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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Cancellation No. 24, 108

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GALLEON, S.A.,
BACARDI-MARTINI U.S.A., INC.
and BACARDI & COMPANY LIMITED

v.

HAVANA CLUB HOLDINGS, S.A. and
HAVANA RUM & LIQUORS, S.A.

Registration No. 1,031,651

MEMORANDUM OF LAW IN SUPPORT OF RESPONDENTS' MOTION FOR SUMMARY JUDGMENT AND TO DISMISS

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United States Department of State, *U.S. Treaties in Force - January 1, 1996* 22, 23

Respondent Havana Club Holding, S.A., owner of the United States registration of the trademark HAVANA CLUB and design, Registration No. 1.031,651, and respondent Havana Rum & Liquors, S.A., co-owner of Havana Club Holding, S.A. and assignor of the mark, respectfully submit this memorandum of law in support of their motion for summary judgment dismissing the instant cancellation petition and for other relief.

INTRODUCTION

Petitioners seek to cancel the 1976 registration of the worldwide trademark for Cuba's premier rum. During the two decades since its registration in the United States and elsewhere, the mark, HAVANA CLUB, has been in continuous use. Approximately 130 million bottles of the rum have been sold under the mark in more than twenty countries over these years. During the same period, 400,000 bottles of the rum bearing the HAVANA CLUB trademark have been imported lawfully into the United States, where direct sales are prohibited by the embargo against Cuba, by returning United States visitors to Cuba; and United States consumer recognition of HAVANA CLUB rum has been additionally established by constant and widespread media attention and promotion. The same exact rum continues to be promoted and sold under the HAVANA CLUB trademark today.

In 1993, Cuba's HAVANA CLUB rum business was reorganized to boost still further the export of the product sold for all these years under the HAVANA CLUB trademark, through the inclusion of a 50% foreign equity partner in the same, on-going HAVANA CLUB business. The product remained precisely the same, as did the trademark and distinctive design used to identify that product; the business which had marketed and promoted the rum under that trademark was kept completely intact, all the assets associated with the HAVANA CLUB business being transferred together with the trademark to the new corporate structure created to accommodate the new partner; and 50% continuity of Cuban ownership and control was maintained.

In the last twenty-four months, two separate proceedings have been brought to cancel the HAVANA CLUB registration by persons who never have sold rum under the HAVANA CLUB name in the United States or elsewhere, presumably reflecting the mark's importance and value in the United States market. A year ago, this Board rejected the first of these petitions, granting summary judgment to the instant respondents in *Jose Ma. Arechabala Rodrigo* v. *Havana Rum & Liquors and Havana Club Holding,* Cancellation No. 22,881 (T.T.A.B. slip op. Oct. 19, 1995). The Board held as a matter of law that the United States Treasury Department's Cuban Assets Control Regulations, 31 C.F.R. Part 515 -- which embargo Cuban-origin products with limited exceptions -- excuse nonuse of the HAVANA CLUB mark in the United States. The Board additionally found that respondents "intend to use the mark in the United States as soon as it is legally possible to do so." *Arechabala* slip op. at p.19.[1]

While the *Arechabala* petition was *sub judice*, the current petitioners commenced this cancellation proceeding. They base many of their claims on the supposed rights of an unrelated third party, Jose Arechabala, S.A., a Cuban corporation nationalized in 1960; as demonstrated on this summary judgment motion, however, Jose Arechabala, S.A.'s registration of HAVANA CLUB rum expired in 1962 when no Section 8 declaration was filed; the company last acted to maintain any rights to the trademark HAVANA CLUB in the United States in 1959; and it undoubtedly ceased selling rum under the mark in this country at about the same time but demonstrably at the very latest in 1969 -- seven years before the current registration of the mark issued.

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[1]Notwithstanding restrictions on trade, the Cuban Assets Control Regulations "allow for, inter alia, filing in the United States applications for trademark registration, prosecuting said applications, receiving registration certificates and renewal certificates, and recording any instrument affecting title to trademark registrations." *Arechabala* slip op. at p.16; 31 C.F.R. § 515.527.

Upon respondents' Rule 12(b)(6) motion, the Board dismissed several of the petitioners' claims for failure to state a claim upon which relief could be granted. Slip op. (July 8, 1996). The Board granted petitioners leave to replead one of those claim, as it found petitioners' allegations to be "confusing" and "inconsistent" as well as "legally insufficient," *id.* at p.10; petitioners have done nothing to cure those defects, and so respondents again move to dismiss that claim under Rule 12(b)(6). The Board held that it would be inappropriate to resolve the remaining claims upon the petition. Introducing and supplementing the same proof submitted on summary judgment in *Arechabala*, respondents now move for summary judgment dismissing these remaining claims. They also move for summary judgment on the repleaded claim in the event that their renewed 12(b)(6) motion to dismiss that claim is denied.

PROCEDURAL HISTORY

The HAVANA CLUB mark was registered in 1976 under section 44 of the Lanham Act based upon a 1974 Cuban registration. On July 12, 1995, petitioners brought the current petition to cancel respondents' registration of the HAVANA CLUB trademark on five grounds. Upon respondents' motion pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure, this Board issued an opinion dismissing several of those claims: a claim of fraud based on an allegation that Cubaexport did not intend to use the mark when it applied to register it, on the ground that at the time the mark was registered, a foreign applicant relying on Section 44 was not required to assert an intent to use the mark, July 8, 1996 slip op. at p.9; a claim entitled "Treaty Violations and Constitutional Grounds" because it was "legally insufficient," *id.* at pp.10, 11; an "insufficient and futile" claim of abandonment based on non-use of the mark HAVANA CLUB in commerce because "for the entire relevant time frame it is and has been legally impossible for respondent to use the

mark in the United States," *ibid.*; and a claim of "unclean hands" because that is not grounds for cancellation of a registered mark, *ibid.*

Petitioners made conclusory allegations that Cubaexport fraudulently asserted ownership of the mark HAVANA CLUB in its application to register the mark, and that Cubaexport's Section 8 declaration was fraudulent; the Board held that it could not pass judgment on these claims at the pleading stage. Petitioners also made conclusory allegations of abandonment through assignment-in-gross which the Board likewise did not resolve on the face of the petition. *Id.* at p.12. The Board struck petitioners' claim of "Misrepresentation of the Goods" on the ground that the pleadings on this claim were "confusing, inconsistent and legally insufficient," *id.* at p.10, but permitted petitioners to amend the pleading of this claim.

Petitioners have now filed an amended and supplemental petition for cancellation in which they have realleged the claims not dismissed by the Board, and have added a claim of fraud in the 1996 renewal of the HAVANA CLUB registration, although they have not sought leave to file this supplemental claim as required by Rule 15 of the Federal Rules of Civil Procedure. Respondents have filed an Answer and at the same time have filed the instant dispositive motion.

STATEMENT OF FACTS

a. The HAVANA CLUB Business

As noted, HAVANA CLUB is the tradename of respondents' HAVANA CLUB rum, which is produced in Cuba and which has an international reputation as a high quality rum. The trademark HAVANA CLUB is used in connection with sales of HAVANA CLUB rum in more than twenty countries around the world, and has been registered in those countries. Since 1972, HAVANA CLUB rum has been exported successfully from Cuba to the major rum-consuming markets around the world, with sales of more than 130 million bottles and bulk sales of millions of liters.

Abarrategui Dec. ¶¶ 3,4;[2] Abarrategui Dec. III ¶ 10; Perdomo Dec. ¶ 11;[3] Prieto Dec. ¶¶ 5-8[4]; Pria Dec. ¶ 3-6.[5])

Empresa Cubana Exportadora de Alimentos y Productos Varios (the "Cuban Export Enterprise of Food and Various Products"), known by the acronym "Cubaexport," was the original owner of the HAVANA CLUB rum business. A Cuban state enterprise, Cubaexport, was established in 1966 by the Cuban Ministry of Foreign Commerce in an exercise of the ministry's legal monopoly over foreign trade.[6] Cubaexport exports a wide variety of Cuban products, and it was the exclusive exporter of HAVANA CLUB rum from Cuba from 1972 until 1993. (Perdomo Dec III. ¶ 6.) The United States registration of the HAVANA CLUB mark issued to Cubaexport on January 27, 1976 pursuant to Section 44 of the Lanham Act, 15 U.S.C. § 1126, on the basis of Cubaexport's 1974 registration of the mark in Cuba. (Perdomo Dec. ¶ 3; Sosa[7] Dec. ¶ 5).[8]

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[2]Three Declarations of Maria Del Carmen Abarrategui Goicolea, Commercial Director of Havana Club International, S.A. are cited as "Abbarategui Dec." "Abbarategui Dec. II" and Abbarategui Dec. III". These and the other declarations submitted herewith are appended to respondents' Notice Of Motion For Summary Judgment and bound in two volumes.

[3]Three Declarations of Luis Francisco Perdomo Hernandez, Vice Chairman of the Board of Havana Club Holding, S.A. are cited as "Perdomo," "Perdomo II" and "Perdomo III."

[4]The Declaration of Vidal Manuel Prieto Espina, Managing Director of Havana Rum & Liquors, S.A., is cited as "Prieto Dec."

[5]The Declaration of Miguel Antonio Pria Groso, formerly Vice Director of the department of Promotion of Exports in the Ministry of Foreign Commerce of the Republic of Cuba is cited as "Pria Dec."

[6]Ministry of Foreign Commerce Resolution No. 254 of 1966, Gaceta Oficial 9 (Jan. 26, 1966); Law No. 934 of February 23, 1961, Gaceta Oficial Extr. (Feb. 23, 1961). (Evenson Dec. II. ¶ 4 & Exh. B.)

Two Declarations of Debra Evenson are cited as "Evenson Dec" and "Evenson Dec. II."

[7]The Declaration of Marta E. Sosa Brizuela, Legal Advisor to Havana Rum & Liquors, S.A. and Havana Club International, S.A., is cited as "Sosa Dec."

Cubaexport filed a Section 8 declaration in the United States Patent and Trademark Office on January 13, 1982, stating that the mark was still in use. The declaration was accepted on March 22, 1982. At the time Cubaexport filed its Section 8 declaration, "any use [of a trademark], even use in a foreign country, was sufficient to meet the requirements of Section 8," *Cerveceria India, Inc.* v. *Cerveceria Centroamericana, S.A.*, 10 U.S.P.Q.2d 1064, 1067 (T.T.A.B. 1989), *aff'd*, 13 U.S.P.Q.2d 1307, 892 F.2d 1021 (Fed Cir. 1989); and as is discussed *post*, millions of cases of HAVANA CLUB rum had been sold by 1982, and continued to be sold then and thereafter.

In 1993, the HAVANA CLUB rum business was reorganized in order to expand the already considerable export and worldwide distribution of HAVANA CLUB rum through the inclusion of a foreign 50% equity partner. As contractually required by the written agreement governing this reorganization, the product sold by the business, HAVANA CLUB rum, remained precisely the same. (Perdomo Dec. II ¶ 8; Perdomo Dec. III ¶ 4.) Further, all the assets associated with the HAVANA CLUB business, including but by no means limited to the goodwill of the business, were transferred along with the HAVANA CLUB trademark to the new corporate structure created to accommodate the 50% foreign partner. (Perdomo Dec. III ¶¶ 5, 6 & Exh. B.)

As part of the 1993 reorganization of the HAVANA CLUB business, respondent Havana Rum & Liquors, S.A. was formed to be the specialized Cuban-owned partner in the new joint venture, rather than Cubaexport which was a widely generalized trading enterprise. (Perdomo Dec. III ¶ 6; Abarrategui Dec. II ¶ 9; Prieto Dec. ¶¶ 2,3,11.) For nominal consideration, all of the assets associated with HAVANA CLUB rum business, including the HAVANA CLUB trademark, were transferred from Cubaexport to Havana Rum & Liquors, S.A., which is also wholly Cuban-owned.

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[8]All relevant documents from the USPTO file are appended to the declaration of Caroline Rule, cited as "Rule Dec." Two other declarations of Caroline Rule are cited as "Rule Dec. II" and "Rule Dec. III."

(Abarrategui Dec. II ¶ 17; Perdomo Dec. ¶ 5; Perdomo Dec. III ¶ 7 & Exh. A[9].) Cubaexport's general director became the general director of Havana Rum & Liquors, S.A. (Perdomo Dec. III ¶ 6.)

Under the reorganization agreement, Havana Rum & Liquors, S.A. and the foreign partner together formed respondent Havana Club Holding, S.A. Each owns 50% of Havana Club Holding, S.A. and has a corresponding representation on its board of directors. (Perdomo Dec. III. ¶ 2.) Havana Rum & Liquors, S.A. thereupon transferred all the assets associated with the HAVANA CLUB rum business to Havana Club Holding, S.A.

The HAVANA CLUB trademark went with the business. As part of the reorganization, Cubaexport assigned to Havana Rum & Liquors, S.A., and Havana Rum & Liquors, S.A. assigned to Havana Club Holding, S.A., the trademark HAVANA CLUB, together with the goodwill of the business symbolized by that mark as registered and used around the world, along with all other assets associated with the HAVANA CLUB rum business. (Perdomo Dec. ¶ 5; Prieto Dec. ¶ 3; Sosa Dec. ¶ 6). The transfers of the mark included "the transfer of the rights of commercial exploitation, world-wide of" HAVANA CLUB rum and the "rights, uses and benefits" of the mark throughout the world. (Perdomo Dec. II. ¶ 4 & Exh. A; Perdomo Dec. III ¶ 7 & Exhs. A,B.)

