supra Part II(A).

[FN185]. Id.

[FN186]. Id.

[FN187]. Section 211, supra note 4.

[FN188]. See generally Paul Edward Geller, From Patchwork to Network: Strategies for International Intellectual Property in Flux, 31 Vand. J. Transnat'l L. 553 (1998).

[FN189]. See e.g. Helfer, supra note 7.

[FN190]. Murray Weidenbaum, All the World's a Stage, Mgmt. Rev., Oct. 1, 1999, at 42.

[FN191]. Id.

[FN192]. Id. at 43.

[FN193]. Id. at 44.

[FN194]. Id.

[FN195]. Id.

[FN196]. Id.

[FN197]. Id.

[FN198]. Id.

[FN199]. Id.

[FN200]. Id.

[FN201]. Id.

[FN202]. Bernard Wysocki Jr, Intellectual Property Trade Surplus Growing, Chicago Tribune, Apr. 17, 2000, § 4 at 2.

[FN203]. Id.

[FN204]. Id.

[FN205]. Id.

[FN206]. Jeffery E. Garten, American Trade Law in a Changing World Economy, International Lawyer, Spring 1995, at 15.

[FN207]. Marshall A. Leaffer, Protecting United States Intellectual Property Abroad: Towards a New Multilateralism, 76 Iowa L. Rev. 273, 282 (1991).

[FN208]. Id.

[FN209]. Id.

[FN210]. Id.

[FN211]. Id.

[FN212]. 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 3:2 (3d ed. 1996).

[FN213]. Id. at § 2:4.

[FN214]. Id.

[FN215]. Id. at § 2:5.

[FN216]. Id. at § 2:33.

[FN217]. Id. at § 3:5.

[FN218]. See generally Geller, supra note 188, at 554-55. Geller describes international trademark law as a "patchwork" of national laws that is being transformed by the "networking" of the global economy. I have taken the patchwork concept described by Geller and put my own spin on it, the "patchwork-blanket-quilt" model I describe.

[FN219]. McCarthy, supra note 212 at § 29:1.

[FN220]. Marshall A. Leaffer, The New World of Intellectual Property Law, 2 Marquette Intell. Prop. L. Rev. 1, 4 (1998).

[FN221]. Id.

[FN222]. Id.

[FN223]. Id.

[FN224]. An important exception is the European Union's (EU) Community Trademark, which provides a single system of registration and protection of trademarks within the countires of the EU. Leaffer, supra note 220, at 23-28. Importantly, however, the Community Trademark is an alternative system of registration; EU members still retain their individual, national trademark laws. Id. Perhaps more important that the Community Trademark is the European Trademark Directive, which services to harmonize the national trademark laws of the EU member countries. Id.

[FN225]. See, e.g., Kenneth L. Port, Trademark Harmonization: Names, Norms & Nonsense, 2 Marquette Intell. Prop. L. Rev., 33 (1998) (criticizing various aspects of the homogenization of international trademark law).

[FN226]. See, e.g., Paris Convention, supra note 132; Madrid Agreement Concerning the International Registration of Marks, 828 U.N.T.S. 389 (Apr. 14, 1891); Inter-American Convention, supra note 55; Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, June 15, 1957, 32. U.S.T. 1336, 550 U.N.T.S. 45 (Jun. 15, 1957, as last revised on May 13, 1977);

Convention Establishing World Intellectual Property Organization, July 14, 1967, 828 U.N.T.S. 3; Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, WIPO Pub. No. 204(E) June 28, 1989, I.P.L.T. MT 3-007; Trademark Law Treaty and Regulations Under the Trademark Law Treaty, TLT/DC/53 WIPO Oct. 27, 1994, visited Sep 10, 2000 <www.wipo.com>. The Trademark Law Treaty, in particular, is notable for essentially establishing the maximum degree of procedure that any country can apply to trademark registration. Leaffer, supra note 220, at 20. A notable exception to the trend is the TRIPs agreement, which is the first treaty to establish minimum substantive levels of protection that countries must accord to trademarks. However, it is important to note that TRIPs does not establish unified standards. Rather, it merely establishes a base level of protection below which members are obligated not to fall. The result resembles harmonization more closely than unification, because while members are required to uphold common standards of trademark protection, variations in the domestic trademark law of each member is still permitted.

[FN227]. Leaffer, supra note 220, at 5. Although these benefits seem obvious, it is surprising how difficult it is to find these benefits explicitly stated in the trademark literature. This apparent lack of consensus regarding the clearly-defined goals of harmonization has led at least one commentator to question if harmonization is a desirable goal at all. See Port, supra note 225.

[FN228]. Leaffer, supra note 220, at 5.

[FN229]. Donald E. DeKieffer, US Trade Policy Regarding Intellectual Property Matters, in International Trade and Intellectual Property 97 (George R. Stewart et al. eds., 1994).

[FN230]. Id. at 107-8.

[FN231]. Id.

[FN232]. Id. at 97.

[FN233]. Hearing Before the House Committee on International Economic Policy and Trade, 1999 WL 824958 C 1999 (statement of Richard Flisher, Deputy U.S. Trade Representative). The countries against which the US has initiated WTO dispute resolution procedures include Japan, Portugal, Pakistan, Denmark, Sweden, Greece, Canada, Ireland, India, Argentina, and, last but not least--the European Union. Id. Ironically, the most recent US complaint against the EU is a trademark dispute in which the US alleges that EU regulations governing the protection of geographical indications for agricultural products violates the TRIPs provision regarding national treatment. Id.

[FN234]. Id. TRIPs exempted two classifications of countries, developing countries and least developed countries, from implementing TRIPs at the time it became effective. Developing countries were to have implement TRIPs by January 1, 2000 and least developed countries are to have implemented TRIPs by January 1, 2006.

[FN235]. Id.

[FN236]. Helfer, supra note 7, at 100.

[FN237]. Leaffer, supra note 207, at 282.

[FN238]. See Part II A, supra.

[FN239]. Id.

[FN240]. Havana Club I, supra note 3, at 501. For example, one original goal of the embargo was to end the Castro regime. Id. Critics of the embargo point out that it may actually have bolstered the Castro regime by proving an all-purpose excuse for Cuba's ills. Id. Another original goal of the embargo was to protect US national security at a time when Cuba was a Soviet satellite fomenting unrest in Latin America. Id. Critics of the embargo point out that neither condition obtains today. Id. at 502. Finally, critics of the embargo claim that it has led to increased suffering and death in Cuba, for example by fostering unsafe drinking water due to lack of the appropriate chemicals and equipment. Id. at 501.

[FN241]. See Part IV A, supra.

[FN242]. Havana Club II, supra note 3, at 309.

[FN243]. Matias F. Travieso-Diaz, Alternative Remedies in a Negotiated Settlement of the US Nationals' Expropriation Claims Against Cuba, 17 U. Pa. J. Intl. Econ. L. 659, 664 (1996).

[FN244]. Id.

[FN245]. Id.

[FN246]. Maltina Corp. v. Cawy Bottling Co., 462 F.2d. 1021, 1025 (5th Cir. 1972). See also F. Palicio y Compania, S.A. v. Brush, 256 F. Supp. 481,488 (S.D.N.Y. 1966) (acts of intervention and nationalization which do not afford compensation to the persons adversely affected are undoubtedly inconsistent with our policy and laws); Republic of Iraq v. First National City Bank, 241 F. Supp. 567, 574 (S.D.N.Y. 1965) (such uncompensated confiscation is simply repugnant to our fundamental concept of justice).

[FN247]. Havana Club I, supra note 3, at 502.
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