Accordingly, Cubaexport executed a written assignment of the United States registration of the trademark HAVANA CLUB, along with the goodwill of the business symbolized by that mark, to Havana Rum & Liquors, S.A., and this assignment was recorded in the Patent and Trademark Office on February 10, 1994. (Perdomo Dec. ¶ 5; Prieto Dec. ¶ 3; Sosa Dec. ¶ 6). The assignment may be found in the records of the Patent and Trademark Office at Reel 1104, Frame 0046. Similarly, Havana Rum & Liquors, S.A. executed an assignment of the United States registration of the trademark HAVANA CLUB, along with the goodwill of the business symbolized

[9]Translations of Exhibits A & B to Perdomo Dec. III are appended to Evenson Dec.

by that mark to Havana Club Holding, S.A. (Perdomo Dec. ¶ 5; Sosa Dec. ¶ 6). The assignment was recorded in the Office of Patent and Trademark on September 13, 1994, and may be found at Reel 1219, Frame 0428. (Rule Dec. ¶ 3). The Treasury Department's Office of Foreign Assets Control licensed these assignments under the Cuban Assets Control Regulations. (Krinsky Dec.[10] II & Exh. A.)

Pursuant to the reorganization, the transfers of the entire HAVANA CLUB rum business from Cubaexport to Havana Rum & Liquors, S.A. and then to Havana Club Holding, S.A. encompassed all assets associated with the HAVANA CLUB rum business, including customer lists, market analysis and information, marketing strategies, shipping information, labels and label designs, advertising and promotional materials, technical information necessary to ensure quality control of HAVANA CLUB rum, all existing commercial contracts, debts and obligations, and intellectual property relating to the HAVANA CLUB business. (Perdomo Dec. II ¶¶ 4,5; Sosa Dec. ¶ 6; Perdomo Dec. III. ¶ 7 & Exh. B.)

Also as part of the reorganization, and as provided in the reorganization agreement, Havana Rum & Liquors, S.A. and its foreign partner formed Havana Club International, S.A. to be the licensee of the HAVANA CLUB trademark around the world. Havana Rum & Liquors, S.A. and the foreign partner each own 50% of Havana Club International, S.A. and they have a corresponding representation on its board of directors. (Perdomo Dec. III ¶ 3.)[11] Havana Club International, S.A. was "established in Cuba to manage with maximum efficiency the sale and marketing of HAVANA CLUB rum." (Perdomo Dec. II. ¶¶ 3,6; Abarrategui Dec. II. ¶ 10.)

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[10]Two Declarations of Michael Krinsky are cited as "Krinsky Dec." and "Krinsky Dec. II."

[11]Each owns 25% of the stock of Havana Club International, S.A.; the remaining 50% is owned by Havana Club Holding, S.A., which is owned 50/50 by Havana Rum and Liquors, S.A. and the foreign partner.

Liquors, S.A., with many years experience in the HAVANA CLUB rum business, were transferred to Havana Club International, S.A. (Perdomo Dec. II ¶ 6.) For example, the Commercial Director of Havana Club International, S.A. was the Vice President and Director of Commercial Operations of Havana Rum & Liquors, S.A., and prior to that was the Vice President of Cubaexport, directing its Department of Marketing and Sales. (Abarrategui Dec. II. ¶¶ 2,3.) In addition, the current President of Havana Rum & Liquors, S.A., who is also Vice-Chairman of HAVANA CLUB Holding, S.A., has been director or president of the rum's producer since 1973. (Perdomo Dec. III. ¶ 4.)

On account of its high quality, as well as certain distinctive qualities instilled in the rum by the Cuban climate and production techniques, HAVANA CLUB rum has been able to compete successfully in the international market. (Perdomo Dec. ¶ 3; Pria Dec. ¶ 4; Prieto Dec. ¶ 5; B'Hamel Dec. ¶ 7[12]). HAVANA CLUB rum has been exported from Cuba to more than twenty countries around the world, including Spain, the Canary Islands, Germany, Italy, France, Andorra, Denmark, Austria, Sweden, Finland, Hungary, the United Kingdom, Mexico, Bolivia, Peru, Chile, Argentina, Panama, Guatemala, Costa Rica and Canada, (Prieto Dec. ¶ 7; Perdomo Dec. ¶¶ 4,7; Abarrategui Dec. ¶¶ 2,5; Perdomo Dec. ¶ 7). The principal export markets for the rum have always been Europe, Canada and Mexico. (Pria Dec. ¶ 5; Perdomo Dec. ¶ 4). HAVANA CLUB rum's success in the international market is illustrated by the fact that over 130 million bottles of the rum were exported from Cuba between 1972 and 1995. (Abarrategui Dec. ¶ 4; Prieto Dec. ¶ 6; Abarrategui Dec. III & Exh. A; *see also* Pria Dec. ¶ 5). The rum has been exhibited at international

[12]The Declaration of Maria De La Luz B'Hamel, Director of the North America and Western Europe Division at the Ministry of Foreign Trade of the Republic of Cuba, is cited as "B'Hamel Dec."

The licensing agreement between Havana Club Holding, S.A. and Havana Club International, S.A. grants Havana Club International, S.A. the exclusive right to export and distribute HAVANA CLUB rum worldwide, and obligates Havana Club International, S.A. to ensure that rum sold under the HAVANA CLUB trademark "maintains the same quality for which the mark has stood." (Abarrategui Dec. ¶ 2; Perdomo Dec. ¶6; Perdomo Dec. II. ¶¶ 7,8; Sosa Dec. ¶ 9 & Exh. B.) The territory of the United States is included in this license. (Sosa Dec. ¶ 8 & Exh. B; Abarrategui Dec. ¶ 2; Perdomo Dec. ¶¶ 6,12).

The rum marketed under the HAVANA CLUB trademark has been manufactured in the same facilities in Cuba since it was first exported in 1972-3, by the same workforce, using ingredients from the same sources, and according to the same quality controls. (Abarrategui Dec. II. ¶¶ 9,19; Perdomo Dec. III ¶ 4.) In the same instruments by which Havana Rum & Liquors, S.A. and its foreign partner agreed to form Havana Club Holding, S.A. and Havana Club International, S.A., they entered into an a long term supply agreement with the producer of the rum. The supply contract provides that the producer will supply the same rum produced since the early 1970s "according to the same strict specifications which have always applied to the production of HAVANA CLUB rum." (Abarrategui Dec. II. ¶ 20 & Exh. F; Perdomo Dec. III. ¶ 4).

There has been substantial continuity in the executive personnel of the reorganized HAVANA CLUB rum business. The President of Havana Rum & Liquors, S.A. has been a member of the board of directors of Havana Club Holding, S.A. since the latter's formation. (Perdomo Dec. III ¶ 2.) The other Cuban member of Havana Club Holding, S.A.'s board of directors was the Director of Cubaexport before Havana Rum & Liquors, S.A. was established, and then held the position of General Director of Havana Rum & Liquors, S.A. from its establishment in 1993 until April of this year. (Perdomo Dec. III ¶ 2.) Skilled employees of Cubaexport and Havana Rum &

trade fairs where it has received medals for its quality (Pria Dec. ¶ 6), and has been widely advertised in major newspapers and magazines in the countries where it is sold (Prieto Dec. ¶ 7 & Exh. A).

Since the reorganization, sales of the same HAVANA CLUB rum under the same trademark have continued unabated. Indeed, they have grown; export figures for 1994 and 1995 show an increase of 16% in exports of HAVANA CLUB rum from Cuba over the prior twelve months. (Abarrategui Dec. II. ¶ 14 & Exh. E; Abarrategui Dec. III ¶ 10 & Exh. A.)

On June 30, 1996, the Patent and Trademark Office issued a Certificate of Renewal of the HAVANA CLUB registration for a term of ten years from January 27, 1996. Havana Club Holding, S.A. renewed the United States registration at issue in this case pursuant to Section 9 of the Lanham Act and, in its application, stated that the mark is not currently in use because such use is prohibited by the Cuban Assets Control Regulations.

b. <u>HAVANA CLUB rum in the United States</u>

HAVANA CLUB rum is the highest quality rum manufactured in Cuba, and is produced primarily for export purposes and for Cuba's substantial tourist trade. (Abarrategui Dec. ¶ 6; Perdomo Dec. ¶ 3; Prieto Dec. ¶ 6; Pria Dec. ¶ 4). HAVANA CLUB rum is not sold in the United States for the sole reason that United States law prohibits its importation except as accompanying baggage of a United States visitor returning from Cuba. (Abarrategui Dec. ¶¶ 7,8; B'Hamel Dec. ¶ 9; Prieto Dec. ¶ 13; Perdomo Dec. ¶ 14; Sosa Dec. ¶ 10). Although HAVANA CLUB rum may not be sold in the United States at present, respondents "intend to use the mark in the United States as soon as it is legally possible to do so," as this Board found in *Arechabala*. *Arechabala* slip op. at p.19.[13] HAVANA CLUB rum's international success and recognized quality

[13]*See also* Abarrategui Dec. p¶ 2,5,7-9; Perdomo Dec. ¶¶ 7,9,12,14,15; Prieto Dec. ¶¶ 9-14; Pria Dec. ¶¶ 7,9; B'Hamel Dec. ¶ 6,8,9; Sosa Dec. ¶ 11; Pria Dec. II. ¶¶ 3,4 & Exh. A; Perdomo Dec. II. ¶¶ 9 & Exh. B.; Abarrategui Dec. II. ¶¶ 2,3,5,6, & Exhs. A and B.

all but ensure its successful commercial introduction into the United States market once United States law allows. (Abarrategui Dec. ¶ 3; Perdomo Dec. ¶ 11). The prior and present owners and the licensee of the HAVANA CLUB rum business and trademark have all regarded the United States as having the potential to be the principal and, indeed, the most profitable market for HAVANA CLUB rum. (Abarrategui Dec. ¶ 6; Perdomo Dec. ¶ 10; Prieto Dec. ¶ 10; Pria Dec. ¶ 8).

Despite the fact that HAVANA CLUB rum may not be sold in the United States, substantial quantities of the rum -- over 400,000 bottles -- have been imported into this country by United States visitors to Cuba, thus contributing to the establishment of the rum's reputation in the United States. (Diaz Dec. ¶¶ 5,8,9[14].) The owners of the HAVANA CLUB rum business and HAVANA CLUB trademark have promoted increased sales of HAVANA CLUB rum to United States visitors to Cuba, among other foreign visitors, for importation into the United States as well as for consumption in Cuba. (Abarrategui Dec. III ¶¶ 7-10.) The rum is advertised in publications directed primarily toward visitors to Cuba, as well as on billboards in places frequented by visitors (Abarrategui Dec. III ¶ 6 and sales are promoted through a broad campaign in Cuban tourist centers such as hotels, restaurants and bars, where promotional materials bearing the HAVANA CLUB name -- drink stirrers, coasters, ice buckets, glasses, ashtrays, posters, recipe brochures, etc. -- are distributed to visitors. Respondents have sponsored promotional social activities for visitors to Cuba under the name HAVANA CLUB, have organized contests, raffles, happy hours and cocktail-making classes involving HAVANA CLUB rum, and have sponsored international sports, cultural and scientific events. (Abarrategui Dec. III ¶ 9.) HAVANA CLUB rum is available for purchase at stores in tourist hotels and at the international airports of Cuba, where it is prominently displayed. (Abarrategui Dec. II. ¶ 13; Diaz Dec. ¶¶ 6,7; Krinsky Dec. II ¶ 4.) Respondents have "always

[14]The Declaration of Hilda Diaz is cited as "Diaz Dec."

believed that such export to the United States through purchases in Cuba by United States persons traveling to Cuba continues to develop consumer recognition of HAVANA CLUB rum in the United States." (Abarrategui Dec. II. ¶ 13.)

During their ownership of the business associated with HAVANA CLUB rum and the HAVANA CLUB trademark, respondents have also promoted awareness of HAVANA CLUB rum's name amongst rum consumers in the United States who have not travelled to Cuba, despite trade sanctions against Cuba which have made any commercial efforts to sell the rum in the United States impossible. (Prieto Dec. ¶ 12). From as early as 1972, advertisements for HAVANA CLUB rum appeared in magazines and newspapers which are available in the United States. (Prieto Dec. ¶ 7 & Exh. A). [15]

The renown of HAVANA CLUB rum in the United States has been further established by the rum's mention by name in articles about Cuba that have appeared in United States publications since 1977. Articles about such diverse topics as tourism in Cuba or economic and political conditions in Cuba routinely mention HAVANA CLUB rum, recognizing that the rum is inextricably linked with Cuba, and is one of that country's best-known and most important products.[16]

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[15]For example, advertisements for the rum have appeared in the British magazine *Harpers*; in the French magazine *L'actualite*; in the Canadian magazine *The Gazette*; in the Italian magazine *Notizie Dal'Italia*; in the German magazine *Die Bar*; and in numerous other international publications. (Prieto Dec. ¶ 7 & Exh. A).

[16]Some examples of such articles that have appeared during the past two decades include a February 6, 1994 piece in the *Washington Times* about bicycling in Cuba, in which the writer described drinking HAVANA CLUB rum at a party in Santa Clara, Cuba. A September 9, 1993 article in the same paper about fuel shortages in Cuba mentioned "[e]xport quality Havana Club rum." An article about asylum seekers leaving Cuba that appeared in the *Chicago Tribune* on July 7, 1993 placed a scene at the "site of the Havana Club rum distillery." *The New York Times* ran an article about youthful romance in Cuba on November 8, 1992, and mentioned Havana Club rum as the preserve of young Cuban professionals. On October 13, 1992, the *Chicago Tribune* ran an article about tourism to Cuba, in which a particular nightclub was described as having "a show made to order for a bottle of Havana Club rum (five-year, senor), sitting back and letting

The fact that HAVANA CLUB rum is mentioned regularly in articles that in no way focus on rum or the rum trade illustrates both HAVANA CLUB rum's fame in this country, and its wide recognition as an important, quintessentially Cuban product. HAVANA CLUB rum also appears in United States magazine articles specifically about rum.[17] Well over 10 million people have read

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Cuba take you away." (Rule Dec. ¶ 4 & Exh B).

Another article about Cuban tourism that appeared in the *Atlanta Journal and Constitution* on December 29, 1991 spoke of "some uniquely Cuban delicacies, such as the exquisite dark Havana Club rum." On November 12, 1991, the *Los Angeles Times* ran an article about a new nightclub in Havana, the Havana Club, which "bears the name of Cuba's best-known rum." A similar article about the same nightclub appeared in the September 24, 1991 edition of the *Washington Post*. During the 11th Pan American Games that were held in Cuba in 1991, the *Lafayette Journal* carried an article about bowling at the games, which included a description of a bar stocked with "bottles of Havana Club rum." The Pan American Games also featured in an article in the *Atlanta Journal and Constitution* on August 6, 1991, which mentioned that "jet-setters and politicians" were "[s]haring the island's famous Havana Club rum" with support technicians for the games. (Rule Dec. ¶ 4 & Exh. B).

An article about Cuba in the *Boston Globe* on December 21, 1990 described tourists being served HAVANA CLUB rum. Another article about tourism in Cuba, which appeared in *Crain's Advertising Age* on January 26, 1987, described a Cuban television channel that advertised Havana Club rum to tourists in Cuba. As far back as 1978, the *Washington Post* described a government-sponsored air flight from Atlanta to Havana as "a floating lounge with free-flowing Havana Club rum." In 1977, the *Washington Post* published an article about prices of consumer goods in Cuba, including "export-quality HAVANA CLUB rum." (Rule Dec. ¶ 4 & Exh. B).

[17]For example, in the December 1983 edition of *Playboy* magazine, an article about Caribbean rum and rum drinks states: "Cuban rums are quite muted, with a shade more taste and character than the Puerto Rican ones. They're not currently imported to the U.S., but some Havana Club trickles in one way or another." (Rule Dec. ¶ 5 & Exh. C). And, more recently, in the Summer 1994 edition of *Cigar Aficionado* magazine, a glossy quarterly devoted to luxury goods in general and cigars in particular, an article about Caribbean rums includes the magazine's tasters' evaluation of various rums, including 7-year old HAVANA CLUB, which is described as follows: "An attractive sweet nose with strong flavors of butterscotch and cola that finishes with ripe raisins. A taster's choice." The body of the article states: "And, of course, Cuba's Havana Club rum is not available in the United States, due to the 30-year plus embargo on Cuban goods." (Rule Dec. ¶ 6 & Exh. D).

about HAVANA CLUB rum in United States publications in the last five years alone. (Rule Dec. II ¶¶ 2,3 & Exh. A; Levinson Dec.[18] ¶¶ 3,7-9 & Exhs. A-D, N-V.)

In 1993, HAVANA CLUB rum was prominently featured by name in *The Firm*, a major United States motion picture that was distributed throughout the United States and seen by over 20 million people.[19] (Krinsky Dec. ¶¶ 3,8,9 & Exhs. A,B.) HAVANA CLUB rum is mentioned in a pair of key scenes in the film, in which two of the leading characters discuss a romantic assignation in the Cayman Islands and then meet each other there. In the first scene, the male character, played by Gene Hackman, tentatively suggests that the female character, played by Jeanne Tripplehorn, accompany him on a business trip to the Grand Caymans. In response to her surprised reaction, he says, "I know, I know, it sounds outrageous. But think about it. We could grab some sun, take a dip, drink some HAVANA CLUB." (Krinsky Dec. ¶ 4,6 & Exh. A). Later, when the couple meet at a restaurant in the Cayman Islands, the Gene Hackman character asks a waitress, "Stephanie, can we have two Havana Clubs, please." During the seductive scene that follows, the Tripplehorn character savors her glass of HAVANA CLUB in a close-up, drinking slowly and smiling before pronouncing, "It's delicious." The Hackman character agrees: "Isn't it -- it's like cognac." (Krinsky Dec. ¶ 4,5,6 & Exh. A).

The fame attendant on being mentioned in *The Firm* is demonstrated by a news article distributed by The Associated Press on September 6, 1993. That story, entitled *Promo in "The Firm" Produces Heady U.S. Sales Of Jamaica's Top Beer*, describes how United States orders of Jamaican "Red Stripe" beer increased sixty percent after Gene Hackman invited Tom Cruise, who played

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[18]The Declaration of Sandra Levinson is cited as "Levinson Dec."

[19]Declaration of Sergio Campagnola, Executive Vice President and General Sales Manager of the motion picture division of Paramount Pictures Corp., ¶ 5 & Exh. A; Krinsky Dec. ¶ 9 & Exh. C.

another character, to, "Help yourself to a Red Stripe" on screen. The article concludes: "One beverage got any even greater plug in 'The Firm' but hasn't been able to capitalize on it -- Cuba's smooth HAVANA CLUB rum, banned from sale in the United States under Washington's three-decade-old embargo . . . ." (Krinsky Dec. ¶ 10 & Exh. E).

ARGUMENT

I. THERE WAS NO FRAUD IN THE REGISTRATION, MAINTENANCE OR RENEWAL OF THE HAVANA CLUB TRADEMARK

Petitioners claim that Cubaexport fraudulently claimed ownership of the HAVANA CLUB mark at the time that it applied to register the mark in the United States, resting on the mistaken supposition that Jose Arechabala, S.A. continued to own the mark in the United States. (Pet. ¶¶ 24, 42-45). On the same supposition, petitioners claim that Cubaexport fraudulently stated in a Section 8 declaration that it was still the owner of the mark (Pet. ¶¶ 28, 42-45).

The facts established on this summary judgment motion dispose of these claims. First, Cubaexport did not claim ownership of the mark in the United States when it applied to register the mark in 1974. Second, the supposition that Jose Arechabala, S.A. still owned the mark is false; Jose Arechabala, S.A. last acted to protect the mark in the United States sometime between August 1958 and August 1959; it failed to file a Section 8 affidavit for the mark in 1962, leading to the cancellation of the mark (Rule Dec. III. ¶ 10 & Exh. E); and it ceased selling HAVANA CLUB rum in this country at the very latest in 1969 (Heyman Dec. ¶¶ 4-8. & Exh. A.)

Petitioners also allege that Havana Club Holding, S.A. fraudulently claimed ownership of the HAVANA CLUB mark when it applied to renew the mark's registration (Pet. ¶¶ 46-49). This is entirely redundant of their other claims and necessarily falls with those claims.

A. There Was No Fraud Committed In The Registration Of The HAVANA CLUB Mark.

1. Cubaexport Made No False Statements Concerning Ownership Of The HAVANA CLUB mark in the United States When It Applied To Register The Mark

Insofar as petitioners' fraud claim rests on allegations that Cubaexport knew it was not the owner of the HAVANA CLUB mark *in the United States* when it applied to register the mark on the basis of its Cuban registration of the same mark (Pet. ¶ 22), the claim must fail. Cubaexport applied to register the mark not on the grounds of use or ownership in the United States but on the basis of its foreign registration of the mark, pursuant to Section 44 of the Lanham Act. (Rule Dec. III ¶ 3 & Exh. A.) A Section 44 registration may issue without any use of a mark in the United States, 15 U.S.C. § 1162, and, as the record shows (Rule Dec III. ¶ 3 and Exh. A), Cubaexport stated in support of its application only that "[t]he mark was registered in Cuba on the 12th day of February 1974, No. 110353, and said registration is in full force and effect." This statement was correct as is shown by the declaration of the Cuban trademark authorities (Santos Aff. ¶¶ 4,7[20]).

Moreover, even if Cubaexport had claimed to be the owner of the mark in the United States in its Section 44 application (which it did not), petitioners' fraud claim would fail. Because a Section 44 application rests solely on a foreign registration and *not* on ownership through use in the United States, any allegation of ownership of the mark in the United States would have been irrelevant to Cubaexport's Section 44 application; such allegation consequently would not have constituted "material information or facts which, if transmitted and disclosed to the Examiner, would have resulted in the disallowance of the registration sought'", *SCOA Industries, Inc.* v. *Kennedy &*

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[20]The Declaration of America N. Santos Rivera, Director of the Trademarks Department of the National Office of Inventions, Technical Information and Trademarks of the Republic of Cuba is cited as "Santos Dec."

Cohen, Inc., 188 U.S.P.Q. 411, 414 (T.T.A.B. 1975), *appeal dismissed*, 189 U.S.P.Q. 15, 530 F.2d 953 (C.C.P.A. 1976), and thus would not have constituted fraud.

2. There Was No Fraud In Cubaexport's Assertion In Its Application That It Knew Of No Other Entity With A Superior Right To Use the Mark In The United States

In 1974, when Cubaexport applied to register the HAVANA CLUB mark in the United States, and in 1976, when its registration issued, no one was using the mark in the United States, and no one had used the mark since, at the very latest, 1969 -- and probably much earlier. Thus, no one had a superior right to use the mark, and Cubaexport's statement that it knew of no one with a superior right was unquestionably true.

Jose Arechabala, S.A. last acted to protect its HAVANA CLUB mark between August 1958 and August 1959, when it filed Section 8 affidavits in support of two August 1953 registrations of the mark on the Supplemental Register. (Rule Dec. III. ¶ 10 & Exh. E.) Jose Arechabala, S.A., however, did not file a Section 8 affidavit in support of a registration of the HAVANA CLUB mark on the Principal Register issued in 1956, which affidavit would have been due between August 1961 and August 1962. The registration by Jose Arechabala, S.A. on the Principal Register was thus cancelled in 1962. (Rule Dec. III Exh. E.)

Moreover, records of the Bureau of Alcohol, Tobacco & Firearms ("BATF") demonstrate that Jose Arechabala, S.A. had ceased using the mark at least seven years before Cubaexport's registration of the mark. Although BATF records do not provide a definitive date when Jose Arechabala, S.A. ceased selling HAVANA CLUB rum in the United States, they do demonstrate

conclusively that Jose Arechabala, S.A. had ceased making such sales at the latest some time prior to July 1969 and it hardly can be doubted that sales had ended in the early 1960s.[21]

Thus, Jose Arechabala, S.A. had abandoned the mark long before Cubaexport applied to register the mark, as is demonstrated by the fact that Jose Arechabala, S.A. had not owned a registration of the HAVANA CLUB mark on the Principal Register for twelve years as of that date, *see Central Standard Industries* v. *North American Corp.*, 167 U.S.P.Q. 689, 992 (T.T.A.B. 1970) (relying on fact that former registrant had chosen to let its registration expire for failure to file Section 8 affidavit, rather than file a statement of excusable nonuse, as evidencing abandonment): *and* by the fact that Jose Arechabala, S.A. had not used the mark in the United States for at least five years before Cubaexport's application and seven years before the mark's registration, *see Shelby* v. *Ford Motor Co.*, 28 U.S.P.Q.2d 1471, 1475 (C.D. Cal. 1993) (lack of evidence of use for eight years required conclusion that mark had been abandoned).

Respondents' proof of Jose Arechabala S.A.'s abandonment of the mark disposes of petitioners' claim, but there is no need to make a final determination of abandonment here. It suffices that, under Section 45 of the Lanham Act, a presumption of abandonment arose from a period of

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[21]Under the regulations of the BATF, no distilled spirits may be sold in this country without a certificate approving the label used on bottles of the spirits. 27 C.F.R. Part 5. In July 1968, the BATF required all bottlers and importers of distilled spirits to apply for new certificates of label approval between July 1968 and July 1969. (Heyman Dec. ¶¶ 4-6 & Exh. A.) Any certificates of label approval issued prior to July 1968 were no longer valid after July 1969. No certificate of label approval for the name HAVANA CLUB issued between July 1968 and 1976, when the HAVANA CLUB trademark was issued to Cubaexport (Heyman Dec. ¶ 7-9). Nor, moreover, did Jose Arechabala, S.A. apply for a certificate of label approval at any time on or after July 1968. (Heyman Dec. ¶ 10.) Thus, it is conclusively established that, whatever the past history of sales of HAVANA CLUB rums in the United States, there was no use of the HAVANA CLUB mark for seven years at a minimum *before* Cubaexport's registration of the mark in the United States. Indeed, on the present showing, it cannot but be concluded that Jose Arechabala, S.A. ceased sales much earlier, no doubt by the time it failed to file the critical Section 8 affidavit in 1962.

nonuse of more than two years prior to Cubaexport's application, establishing as a matter of law the *reasonableness* of Cubaexport's belief that Jose Arechabala, S.A. had abandoned the mark. Moreover, the reasonableness of Cubaexport's belief is further established here by it being "consistently held that an expired registration is incompetent as evidence of any presently existing rights in the mark which is the subject matter of the registration." *Bonomo Culture Institute, Inc.* v. *Mini-Gym, Inc.*, 188 U.S.P.Q. 415, 416 (T.T.A.B. 1975) and cases cited therein. Indeed, in *Colt Industries Operating Corp.* v. *Olivetti Controllo Numerico S.p.A.*, 221 U.S.P.Q. 73 (T.T.A.B. 1983), the Board held that no fraud was committed by an applicant for registration who knew that a prior registration had been issued to another party but had been cancelled under Section 8, even though, *unlike here*, the applicant received written notification of the other party's claim to the trademark in issue before it filed its application. *Cf. Sutton Cosmetics (P.R.) Inc.* v. *Lander Co., Inc.*, 172 U.S.P.Q. 449, 451, 455 F.2d 285, 288 (2d Cir. 1972) ("when a trademark has been abandoned, other parties are "equally free to attempt to capture the mark to their own use"); *Bellanca Aircraft Corp.* v. *Bellanca Aircraft Engineering, Inc.*, 190 U.S.P.Q. 158, 168 (T.T.A.B. 1976) (abandoned mark is "available for adoption, use and ownership by any new claimant").

Nothing more is required. An applicant's statement that to the best of his knowledge or belief no other person has the right to use a mark in commerce reflects only "the declarant's subjective 'honestly held, good faith *belief*.'" *See San Juan Products, Inc.* v. *San Juan Pools of Kansas, Inc.*, 7 U.S.P.Q.2d 1230, 1233, 849 F.2d 468, 472 (10th Cir. 1988) (emphasis in original). "Allegations of ownership and exclusive use contained in . . . an application are made upon 'belief' and/or 'information and belief' and, as such, . . . preclude a definitive statement by the affiant that could ordinarily be used to support a charge of fraud." *Kemin Industries, Inc.* v. *Watkins Products, Inc.*, 192 U.S.P.Q. 327, 329 (T.T.A.B. 1976). *See also Colt Industries Operating Corp.*, 221

U.S.P.Q. at 76 (rejecting claim of fraud even where applicant had actual notice of another's adverse claim to the mark). "Fraudulent intent cannot be inferred merely from an assertion of exclusive rights in a mark." *Skippy, Inc.* v. *CPC Int'l, Inc.*, 210 U.S.P.Q. 589, 594 (E.D. Va. 1980), *aff'd in relevant part*, 216 U.S.P.Q. 1061, 674 F.2d 209 (4th Cir.), *cert. denied*, 459 U.S. 969 (1982). As one commentator has stated: "The oath [in an application] is not a guarantee that no other firm has a legal right to use the mark." J.T. McCarthy, 3 *McCarthy On Trademarks And Unfair Competition* § 31.21[3][d] at 31-114-15.[22]

Because no one had a superior right to the mark when Cubaexport applied to register it, or at least because Cubaexport's belief that no one had such a right was reasonable as a matter of law, there was no fraud in Cubaexport's statement that it knew of no one with a superior right to the HAVANA CLUB mark.[23]

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[22]Indeed, this Board, in granting summary judgment, has held that:

> [F]raud in a trademark cancellation is something that must be 'proved to the hilt' with little or no room for speculation or surmise; considerable room for honest mistake, inadvertence, erroneous conception of rights, and negligent omission; and reasonable doubts resolved against the charging party.

Bonaventure Associates v. *Westin Hotel Co.*, 218 U.S.P.Q. 537, 539-40 (T.T.A.B. 1983). *See also San Juan Products, Inc.* v. *San Juan Pools of Kansas, Inc.*, 7 U.S.P.Q.2d 1230, 1235, 849 F.2d 468, 474 (10th Cir. 1988) (cancellation petitioner must set forth "clear and convincing evidence [which] satisfies the strictures for proving fraud").

[23]Petitioners state that their claim of fraud is "not limited" to the petition's allegations. (Pet. ¶ 44.) Since an allegation of fraud is deficient if it "does not recite detailed facts tending to show willful or knowingly-made false representations of the registrant," *Liberty Trouser Co., Inc.* v. *Liberty & Co., Ltd.*, 222 U.S.P.Q. 357, 358 (T.T.A.B. 1983), however, petitioners cannot rely on any statements not specified in the petition.

B. There Was No Fraud In Cubaexport's Asserted Ownership Of A Cuban Registration of the HAVANA CLUB Trademark

Petitioners themselves acknowledge that a registration of the HAVANA CLUB mark, No. 110,353, was issued to Cubaexport in Cuba on February 12, 1974, and that the current registration was issued on the basis of that foreign registration (Pet. ¶ 17), but petitioners then label the Cuban registration as "purported" (*id.*) and claim that Cubaexport "falsely assert[ed] ownership of the Cuban registration" (Pet. ¶ 24). While the intended import of these allegations is not clear, the facts established by respondents preclude petitioners' claim.

1. Issuance of the Cuban Registration of HAVANA CLUB to Cubaexport Is Conclusive

In applying for registration under Section 44 of the Lanham Act, Cubaexport presented to the Patent and Trademark Office a certificate of Cuban registration. (Rule Dec. III. ¶ 3 & Exh. A.) As demonstrated by the affidavit of the Chief of the Trademarks Department of the Office of Inventions, Technical Information and Trademarks (ONIITEM) of the Republic of Cuba (the Cuban agency responsible for registration of trademarks), the Cuban registration of the HAVANA CLUB mark on which the current United States registration is based was duly issued to Cubaexport by the appropriate Cuban authority and was in effect at the relevant times. (Santos Dec. ¶¶ 4,7.)

Once a Section 44 applicant has submitted to the Patent and Trademark Office a genuine certificate of foreign registration, the United States is obligated by treaty to allow a Section 44 registration to issue without examining the merits of the foreign registration. As this Board has noted, there is no provision in the Lanham Act "for challenging the validity of a foreign registration which serves as the basis of a United States application pursuant to the provisions of Section 44(e) . . . .; the only requirement is that such foreign registration be subsisting, i.e., in force, at the time

Cubaexport's submission of a registration certificate -- duly issued and in effect -- to support its application was thus conclusive of its right to apply for registration under Section 44. Even if this were not so, however, Cubaexport's possession of a duly issued Cuban registration demonstrates as a matter of law that Cubaexport acted *reasonably*, thus precluding fraud in its Section 44 application. *See Yocum* v. *Covington*, 216 U.S.P.Q. 210 (T.T.A.B. 1982) (an applicant who has at least 'color of title' . . . is not guilty of fraud").

2. Cubaexport's Section 44 Application Was Not Based Upon The Nationalization of Jose Arechabala, S.A.

Petitioners may be attempting to bottom their claim of fraud on an averment of law that the 1960 Cuban nationalization of the Cuban corporation Jose Arechabala, S.A. was unlawful and should not be given effect. (Pet. ¶¶ 19-24).[26] The Cuban registration on which Cubaexport's Section 44 registration issued, however, was issued fourteen years later in 1974 upon application of Cubaexport to the Cuban trademark authorities. (Santos Dec. ¶ 6.) Thus, the Section 44 registration

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> Every mark duly registered or legally protected in one of the Contracting States shall be admitted to registration or deposit and legally protected in the other Contracting States, upon compliance with the formal procedures of the domestic law of such States.

Like the Paris Convention, the General Inter-American Convention sets forth exceptions to this rule but contains no provision for the rejection of a mark on the ground that a registration certificate from a treaty member is invalid. The minutes of negotiations for the General Inter-American Convention confirm that it was the intention of the parties that "the office of origin [rather than that of the treaty country] should judge whether protection existed at home." Pan American Trade Mark Conference, February 11-20, 1929, *Minutes of the Plenary Sessions and of the Committees of the Conference* at p. 68 (Statement of Edward S. Rogers, United States Delegate).

[26]Jose Arechabala, S.A., was nationalized by Law No. 890 of October 13, 1960, along with other major Cuban industrial and commercial companies named in that law. (Evenson Dec II. ¶ 3 & Exh. A.)

of the filing and registration in the United States". *Johnson & Johnson* v. *Salve S.A.*, 183 U.S.P.Q. 375, 377 (T.T.A.B. 1974).[24]

Article 6 *Quinques* A. of the Paris Convention for the Protection of Industrial Property, to which both the United States and Cuba are signatories, United States Department of State, *U.S. Treaties in Force - January 1, 1996*, at p.373, reads in pertinent part:

> Every trademark duly registered in the country of origin shall be accepted for filing and protected in its original form in the other countries of the Union, subject to the reservations indicated below.

21 U.S.T. 1583, 24 U.S.T. 2140, T.I.A.S. 6923, 7727. Thus, when a Section 44 applicant is the owner of a registration issued in a treaty country,

> the United States Patent and Trademark Office will, upon receipt of a properly executed application, a copy of the home registration, a drawing of the mark, and the filing fee, accept the foreign registration at face value and issue a registration in the United States, unless the mark infringes rights previously acquired by another, or it has no distinctive character, or is contrary to morality or public order.

Crocker National Bank v. *Canadian Imperial Bank of Commerce*, 223 U.S.P.Q. 909, 918-19 (T.T.A.B. 1984) (citing *Ex Parte Societe Fromageries Bel*, 105 U.S.P.Q. 392, 398 (Comm. Pat. 1955)).[25]

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[24]In addition, questions concerning the ownership of a mark in a foreign country are governed by that foreign country's law. *Hitachi Metals International, Ltd.* v. *Yamakju Chain Kabushiki Kaisha*, 209 U.S.P.Q. 1057, 1059 (T.T.A.B. 1981) ("questions of validity of use, registration, or licensing of marks abroad must be determined in light of the applicable law in the country or jurisdiction in which such activities occurred"); *Crocker National Bank* v. *Canadian Imperial Bank of Commerce*, 223 U.S.P.Q. 909, 922-23 (T.T.A.B. 1984) ("from the treaty viewpoint, ownership of the mark subject of the country of origin registration, which is the basis of the § 44(c) and (e) registration, is determined . . . according to the law in the country of origin, not the country of subsequent filing based on that registration").

[25]Similarly, Article 3 of the General Inter-American Convention for Trademark and Commercial Protection, 46 Stat. 2907, Treaty Series 833, 2 Bevans 751, to which both Cuba and the United States are signatories, *U.S. Treaties in Force* at p. 373, provides:

was not based on a Cuban registration acquired through the nationalization of Jose Arechabala, S.A.'s assets, as petitioners may be suggesting.

In any event, even if Cubaexport had claimed title to the HAVANA CLUB mark through the Cuban nationalization of Jose Arechabala, S.A. (which it did not), such a claim would not support petitioners' fraud charge. To defeat a claim of fraud, it is necessary only that Cubaexport have acted under "color of title." *See Griffin Wellpoint Corp.* v. *AMSTED Industries, Inc.*, 172 U.S.P.Q. 503, 506 (T.T.A.B. 1971). *Cf. Bausch & Lomb, Inc.* v. *Leopold & Stevens, Inc.*, 1 U.S.P.Q.2d 1497, 1501 (T.T.A.B. 1986) (reasonable belief precludes finding of fraud as matter of law); *Electronic Realty Associates, Inc.* v. *Extra Risk Associates, Inc.*, 217 U.S.P.Q. 810, 814 (T.T.A.B. 1982) (matter on which opinions can differ precludes fraud); *First International Services Corp.* v. *Chuckles Inc.*, 5 U.S.P.Q.2d 1628, 1635 (T.T.A.B. 1988); *UMC Electronics Co.* v. *UMC Industries, Inc.*, 184 U.S.P.Q. 319, 320 (T.T.A.B. 1974) (adequate reason to believe precludes fraud); *Colt Industries Operating Corp.*, 221 U.S.P.Q. at 76 (belief in right precludes fraud); *Bonaventure Associates* v. *Westin Hotel Co.*, 218 U.S.P.Q. 537, 540 (T.T.A.B. 1983) (same). The nationalization of Jose Arechabala, S.A.'s Cuban assets certainly would have given Cubaexport "color of title" to those assets.

In the absence of fraud, the legal validity of any claim to title is not a question that can be raised here, as the United States registration is more than five years old. Section 14(3) of the Lanham Act, 15 U.S.C. §14(3); *Treadwell's Drifters, Inc. v. Marshak*, 18 U.S.P.Q.2d 1318 (T.T.A.B. 1990). Thus, the nationalization issue petitioners seek to raise is of no relevance here both as a matter of fact, since Cubaexport's ownership of the mark is not traced through the nationalization, and as a matter of law.

Were the Board nonetheless to consider the nationalization of Jose Arechabala, S.A. to be germane, it would be bound to give effect to that nationalization here under the "act of state" doctrine. Established by a long line of United States Supreme Court decisions stretching back at least to *Underhill* v. *Hernandez*, 168 U.S. 250 (1897), the act of state doctrine, in its "classic American statement," *Banco Nacional de Cuba* v. *Sabbatino*, 376 U.S. 398, 416 (1964), provides that:

> Every sovereign State is bound to respect the independence of every other sovereign State, and the courts of one country will not sit in judgment on the acts of the government of another done within its territory.

Underhill v. *Hernandez*, 168 U.S. at 252, as quoted in *Banco Nacional de Cuba* v. *Sabbatino*, 376 U.S. at 416. In *Oetjen* v. *Central Leather Co.*, 246 U.S. 297 (1918) and *Ricaud* v. *American Metal Co.*, 246 U.S. 304 (1918), the Supreme Court applied the act of state doctrine to the expropriation of property located within the territory of the sovereign at the time of the expropriation. It held that courts of the United States could not question the expropriation nor deny it effect, so that they were bound to recognize title traced through the expropriation.

In *Banco Nacional de Cuba* v. *Sabbatino*, the Supreme Court reaffirmed the act of state doctrine and applied it to the Cuban nationalizations of 1960. It held that the courts of the United States cannot question the validity of the acts of Cuba in expropriating property located within its territory but, instead, must recognize title traced through those expropriations. *See also, e.g., F. Palicio y Compania, S.A.* v. *Brush*, 150 U.S.P.Q. 607, 256 F. Supp. 481 (S.D.N.Y. 1966), *aff'd on the basis of the opinion below*, 154 U.S.P.Q. 75, 375 F.2d 1011 (2d Cir.), *cert. denied*, 389 U.S. 830 (1967) (Cuban nationalization); *Menendez* v. *Faber, Coe and Gregg,* 174 U.S.P.Q. 80, 345 F. Supp. 527 (S.D.N.Y. 1972), *aff'd in relevant respects sub. nom. Menendez* v. *Saks and Co.*, 179 U.S.P.Q. 513, 485 F.2d 1355 (2d Cir. 1973), *rev'd in other respects sub. nom. Alfred Dunhill of London, Inc.* v. *Republic of Cuba*, 425 U.S. 682 (1976) (Cuban nationalization); *Pons* v. *Republic of Cuba*, 294

F.2d 925 (D.C. Cir. 1961), *cert. denied,* 368 U.S. 960 (1962) (Cuban nationalization); *Maltina Corp.* v. *Cawy Bottling Co.*, 174 U.S.P.Q. 74, 462 F.2d 1021 (5th Cir.), *cert. denied,* 176 U.S.P.Q. 33, 409 U.S. 1060 (1972) (Cuban nationalization). Accordingly, the Court in *Sabbatino* upheld title acquired through nationalization to property that had been brought into the United States but that had been located in Cuba at the time of the nationalization.[27]

For act of state purposes, a trademark is considered to be located in the country in which it is registered. *F. Palicio y Compania, S.A.* v. *Brush*, 256 F. Supp. at 490-493; *Maltina Corp.* v. *Cawy Bottling Co.*, 462 F.2d at 1026; *Carl Zeiss Stiftung* v. *VEB Carl Zeiss Jena*, 160 U.S.P.Q. 97, 293 F. Supp. 892, 896 (S.D.N.Y. 1968), *modified on other grounds*, 167 U.S.P.Q. 641, 433 F.2d 686 (2d Cir. 1970), *cert. denied*, 170 U.S.P.Q. 1, 403 U.S. 905 (1971) (East German nationalization); *Zwack* v. *Kraus Bros. & Co.*, 237 F.2d 255 (2d Cir. 1956) (Hungarian nationalization); *Williams & Humbert Ltd.* v. *W & H Trade Marks Ltd.*, 5 U.S.P.Q.2d 1870, 840 F.2d 72 (D.C. Cir. 1988) (Spanish expropriation); *Baglin* v. *Cusenier Co.*, 221 U.S. 580 (1911) (French expropriation). It follows that the Cuban nationalization of Jose Arechabala, S.A. would have to be given effect with respect to any trademarks registered in Cuba or otherwise owned in that country by Jose Arechabala,

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[27]The Court had previously ruled to the same effect in *Oetjen* v. *Central Leather Co.*, 246 U.S. 297 (1918), and *Ricaud* v. *American Metal Co.*, 246 U.S. 304 (1918), with respect to nationalized Mexican property brought into the United States. Following the commands of *Sabbatino*, the lower courts have recognized title acquired through the Cuban nationalizations to property exported to the United States after its nationalization within Cuba. *See, e.g., F. Palicio y Compania, S.A.* v. *Brush*, 150 U.S.P.Q. 607, 256 F. Supp. 481 (S.D.N.Y. 1966), *aff'd on the basis of the opinion below*, 154 U.S.P.Q. 75, 375 F.2d 1011 (2d Cir.), *cert. denied*, 389 U.S. 830 (1967); *Menendez* v. *Faber, Coe and Gregg*, 174 U.S.P.Q. 80, 345 F. Supp. 527 (S.D.N.Y. 1972), *aff'd in relevant respects sub. nom. Menendez* v. *Saks and Co.*, 179 U.S.P.Q. 513, 485 F.2d 1355 (2d Cir. 1973), *rev'd in other respects sub. nom. Alfred Dunhill of London, Inc.* v. *Republic of Cuba*, 425 U.S. 682 (1976)

S.A., just as it would have to be with respect to any other of Jose Arechabala S.A.'s assets located there.[28]

C. There Was No Fraud In Cubaexport's Section 8 Declaration

In its Section 8 declaration filed on January 12, 1982, Cubaexport stated: "[Cubaexport] is the owner of the above-identified registration as shown by the United States Patent and Trademark Office, and . . . the mark is still in use on goods or services in each class . . . ." (Rule Dec. III. ¶ 5 & Exh. C.) Petitioners' allegation that these statements were fraudulent is without foundation. (Pet. ¶ 28). At the time this statement was made, the records of the Patent and Trademark Office *did* show Cubaexport to be the owner of the HAVANA CLUB registration in the

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28/ There is a limited statutory exception to the act of state doctrine, not applicable here, for the expropriation of property owned by persons who were *United States nationals* at the time of the expropriation. 22 U.S.C. § 2370(e)(2) (the "Second Hickenlooper Amendment"). Since foreign-owned property is at issue in those circumstances, it may be argued, as the statute requires, that any such expropriation violates international law. However, the statutory exception is inapplicable when, as would be the case here, the expropriated property had been owned by persons who were nationals of the nationalizing country at the time of the expropriation. *See, e.g., Banco Nacional de Cuba* v. *First National City Bank*, 431 F.2d 394 (2d Cir. 1970), *rev'd on other grounds*, 406 U.S. 759 (1972) (Cuban nationalization); *Menendez* v. *Saks & Co.*, 485 F.2d at 1372 (Cuban nationalization); *De Sanchez* v. *Banco Central de Nicaragua*, 770 F.2d 1385, 1395 (5th Cir. 1985) (Nicaraguan nationalization); *Bank Tejarat* v. *Varsho-Saz*, 723 F. Supp. 516, 520 (C.D. Cal. 1989) (Iranian nationalization); *F. Palicio y Compania, S.A.* v. *Brush*, 256 F. Supp. at 486-487 (Cuban nationalization); *Perez* v. *Chase Manhattan Bank*, 61 N.Y.2d 460, 471-472, 474 N.Y.S.2d 689, 463 N.E.2d 5, *cert. denied*, 469 U.S. 966 (1984) (Cuban nationalization); *Present* v. *U.S. Life Ins. Co.*, 96 N.J. Super. 285, 303-41, 232 A.2d 863, 873 (1967), *aff'd*, 51 N.J. 407, 241 A.2d 237 (1968) (Cuban nationalization). This is so because, as these and still other cases hold, a sovereign's taking of its own national's property does not present a question of international law. In addition to the cases cited *ante*, *see also, e.g.*, *United States* v. *Belmont*, 301 U.S. 324, 332 (1937) (Russian nationalizations); *Verlinden B.V.* v. *Central Bank of Nigeria*, 647 F.2d 320, 325 n.16 (2d Cir. 1981), *rev'd. on other grounds*, 461 U.S. 480 (1983) (Nigerian nationalizations); *Dreyfus* v. *Von Finck*, 534 F.2d 24, 31 (2d Cir.), *cert. denied*, 429 U.S. 835 (1976) (German expropriations); *ITT* v. *Vencap*, 519 F.2d 1001, 1015 (2d Cir. 1975); *Chudian* v. *Philippine National Bank*, 912 F.2d 1095, 1105 (9th Cir. 1990) (Philippine nationalization); *Jafari* v. *Islamic Republic of Iran*, 539 F. Supp. 209 (N.D. Ill. 1982) (Iranian nationalizations). There is no instance of the Hickenlooper Amendment being applied to the nationalization of property owned by persons who were nationals of the nationalizing country.

United States. And, as demonstrated *ante* in Section I.A.1., there would have been no fraud as a matter of law even if Cubaexport had alleged ownership of the mark prior to obtaining this registration in 1976. There was therefore no fraud in the 1982 statement that Cubaexport owned the United States registration of the mark.

In addition, at the time Cubaexport's Section 8 declaration was filed, Section 8 required only that a registrant allege that the mark was in use, but not necessarily within the United States. *Cerveceria India, Inc.* v. *Centroamericana, S.A.*, 10 U.S.P.Q.2d 1064, 1067 (T.T.A.B.), *aff'd*, 13 U.S.P.Q.2d 1307, 892 F.2d 1021 (Fed. Cir. 1989). Only by an amendment dated August 27, 1982, and effective six months thereafter, was the statute altered to require an allegation of use "in commerce" and hence use in the United States. *Id.*; Lanham Act, Section 8; 15 U.S.C. § 1058; Pub. L. 97-247 §§ 8, 17(c), 96 Stat. 320 (Aug. 27, 1982).[29]

Cubaexport's Section 8 declaration itself (Rule Dec. II. ¶ 5 & Exh. C) demonstrates that Cubaexport did not claim that the mark was in use "in commerce" as petitioners allege (Pet. ¶ 55), but only that the mark was in use. The facts submitted here establish that in 1982 Cubaexport was actively selling HAVANA CLUB rum in substantial quantities throughout the world. (Abarrategui Dec. ¶ 4; Abbarategui Dec. III ¶ 4; Perdomo Dec. ¶ 4; Pria Dec. ¶ 5, *see also* discussion *ante at p.* 10.) There was therefore no fraud in the statement that the mark was still in use.

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[29]Even if *Cerveceria India* had wrongly interpreted the language of the Lanham Act, the decision demonstrates the reasonableness of Cubaexport's belief that it need only allege use somewhere in the world to fulfill the requirements of Section 8. *Pennwalt Corp.* v. *Sentry Chemical Co.*, 219 U.S.P.Q. 542, 551 (T.T.A.B. 1983) (a false but "not unreasonable" assumption by trademark applicant does not constitute fraud). A false statement in a Section 8 affidavit does not amount to fraud in the absence of fraudulent intent. *American Speech-Language-Hearing Association* v. *National Hearing Aid Society*, 224 U.S.P.Q. 798 n.6 (T.T.A.B. 1984). The fact that Congress found it necessary subsequent to Cubaexport's Section 8 declaration to amend the statute to clarify that use in United States commerce (or an excuse for nonuse) was necessary only confirms that the requirements of Section 8 were unclear at the time Cubaexport filed its Section 8 declaration.

means of . . . licenses." *Id.* 515.201(a). In this case, the Treasury Department's Office of Foreign Assets Control issued a specific license, authorizing "[a]ll necessary transactions" entered into incident to the assignments of the United States registration of the HAVANA CLUB mark from Cubaexport to Havana Rum & Liquors, S.A., and from Havana Rum & Liquors, S.A. to Havana Club Holding, S.A. (Krinsky Dec. II ¶¶ 2,3 & Exh. A.) Consequently, no question of the Cuban Assets Control Regulations is presented here.

E. Neither Cubaexport Nor Respondents Ever Alleged That They Had Obtained A Certificate Of Label Approval From The Bureau Of Alcohol, Tobacco And Firearms And Lack Of Such Label Approval Is Irrelevant To This Action

As respondents' evidentiary showing demonstrates (Rule Dec. III), neither Cubaexport nor its successors ever asserted or claimed in a document submitted to the Patent and Trademark Office that a Certificate of Label Approval ("COLA") had been issued for the use of their HAVANA CLUB label in the United States. Petitioners' allegation that no such approval was obtained (Pet. ¶ 24) is thus irrelevant. In *Cerveceria India,* 10 U.S.P.Q.2d at 1066, the petitioner for cancellation alleged that the respondent had failed to obtain label approval before shipping its beer in United States commerce. The Board rejected this claim because the respondent did not "make any statements whatsoever regarding label approval in its application" and the petitioner therefore could not demonstrate that the respondent had committed fraud in connection with any such statements.[30]

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[30]The regulations governing trademark applications provide that the Patent and Trademark Office *may make inquiry* as to compliance by an applicant for trademark registration with any the provisions of any Act of Congress. 37 C.F.R. § 2.69. If the Patent and Trademark makes no such inquiry, however, an applicant is under no obligation to address the question of compliance with other laws of the United States. "There is no obligation under Trademark Rule 37 C.F.R. sec. 2.69 except where the Office makes an inquiry from the applicant." *Pennwalt Corp.* v. *Sentry Chemical Co.*, 219 U.S.P.Q. 542, 553 (T.T.A.B. 1983). Consequently, Cubaexport had no obligation to disclose to the Patent and Trademark Office whether or not it had received BATF approval for a label.

In *Cerveceria India*, a petitioner for cancellation made precisely the same claim as petitioners do here -- that the owner of a registration based on Section 44, who had not used the mark in the United States, committed fraud when, prior to the effective date of Pub. L. 97-247, it filed a Section 8 declaration stating that the registered mark was still in use. As this Board stated in rejecting the petitioner's claim in that case: "At the time respondent's declaration was filed, the practice of the Patent and Trademark Office Post Registration Section was that any use, even use only in a foreign country, was sufficient to meet the requirements of Section 8." 10 U.S.P.Q. 2d at 1067. This case falls squarely under the precedent of *Cerveceria India.*

D. There Was No Fraud In The Renewal Of The HAVANA CLUB Registration.

Petitioners claim that Havana Club Holding, S.A.'s renewal of the United States registration of the HAVANA CLUB mark was "false and fraudulent." (Pet. ¶¶ 46-49.) The mistaken bases for this claim are allegations that when Havana Club Holding, S.A. applied to renew its registration in January of 1996, the registration was still owned by Cubaexport because the transfers of the mark, pursuant to the 1993 reorganization of the HAVANA CLUB rum business, to Havana Rum & Liquors, S.A. and then to Havana Club Holding, S.A., were "assignments-in-gross" and were "null and void" under the Cuban Assets Control Regulations. As demonstrated *post* in Point II, however, there was no assignment-in-gross in the HAVANA CLUB rum business.

With respect to petitioners' repeated claims that respondents' actions violated the Cuban Assets Control Regulations, 31 C.F.R. Part 515 (Pet. ¶¶ 32, 33, 39, 41), the facts established here are entirely to the contrary. The Cuban Assets Control Regulations prohibit transfers of property in which a Cuban entity has an interest, 515.201(b)(2), 515.311, except when "specifically authorized by the Secretary of the Treasury (or any person, agency, or instrumentality designated by him) by

the mark to the new corporate structure which was created to accommodate the new 50% partner. Fifty percent continuity of Cuban ownership and control of the trademark and business were maintained. No other entity in fact is exporting, or by virtue of negative covenants in the reorganization agreement could export, the product which continues to be identified by respondents' HAVANA CLUB mark.

There is nothing in these events which could disturb the United States (or any other) consumer's widespread and firmly established identification of the HAVANA CLUB mark with the product that continues to be marketed under the HAVANA CLUB name -- an identification that has been established by the United States consumer purchasing and importing into the United States from Cuba over 400,000 bottles of HAVANA CLUB rum over the life of the United States registration of the mark (which importation activity continues today); and by the constant promotion and discussion of HAVANA CLUB rum in United States magazines and newspapers of general circulation, in United States connoisseur magazines and periodicals, and in a United States motion picture viewed by well over 20 million United States viewers. Indeed, HAVANA CLUB rum is famous in the United States. But for the trade embargo, which this Board in *Arechabala* found to present unique circumstances excusing respondents' nonuse of the mark, there can be no doubt that United States consumers would purchase exponentially greater quantities of the rum which they already identify through consumption and media exposure as respondents' HAVANA CLUB rum.

Respondents' evidentiary showing disposes of petitioners' claim. The rule against assignments-in-gross is designed to insure "that the assignee's use of the mark will not be deceptive, and will not break the continuity of the thing symbolized by the assigned mark." 3 *McCarthy On Trademarks and Unfair Competition* at § 18.01[3]. "Inherent in the rules involving the assignment of a trademark is the recognition of protection against consumer deception." *Pepsico, Inc.* v.

In any event, a label approved by the United States Bureau of Alcohol, Tobacco and Firearms is necessary in the case of imported distilled spirits only when liquor is released from Customs custody at its port of entry into the United States. 27 C.F.R. § 5.51. Since Cubaexport was not selling its rum in the United States because of the United States embargo, it had no reason or legal need to obtain a BATF label approval under 27 C.F.R. § 5.51. Nor, as a Section 44 applicant, was Cubaexport required to show use of its trademark in United States commerce prior to registration, and hence had no reason to submit BATF approval to the Patent and Trademark Office.

II. THERE WAS NO ASSIGNMENT IN GROSS AND NO ABANDONMENT OF THE HAVANA CLUB MARK

In *Arechabala*, the petitioner relied upon the assignments of the HAVANA CLUB trademark undertaken pursuant to the 1993 reorganization of the HAVANA CLUB rum business in arguing that the mark had been abandoned. *Arechabala* slip op. at pp. 10-11. The Board did not find that the mark had been abandoned in that case and nothing warrants a different result here, where petitioners allege an assignment-in-gross.

Respondents rely upon precisely the same factual showing that they made in *Arechabala*, only augmented by additional affidavits. The 1993 reorganization of Cuba's HAVANA CLUB rum business, as detailed *ante pp. 6-10,* was designed simply to boost the export of the product sold under the HAVANA CLUB mark through the inclusion of a foreign 50% equity partner in that same, on-going business. The product, HAVANA CLUB rum, remained precisely the same, as indeed was contractually required by the terms of the reorganization agreement. The trademark used to identify that product remained the same, as was also required by the reorganization agreement, which provides in addition that the HAVANA CLUB mark may not be used on any other rum. The assets necessary to continue marketing the same product and, indeed, all assets associated with the HAVANA CLUB rum business, including but not limited to its goodwill, were transferred along with

Grapette, 163 U.S.P.Q. 193, 416 F.2d 285, 288 (8th Cir. 1969). In order to ensure that consumers who are accustomed to using an assignors' products are not confused, the assignment of goodwill is required along with the transfer of a trademark to provide some measure of assurance that the assignee will use the mark on a product substantially similar to that of the assignor. *Id.* at 288-89.[31]

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[31]The requirements for assignments of trademarks have their roots in the case of *Filkins* v. *Blackman*, 9 Fed. Cas. 50, 52 (No. 4786) (C.C.D. Conn. 1876):

> If the assignee should make a different article [from the assignor], he would not derive . . . a right which a court of equity would enforce, to use the name which the inventor had given to his own article, because such a use of the name would deceive the public. The right to the use of a trade-mark cannot be so enjoyed by an assignee that he shall have the right to affix the mark to goods differing in character or species from the article to which it was originally attached.

See also Independent Baking Powder Co. v. *Boorman*, 175 F. 448 (D.N.J. 1910):

> The good will is inseparable from the business itself. So, likewise, is a trade-mark or trade-name that gives its assurance to a purchaser that the article upon which is stamped the trade-mark or trade-name is the genuine production of the manufacturer to whom the trade-name or trade-mark points by association as the maker of the article.

Another early case, *The Coca-Cola Bottling Co.* v. *The Coca-Cola Co.*, 269 F. 796, 806 (D. Del. 1920), stated:

> A trade-mark is not a right in gross or at large. As an abstract right, wholly disassociated from the business or merchandise with which it has become established, it is not property, and may not be assigned. . . . For no one may sell his goods as the goods of another. Such an act would be a fraud upon the public. But, where the trade-mark of a retailer is assigned by him to the manufacturer of the commodity to which the trade-mark was affixed, there is no false representation to the public, and such assignment is valid.

As the court stated in *Pepsico, Inc.* v. *Grapette*, 163 U.S.P.Q. 193, 416 F.2d 285, 288 (8th Cir. 1969), "The philosophy of this rule is sound even though the pragmatic utility of it is sometimes difficult and confusing." 416 F.2d at 288.

In this case, reorganization of the HAVANA CLUB rum business did not result, and contractually could not have resulted, in use of the mark "in connection with a different business, a different good will and a different type of product" from the assignor, 3 *McCarthy On Trademarks And Unfair Competition* at § 18.01[3]; to the contrary respondents, and Cubaexport before them, have conducted the same business with the same product, the same goodwill, and the same assets. *See also Green River Bottling Co.* v. *Green River Corp.*, 27 U.S.P.Q.2d 1304, 1306, 997 F.2d 359, 362 (7th Cir. 1993) (transfers must provide consumer "assurance that he [is] getting the same thing (more or less) in buying the product . . . from its new maker"). There is thus no danger of consumer confusion as a result of the transfer of the HAVANA CLUB trademark. Now and in the future, any consumer able to bring HAVANA CLUB rum into the United States or to buy HAVANA CLUB rum from a United States distributor, will still "kn[o]w whose product it [is] that he [is] getting." *Green River Bottling Co.*, 997 F.2d at 362. *See E.& J. Gallo Winery* v. *Gallo Cattle Co.*, 21 U.S.P.Q.2d 1824, 1831, 955 F.2d 1327, 1338 (9th Cir. 1992) (there is "no reason to invalidate" an assignment "where it maintains the public's expectations of continuity").

The rules governing transfers of trademarks were "not evolved for the purpose of invalidating all trademark assignments which do not satisfy a stereo-typed set of formalities." *Syntex Laboratories, Inc.* v. *Norwich Pharmacal Co.*, 315 F. Supp. 45, 166 U.S.P.Q. 312 (S.D.N.Y. 1970), *aff'd*, 437 F.2d 566, 169 U.S.P.Q. 1 (2d Cir. 1971); *see also Money Store* v. *Harriscorp Finance, Inc*, 689 F.2d 666, 216 U.S.P.Q. 11 (7th Cir. 1982). In this case, respondents' HAVANA CLUB is well-known to consumers in this country despite respondents' inability to sell their product here, and consumer confusion would in fact occur if *petitioners* were to begin marketing a different rum under that name in this country. The assignments in question were not isolated transfers of a name alone unconnected to any business, but rather were part and parcel of the expansion of the same continuing

international business which this Board has already found fully intends to use the mark in this country as soon as it is legally able. *Arechabala* slip op. at p.19. "The assignment of trademarks among related corporate entities is not uncommon [and] . . . the court does not 'believe that an assignment motivated at least in part by sound business judgment should be set aside as a sham transaction.'" *J. Atkins Holdings Ltd.* v. *English Discounts, Inc.*, 14 U.S.P.Q.2d 1301, 729 F. Supp 945, 951 n.5 (S.D.N.Y. 1990) (citing *Money Store* v. *Harriscorp Finance, Inc.*, 689 F.2d 666, 678 (7th Cir. 1982)).

There is no assignment-in-gross when tangible assets of a business have been transferred along with the mark, as in this case. *See, e.g.*, *Kardex Systems, Inc.* v. *Sistemco N.V.*, 221 U.S.P.Q. 977, 583 F. Supp. 803, 815 (D. Me. 1984) (no assignment-in-gross where assignee purchased all tangible assets of assignor); J.T. McCarthy, 3 *McCarthy On Trademarks And Unfair Competition* § 18.07[1] at 18-36 ("under the traditional rule, courts will look to see where the tangible assets of a company went in order to determine whether an alleged 'assignee' of a mark in fact obtained the goodwill of the assignor"). In addition, there is substantial authority holding that when the product sold under a mark remains the same after the mark is assigned, there is no assignment in gross even if *no* tangible assets are transferred with the mark. *Defiance Button Machine Co* v. *C & C Metal Products*, 759 F.2d 1053, 1059 (2d Cir. 1985) ("a trademark may be validly transferred without the simultaneous transfer of any tangible assets, as long as the recipient continues to produce goods of the same quality and nature previously associated with the mark"), *cert. denied*, 474 U.S. 844 (1985); *Money Store* v. *Harriscorp Finance, Inc*, 216 U.S.P.Q. 11, 689 F.2d 666, 676, 677-78 (7th Cir. 1982) ("[i]t is not necessary to the continuing validity of [a] mark that tangible assets of the assignor pass to the assignee," when, as in this case, the product of the assignor and the assignee are identical); *Syntex Laboratories*, 315 F. Supp. at 55. *See also Marshak* v. *Green*, 746 F.2d 927, 930 (2d Cir. 1984) (assignment will not be invalidated where assignee "is producing a product . . .

substantially similar to that of the assignor and . . . the consumers would not be deceived or harmed"). In this case, all of the assets associated with the HAVANA CLUB rum business were transferred along with the mark during the 1993 reorganization of the business, *and* the rum sold under the mark remains precisely the same. The assignments of the mark were thus were not naked assignments and do not evidence abandonment.

Further, there can be goodwill associated with a mark that is not currently in use in the United States. *Sterling Brewers, Inc.* v. *Schenley Industries, Inc.*, 169 U.S.P.Q. 590, 594, 441 F.2d 675, 679-80 (C.C.P.A. 1971); see also the much-cited *Vaudable* v. *Montmartre*, 123 U.S.P.Q. 357, 20 Misc. 2d 757, 193 N.Y.S.2d 332 (N.Y. Sup. Ct. 1959) (purpose of United States person adopting mark used by foreign person in connection with restaurant in Paris but not in the United States, when restaurant was well-known in the United States, was to trade on foreign users' "goodwill" in the United States). In this case, the HAVANA CLUB mark associated with respondents' product has been "sufficiently promoted to identify the registrant as the product's source in the mind of the [United States] public." *Standard Brands Inc.* v. *Shrage*, 220 U.S.P.Q. 337, 339 (N.D. Ga. 1982).[32]

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[32]Indeed, because HAVANA CLUB rum has achieved "fame and notoriety" in the United States, respondents have acquired common law rights to the mark HAVANA CLUB in this country superior to those of anyone (including petitioners here) who did not use the mark before the rum became well-known. *All England Lawn Tennis Club (Wimbledon) Limited* v. *Creations Aromatiques, Inc.*, 220 U.S.P.Q. 1069, 1071 (T.T.A.B. 1983).

In *Wimbledon*, the Board found that the annual tennis championship in Wimbledon, England, had acquired fame in the United States "within the meaning of *Vaudable* v. *Montmartre, Inc.*" *Id.* at 1072. In *Vaudable* v. *Montmartre*, 123 U.S.P.Q. 357, 20 Misc. 2d 757, 193 N.Y.S.2d 332 (N.Y. Sup. Ct. 1959), the court held that "Maxim's" restaurant in Paris was well-known in the United States, and particularly in New York, and hence that the defendants, who had no connection with the French restaurant, were not entitled to open a restaurant in New York bearing the same name. The French restaurant had garnered publicity as the setting for an operetta and, like HAVANA CLUB rum, had been mentioned in numerous newspaper and magazine articles, and "mentioned by name" in movies and television. 123 U.S.P.Q. at 358. In *Vaudable*, while the owners of the Maxim's restaurant in Paris did not operate a restaurant in the

Courts have held that rights to a trademark may be transferred in certain situations analogous to the unique circumstances of this case, where a foreign registrant's nonuse of the mark has been excused from the time of registration. For example, a Section 44 application for registration of a mark may be assigned, *In re De Luxe, N.V.*, 26 U.S.P.Q.2d 1475, 990 F.2d 607, 608-09 (Fed. Cir. 1993), despite the fact that a Section 44 applicant is not required to show use of its mark in the United States. In *De Luxe*, an applicant pursuant to Section 44, who did not assert use in commerce as a basis for registration, assigned the United States application of its mark to another party and the court upheld the assignment on the ground that Section 44 requires only that an applicant demonstrate that it is the owner of a foreign registration at the time the application is made. The court held that "the language of the statute neither expressly nor impliedly restricts a foreign applicant from freely alienating a U.S. application once the statutory requirements have been met." 900 F.2d at 608-09. It would be anomalous to permit the assignment of a Section 44 *application* when a mark has not yet been used in the United States, but to forbid the assignment of a Section 44 *registration* which has not yet been used in the United States for reasons which legally excuse such nonuse.

Likewise, the situation in this case is analogous to the assignment of an intent-to-use application filed under Section 1(b) of the Lanham Act, which provides that a person with a bona fide intention to use a mark in the United States may apply to register the mark. 15 U.S.C. § 1051(b). Section 10 of the Lanham Act provides that an application to register a mark under Section 1(b) is not assignable until the filing of a verified statement of use, *unless* the assignment is made to "a successor to the business of the applicant, or portion thereof, to which the mark pertains, if that business is ongoing and existing." 15 U.S.C. 1060. This amendment to Section 10 was first

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United States, the court nevertheless held that their purpose in naming a United States restaurant after the French restaurant was "to appropriate the *good will* plaintiffs have created in the name Maxim's as a restaurant establishment." 123 U.S.P.Q. at 358 (emphasis added).

proposed by the United States Trademark Association's Trademark Review Commission, whose study and recommendations form the basis for the 1988 amendments to the Lanham Act. The Commission explained that:

> [A]ssignment of an intent-to-use application should not be permitted before use. To permit such assignments (1) would conflict with the principle that a mark may validly be assigned only with some business or goodwill, and (2) would encourage trafficking in marks. *But assignments before use should be permitted as part of a transfer of an intent-to-use applicant's business or the portion thereof to which the proposed mark pertains.*

The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors, 77 Trademark Rptr., reprinted in *Hearing on S. 1883 Before the Subcommittee on Patents, Copyrights and Trademarks of the Senate Committee on the Judiciary*, 100th Cong., 2d Sess. 125 (March 15, 1988) (emphasis added). The Commission thus recognized that a valid assignment takes place when a business is transferred along with an intent-to-use application. In this case, each assignment of the HAVANA CLUB trademark which respondents intend to use in the United States was part of the transfer of the entire HAVANA CLUB business, and was thus valid under the rationale of Section 10.

In *Combined Oil Industries, Ltd.* v. *Oil Master, Inc.*, 209 U.S.P.Q. 646 (N.D. Ill. 1980), a case decided prior to the amendment to the Lanham Act which permitted the filing of intent-to-use applications for registration, the court recognized the same principle as is now set forth in Section 10 -- that a mark not yet in use may be assigned when it is connected with a business that intends to use the mark, and when it is assigned to a successor business. The *Combined Oil* court held that a right to a mark "the use of which was only being discussed" could be transferred, with the caveat that "the extent of the right . . . depends on events occurring after that conveyance." 209 U.S.P.Q. at 650. The court cited *E.F. Pritchard Co.* v. *Consumers Brewing Co.*, 136 F.2d 512, 520

(6th Cir. 1943), *cert. denied*, 321 U.S. 763 (1944), which stated that "there appears no reason why a party commencing a business, cannot secure a right to a trade-mark which he adopts in the incipient stage of a new enterprise."

Respondents' ownership rights to the HAVANA CLUB mark are much stronger than the rights of owners of an incipient business recognized in *Combined Oil Industries* and *E.F. Pritchard*, because respondents are the owners of an established and ongoing business using their trademark. Further, under the peculiar circumstances of this case, the assignees of the HAVANA CLUB registration, who are forced to remain in the interregnum between their obtaining a right to a mark and their using that mark in the United States, should have the same right to maintain ownership of their registration until there is opportunity for "events occurring after" the conveyance to establish that the transfers of the mark to them were bona fide -- i.e. when the trade regulations are lifted, use of the HAVANA CLUB mark in the United States in connection with the Cuban rum always sold under that mark. There can be no doubt of the result, as this Board already has determined, on the same proof as is presented here, that respondents always have the intention of selling their HAVANA CLUB RUM in the United States when legally permitted. Arechabala, slip op. at p. 19.[33]

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[33]Cases holding that foreign use of a mark does not *create* priority rights in the United States have nothing to do with this case, where respondents' rights in the HAVANA CLUB trademark were created by statute under Section 44. *See, e.g.*, *Person's Co., Ltd.* v. *Christman*, 14 U.S.P.Q.2d 1477, 900 F.2d 1565, 1570 (Fed. Cir. 1990) ("[t]rademark rights under the Lanham Act arise solely out of use of the mark in U.S. commerce *or from ownership of a foreign registration thereon*" (emphasis added)). The rule is "that prior use of a trademark in a foreign country does not entitle its owner to claim exclusive trademark rights in the United States against one who, in good faith, has adopted a like trademark of the same character prior to the entry of the foreigner into the domestic market." *Johnson & Johnson* v. *Diaz*, 339 F. Supp. 60, 63 (D. Cal. 1971). Respondents' claim to exclusive rights in the HAVANA CLUB mark in the United States is based on treaty and statutory rights. In *Person's Co.*, in any event, the court noted that there is an exception to the rule where a foreign mark is famous in this country, as is respondents' HAVANA CLUB mark. 900 F.2d at 1570.

Finally, to invalidate these assignments would be contrary to the Board's decision in *Arechabala*. There the Board held that respondents possessed treaty and statutory rights to maintain their HAVANA CLUB trademark in the United States even though they have not been able to use the mark at any time in the United States for excusable reasons. The right of a company to maintain its registered mark must perforce include the right to reorganize its ongoing international business in the product symbolized by the mark, or the right to register and maintain a trademark in the United States recognized in *Arechabala* and required by treaty would be illusory.

The circumstances presented here are unique in many respects: the reorganization of an ongoing foreign international business which has maintained continuity of ownership and assets; uninterrupted use of the same trademark on the identical product, and excusable nonuse of that mark in the United States from the time of registration. All authority and reason support recognition of the instant assignments in these circumstances. There is no authority or reason to the contrary.

The above discussion disposes of petitioners' claim even if respondents' did not use their mark at all in the United States. As an additional point, however, there in fact has been use of the mark in commerce in this country. "The word 'commerce' means all commerce which may lawfully be regulated by Congress." Lanham Act, Section 45, 15 U.S.C. § 1127. Respondents have "used" the mark in commerce to the full extent permitted by Treasury Department regulations issued under the authority of Congress. With respect to any United States individual who travels to Cuba, the Cuban Assets Control Regulations permit:

> The purchase in Cuba, and *importation* as accompanying baggage, of merchandise with a foreign market value not to exceed $100 per person for personal use only.

31 C.F.R. § 515.560(c)(3) (first promulgated at 42 Fed. Reg. 16621 (March 29, 1976) (emphasis added). Merchandise purchased under this provision must be imported into the United States, may

not be consumed in Cuba or in a third country, and may not be resold in the United States. 31 C.F.R. §§ 515.410, 515.560(c)(3), 515.569(a). Thus, any rum sold to a United States visitor to Cuba pursuant to this provision must perforce be consumed in the United States by its purchaser, or one to whom it is given as a gift, after the rum's importation into the United States. As shown *ante*, respondents have taken full advantage of this provision, ensuring that approximately 75 percent of the United States persons traveling to Cuba bring back with them one or two bottles of HAVANA CLUB rum. (Diaz. Dec. ¶ 5).

Cases addressing situations where a trademark owner who has used a mark only within one state claims nevertheless to have used the mark in interstate commerce are instructive here. In *Pneutek, Inc.* v. *Scherr*, 211 U.S.P.Q. 824 (T.T.A.B. 1981), for example, an opposer who sought to block registration of a trademark operated a business manufacturing pneumatic tools which were sold solely from the opposer's home in Massachusetts. The opposer had, however, made sales of his tools to a Pennsylvania client and a New York client. The court stated: "Since the customers could be expected to use the tools . . . in their own business . . . but not to use the tools at [the opposer's] home, the fact that [these] customers took delivery [of the tools] at his home does not destroy the interstate character of the sale." *Id.* at 834 n.3. The Board distinguished the case of *In re The Bagel Factory, Inc.*, 183 U.S.P.Q. 553 (T.T.A.B. 1974), in which it had held that baked goods that were sold solely within Michigan were not used in interstate commerce because the goods "could have been consumed where they were bought . . . and the incidental crossing by particular customers with bagels from one state into another was wholly outside of the [putative trademark owner's] control or even knowledge." 211 U.S.P.Q. at 834 n.3.

The importation of HAVANA CLUB rum into the United States by purchasers in Cuba is analogous to the interstate transportation in *Pneutek* rather than that in *Bagel Factory*.

HAVANA CLUB rum purchased in Cuba by United States visitors to Cuba pursuant to section 515.560(c)(3) of the Cuban Assets Control Regulations *must* by law be imported into the United States and not consumed elsewhere, and respondents have made efforts specifically to increase sales of HAVANA CLUB rum for such importation into this country.

III. PETITIONERS' REPLEADED SECTION 14(3) CLAIM IS STILL DEFICIENT AND, IN ANY EVENT, RESPONDENTS HAVE NOT MISUSED THEIR MARK

Respondents move to dismiss petitioners' amended pleading of their claim under Section 14(3) as it fails to cure the deficiencies previously found by the Board to be fatal. July 8, 1996 slip op. at p.10. Alternatively, respondents move for summary judgment dismissing the claim on evidence which demonstrates that respondents have not misused their mark.

A. Petitioners' Amended Complaint Fails To Allege Misrepresentation Of Source And Must Be Dismissed Pursuant To Rule 12(b)(6)

The Board previously dismissed petitioners' section 14(3) claim on the ground that their pleading of this claim was "confusing, inconsistent and legally insufficient," citing *McDonnell Douglas Corp.* v. *National Data Corp.*, 228 U.S.P.Q. 45 (T.T.A.B. 1985). Although the Board granted petitioners leave to replead this claim, they have done no better in their amended petition.

As the Board stated in *McDonnell Douglas*, in order to sufficiently allege a cause of action under Section 14(3) for misrepresentation of source, a petitioner must allege:

> A blatant, aggressive misuse of a registered mark by a defendant or respondent in order to trade upon the renown and reputation of the *plaintiff* or *petitioner*.

McDonnell Douglas, 228 U.S.P.Q. at 46 (emphasis added). Consistent with this Board's formulation, the court in *Sunamerica Corporation* v. *Sun Life Assurance Company of Canada*, 890 F. Supp. 1559, 1580 (N.D. Ga. 1994), held that a complaint must allege a deliberate misrepresentation or palming

off of the goods of the "party seeking cancellation." *See also* 3 *McCarthy on Trademarks and Unfair Competition* § 20.15[6]. Indeed, there is no precedent as far as research has disclosed for cancellation under Section 14(3) where the claim was that the respondent misrepresented its goods as those of any entity other than the petitioner. This is in accord with the general rule that rights of third-parties with whom the litigating parties are not in privity have no relevance in a trademark proceeding. *Penthouse International, Ltd.* v. *Dyn Electronics, Inc.*, 196 U.S.P.Q. 251, 258 (T.T.A.B. 1977), *aff'd*, 582 F.2d 43 (C.C.P.A. 1978). *See also* 3 *McCarthy on Trademarks and Unfair Competition* § 20.13(1)[b] at 20-84 ("even under the liberal standing rules, there is no right to assert rights of third parties").

Yet, the amended petition, like the original petition, contains no allegation that the petitioners here are using the HAVANA CLUB mark or have used the mark at any time since respondents registered their mark in 1976. To the contrary, petitioners affirmatively allege that they are not using the mark but hope to do so in the future. (Pet. ¶¶ 10-14). Thus, petitioners have failed to state a claim of misrepresentation of the source of goods.

Further, the provision of Section 14(3) permitting cancellation for misrepresentation of source of goods is designed as a remedy against the actions of a registrant who, *subsequent* to registration, attempts to misrepresent the source of goods. "[A] successful cancellation action under Section 14(3) for misrepresentation of source presupposes that an otherwise acceptable mark has become unregistrable for reasons unrelated to the mark's inherent nature or to irregularities in the application process." T.H. Davis, Jr., *Cancellation Under Section 14(3) for Registrant Misrepresentation of Source*, 85 Trademark Rptr. 67 n.105 (1995). The Board recently explained the rationale for this rule in *Consorzio del Prosciutto di Parma* v. *Parma Sausage Products, Inc.*, 23 U.S.P.Q.2d 1894, 1897 (T.T.A.B. 1992):

> This balancing of property rights and public interest seems to us to have resulted in a statutory scheme whereby, once a trademark owner has had a registration for five years, his property interests come to the fore, and his registration will thenceforth be safe from attack unless he makes the registration vulnerable through his own actions, or unless he was never entitled to the registration to begin with. For example, if the registrant fails to perform actions which are within his control, e.g., he abandons his mark or uses his mark so as to misrepresent the source of the goods or allows the mark to become, or promotes it as the generic name for the goods, his registration can be cancelled because he has, in effect, participated in its destruction. However, a petitioner cannot attack a trademark registration more than five years old on the ground of priority of use and likelihood of confusion. It matters not that the petitioner is such a case can prove rampant actual confusion.

It follows that allegations that respondents have simply used their mark as registered are insufficient. Yet, the petition here contains no allegations that respondents engaged in any conduct after their registration issued which changed, much less misused, the mark. For this reason as well, the amended petition fails to state a Section 14(3) claim.

Petitioners appear to allege that the appearance in the design of respondents' mark of the words "fundada en 1878" constitutes intentional misrepresentation of its rum as that of the rum previously sold by Jose Arechabala, S.A. This contention need not be reached for, as shown, petitioners may not rest their claim on the rights of an unrelated third-party and, additionally, the challenged words appeared in the design of the mark as originally registered according to petitioners' own allegations. (Pet. ¶ 17.)

In any event, the petition even as repleaded is devoid of any allegation that the words "fundada en 1978" are uniquely associated with Jose Arechabala, S.A. in the minds of United States consumers. Lacking this or any comparable allegation, there is simply no factual predicate asserted for the necessary claim under section 14(3) that respondents' use of these words is part of a blatant attempt to "trade upon the renown and reputation" of Jose Arechabala, S.A. *McDonnell Douglas*, 228

U.S.P.Q. at 46.[34] This continuing deficiency, notwithstanding the Board's leave to replead the claim, likewise requires dismissal pursuant to Rule 12(b)(6).

B. In The Alternative, Respondents Have Not Misused Their Mark To Misrepresent The Source Of Their Goods And Are Entitled To Summary Judgment

In 1974, when respondents applied to register their mark, Section 45 of the Lanham Act provided that after two years of non-use a mark is presumed to be abandoned. The presumption clearly operated here, and, indeed, it is clear that there was in fact abandonment. As shown *ante*,

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[34]To the extent that the complaint alleges that respondents use of the phrase "fundada en 1878" is false, such statements may be actionable under Section 43(a), but are not sufficient to support a claim to cancel a registration under the limited grounds permitted by Section 14(3). Similarly, petitioners' allegation that respondents' HAVANA CLUB rum is "ersatz" (Pet. ¶ 55) because, allegedly, respondents are using a different formula for HAVANA CLUB rum than that used by Jose Arechabala, S.A. in the first half of this century, is irrelevant to a claim of misrepresentation of source of the goods as the recipe for the rum makes no representation as to the rum's source.

To the extent that the petition could conceivably be interpreted to allege that the words "fundada en 1878" suggest a false connection with a "person" or "institution", this claim would also fail. Only a showing that allegedly-deceptive words "point 'uniquely and unmistakably'" to petitioner as "an identifier of its corporate persona, rather than as an identifier of the source of particular goods," is sufficient to ground a claim on the bar of Section 2(a). *Miller Brewing Co.* v. *Anheuser-Busch, Inc.*, 27 U.S.P.Q.2d 1711, 1713 (T.T.A.B. 1993). Here there is absolutely no allegation in the petition that the words "fundada en 1878" have any connection whatsoever with petitioners, or that they serve as an "identifier" of the "corporate persona" of any other specific company.

In addition, this Board has consistently held allegations that use of a mark may result in confusion of source to be insufficient to state a claim under Section 2(a). *Miller Brewing Co.*, 27 U.S.P.Q.2d at 1713; *Springs Industries* v. *Bumblebee Di Stefano Ottina & C.S.A.S.*, 222 U.S.P.Q. at 512, 514 (T.T.A.B. 1984). "[E]ven one with an 'equal' right in a trademark based on priority may not attack the registration of another after five years on the grounds of likelihood of confusion of source." *Wallpaper Manufacturers, Ltd.* v. *Crown Wallcovering Corp.*, 214 U.S.P.Q. 327, 334, 680 F.2d 755, 763 (C.C.P.A. 1982). Thus, it would be insufficient for petitioners to show only that use of the words "fundada en 1878" would create the mistaken belief that respondents' goods are those of petitioners or of any other producer. Such an allegation might form the basis of a Section 2(d) claim, but would not make out a claim under Section 2(a). *Miller Brewing Co*, 27 U.S.P.Q.2d at 1713; *see also Springs Industries*, 222 U.S.P.Q. at 515. A Section 2(d) claim, of course, is not a basis for cancellation of a registration that is more than five years old.

there was a period of at least seven years between the time when Jose Arechabala, S.A. ceased selling rum in this country and the date when respondents registered their mark here on the basis of their recently-filed Cuban registration. Moreover, as shown *ante*, in 1962, Jose Arechabala, S.A. failed to file a Section 8 affidavit, with the necessary result that its 1956 registration of its trademark was cancelled, and it failed to renew other registrations as required, thus further evidencing its intent to abandon the mark.

By virtue of its abandonment, the previously registered mark HAVANA CLUB had fallen into the public domain, allowing respondents or any other person to register and use the same or a similar mark. *Manhattan Industries, Inc.* v. *Sweater Bee by Banff, Ltd.*, 207 U.S.P.Q. 89, 627 F.2d 628 (2d Cir. 1980); *Bellanca Aircraft Corp.* v. *Bellanca Aircraft Engineering, Inc.*, 190 U.S.P.Q. 158 (T.T.A.B. 1976). There is no authority whatsoever nor any logic to hold that use by a new registrant of a mark previously abandoned may subject the new registrant to a claim that it has misrepresented the source of its goods as those of the former owner.

Moreover, under this Board's decision in *Consorzio* and other authority discussed *ante*, p. 43-44, a claim of misrepresentation of source under Section 14(3) requires a showing of affirmative, aggressive misconduct *subsequent* to a mark's registration. Without post-registration misconduct, even willful and deliberate adoption and use of the mark with full knowledge of another's use of the mark would not be sufficient to constitute misrepresentation of source under section 14(3). *McDonnell Douglas*, 228 U.S.P.Q. at 47; *Osterreichischer Molkerei-und Kasereiverband Registreite Genossenschaft mit Beschrankter Haftung* v. *Marks and Spencer Ltd.*, 203 U.S.P.Q. 793, 794 (T.T.A.B. 1979). *See also*, 3 *McCarthy On Trademarks And Unfair Competition* § at 20.15[6] p. 20-100.3 ("[w]ilfull use of a confusingly similar mark is not sufficient" to create misrepresentation of source). There simply was no post-registration misuse of the trademark here.

As the evidence submitted in support of the instant summary judgment motion demonstrates, there has been no change in the HAVANA CLUB mark since it was registered in 1976. (Krinsky II Dec. ¶ 4).

The foregoing is dispositive. However, even if the Board were to compare respondents' mark with the marks which were abandoned by Jose Arechabala S.A., an exercise it need not undertake, such a comparison would demonstrate that respondents have not adopted even a colorable imitation of those abandoned marks. As in infringement cases involving likelihood of confusion, it is appropriate for the Board to conclude here as a matter of law that there has been no intentional misrepresentation of source where the mark designs are substantially different. *Cf. Warner Bros.* v. *American Broadcasting Cos.*, 222 U.S.P.Q. 101, 720 F.2d 231, 246 (2d Cir. 1983) ("courts retain an important authority to monitor the outer limits of substantial similarity within which a jury is permitted to make the factual determination whether there is a likelihood of confusion as to source").

The abandoned Arechabala marks contained prominent design elements which are strikingly different and absent from respondents' design mark. Not only are the words HAVANA CLUB written in very different typeface, but the prior abandoned marks prominently featured a tree in the middle of the mark whereas respondents' mark has never used a tree; rather respondents' mark features a distinctive design of a human figure in a circle holding a staff. (Rule Dec. III Exhs. A,E.) Finally, the abandoned marks featured the name of the prior registrant, Jose Arechabala, S.A., whereas respondents' mark does not.

Petitioners certainly cannot complain that the use of a mark which includes the words HAVANA CLUB constitutes misrepresentation of the source of goods since petitioners themselves seek to register and use a mark which contains the same words. Petitioners appear to hang their claim

on the use of the words "fundada en 1878" which appear in small type on respondents' label. Petitioners do not allege that these words singularly identify Jose Arechabala, S.A.; however, even if the use of such words could arguably be associated with Jose Arechabala, S.A., their use in respondents' trademark design does not constitute a misrepresentation of the source of respondents' goods. An examination of respondents' HAVANA CLUB design shows that the words "fundada en 1878" are barely noticeable in comparison with the words "Havana Club" and other prominent distinctive design features of respondents' mark. Further, these words suggest venerability and not any particular manufacturer to the consumer. Thus, they have not been used in a blatant, aggressive scheme to trade upon any renown or reputation of Jose Arechabala, S.A.

IV. SUMMARY JUDGMENT IS APPROPRIATE IN THIS CASE

As the Supreme Court has said, the summary judgment procedure "is properly regarded not as a disfavored procedural shortcut, but rather as an integral part of the Federal Rules as a whole." *Celotex Corp.* v. *Catrett*, 477 U.S. 317, 327 (1986). As is demonstrated by respondents' evidentiary showing, "no genuine issues of material fact remain and more evidence than is readily available in connection with the summary judgment motion could not reasonably be expected to change the result," *Strang Corp.* v. *The Stouffer Corp.*, 16 U.S.P.Q.2d 1309, 1311 (T.T.A.B. 1990). Summary judgment is therefore appropriate.

CONCLUSION

For the foregoing reasons, Havana Club Holding, S.A. and Havana Rum & Liquors, S.A. respectfully request that this Board grant their motion for dismissal of the amended and supplemental petition for cancellation.

Dated: New York, New York
October 17, 1996

Respectfully submitted,

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

GALLEON S.A., BACARDI-MARTINI U.S.A., INC., and BACARDI & COMPANY LIMITED,	Cancellation No. 24,108
Petitioners,	
-against-	
HAVANA CLUB HOLDING, S.A. and HAVANA RUM & LIQUORS, S.A. d/b/a H.R.L., S.A.,	
Respondents.	
Registration No. 1,031,651	

CERTIFICATE OF EXPRESS MAILING AND SERVICE

I, Caroline Rule, Esq., hereby certify that the attached Memorandum of Law In Support Of Respondents' Motion For Summary Judgment in the above-captioned cancellation proceeding is being deposited today, October 18th, 1996, with the United States Postal Service, utilizing the "Express Mail Post Office to Addressee" service, in an envelope addressed to the following:

1) mailing label No. HB309362680, addressed to:

Assistant Commissioner for Trademarks
2900 Crystal Drive
Arlington, Virginia 22202-3513

2) mailing label No. HB309362724, addressed to attorney for petitioner:

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Signed this 18th day of October, 1996

Caroline Rule, Esq.