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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

HAVANA CLUB HOLDING, S.A. and HAVANA CLUB INTERNATIONAL, S.A.,

Plaintiffs,

- against -

GALLEON S.A., BACARDI-MARTINI USA, INC., GALLO WINE DISTRIBUTORS, INC., G.W.D. HOLDINGS, INC. and PREMIER WINE AND SPIRITS,

Defendants.

No. 96-Civ.-9655 (SAS)

24,108

**ANSWER, AFFIRMATIVE DEFENSES AND COUNTERCLAIMS**

**JURY TRIAL DEMANDED**

Defendants BACARDI-MARTINI U.S.A., Inc., a Delaware corporation with offices at Miami, Florida, and Galleon, S.A., a Bahamian corporation, for their Answer to the Complaint and their Affirmative Defenses and Counterclaims herein, through their undersigned counsel, Kelley Drye & Warren LLP, allege as follows:

1. Admit, in respect of paragraphs 1, 2, 3, and 4 of the Complaint, that plaintiffs have instituted the present action under the Lanham Act, 15 U.S.C. § 1051 et seq. but deny any violations of those laws which might or could be imputed to these defendants, and except as so admitted, deny each and every other allegation contained therein.

2. Admit, in respect of paragraph 5 of the Complaint, that the jurisdiction of this Court is invoked by plaintiffs under 28 U.S.C. § 1338 and that venue is alleged under 28 U.S.C. § 1391, but deny that defendants are residents of this district within the meaning

of 28 U.S.C. §§ 1391(b)(c) and further deny each and every other allegation contained therein.

3. Admit, in respect of Paragraph 6 of the Complaint, that Galleon S.A. is a foreign corporation but deny that the other defendants are residents of this district and that a substantial part of the events giving rise to plaintiffs' claims occurred here.

4. Aver that they lack knowledge or information sufficient to form a belief as to the truth of each and every allegation contained in paragraphs 7 and 8 of the Complaint and, therefore, deny same.

5. Admit the allegations contained in paragraph 9 of the Complaint.

6. Admit, in respect to paragraph 10 of the Complaint, that defendant is a Delaware corporation and deny each and every other allegation contained therein.

7. Deny the allegations contained in paragraphs 11 and 12 of the Complaint.

8. Aver that they lack knowledge or information sufficient to form a belief as to the truth of each and every allegation contained in paragraphs 13 and 14 of the Complaint, and therefore, deny same.

9. Deny, in respect of paragraphs 15, 16, 17 and 18 of the Complaint, that Plaintiff Havana Club Holding, S.A. ("Havana Holding") owns U.S. Registration No. 1,031,651 of the trademark HAVANA CLUB and Design and deny that the U.S. registration of the HAVANA CLUB mark was validly renewed by Havana Holding, and except as so denied, aver lack of knowledge and information sufficient to form a belief as to the truth of each and every other allegation contained therein and, therefore, deny same.

10. Admit the allegations contained in paragraph 19 of the Complaint.

11. Admit, in respect of paragraphs 20, 21, 22, 23, 24, 25, 26, 27 and 28, of the Complaint, that what appears to be a true copy of the U.S. registration certificate of the purported mark HAVANA CLUB and Design is attached as Exhibit A to the Complaint, but deny that said registration is valid or is in full force and effect, and except as so admitted and denied, aver that they lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained therein and, therefore, deny same.

12. Admit, in respect of paragraphs 29, 30, 31, 32 and 33 of the Complaint, that Plaintiffs Havana Holding and Havana Rum & Liquors, S.A. ("HRL") entered into an unlawful scheme, one aim of which was to transfer rights and title to the HAVANA CLUB and Design trademark in the United States, together with the U.S. registration thereof, and to conceal the payment of considerable sums of money in consideration therefor to Cuba or Cuban nationals, all in violation of the United States Treasury Department's Cuban Asset Control Regulations, and deny that the Office of Foreign Asset Control ("OFAC") duly authorized said purported assignments, and except as so admitted and denied, aver that they lack knowledge or information sufficient to form a belief as to the truth of each and every other allegation contained therein and, therefore, deny same.

13. Admit, in respect of paragraphs 34 and 35 of the Complaint, that prior to the Castro Regime, Cuba was known to U.S. consumers as a source of rum and admit that U.S. consumers recognize Puerto Rico, which is located in the Caribbean, as a source of BACARDI rum, the most popular rum in the world today, and except as so admitted, deny each and every other allegation contained therein.

14. Deny each and every allegation contained in paragraphs 36, 37, 38, 39 and 40 of the Complaint.

15. Admit, in respect of paragraphs 41 and 42 of the Complaint, that rum is produced in the Bahamas under the authority of Galleon S.A., which is imported into the United States solely by Defendant BACARDI-MARTINI for distribution and sale under the mark HAVANA CLUB in interstate commerce through various wholesalers, including Gallo Wine Distributors, Inc. and G.W.D. Holdings, Inc. in New York and elsewhere, and except as so admitted, deny each and every other allegations contained therein.

16. Admit, in respect of paragraphs 43, 44, 45, 46, 47, 48, 49, 50, and 51 of the Complaint that HAVANA CLUB rum is produced in the Bahamas under the authority of Galleon S.A, which is imported into the United States solely by Defendant BACARDI-MARTINI for distribution and sale under the mark HAVANA CLUB in New York through Premier Wine and Spirits and others and admit that said HAVANA CLUB RUM is listed in *Beverage Media*, *Metro New York* and other publications and that copies of photographs of these products are attached as Exhibit C to the Complaint, and aver that the label and trade dress are as shown in the photographs and on the products themselves, and except as so admitted and averred, deny each and every other allegation contained therein.

17. Admit, in respect of paragraph 52, that Cuba is an island and aver that both Cuba and the islands that comprise the Commonwealth of the Bahamas are considered to be in the Caribbean region, and except as so admitted and averred, deny each and every other allegation contained therein.

18. Admit, in respect of paragraphs 53 and 54 of the Complaint, that the labeling and trade dress for the HAVANA CLUB rum made under the authority of Galleon

S.A. is as it appears on the product itself, and except as so admitted, deny each and every allegation contained therein.

19. Admit the allegations contained in paragraph 55 of the Complaint.

20. Admit, in respect of paragraphs 56 and 57 of the Complaint, that defendants Galleon S.A. and BACARDI-MARTINI knew that Havana Holding purports to own a U.S. registration of the HAVANA CLUB and Design trademark and aver that upon information and belief, said U.S. trademark registration was obtained and maintained by fraud and fraudulently renewed and that BACARDI-MARTINI and Galleon S.A. instituted a cancellation proceeding in the United States Patent and Trademark Office on or about July 12, 1995 to cancel said registration and further aver that as appears from the letter of Office of Foreign Assets Control of the U.S. Treasury Department to Ignacio Sanchez, dated December 19, 1996, a true copy of which is attached as Exhibit A hereto that said purported assignment of the mark is invalid and not in full force and effect, and except as so admitted and averred, deny each and every other allegation contained therein and, therefore, deny same.

21. Answering each and every allegation contained in paragraph 58, repeat and reallege each and every response to Paragraphs 1 through 57 of the Complaint as though fully set forth herein.

22. Admit, in respect of paragraphs 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78 and 79 of the Complaint that Defendant Galleon S.A. owns valid common law rights to the trademark HAVANA CLUB in New York and elsewhere in the United States and that the Defendant BACARDI-MARTINI is, under the authority of Galleon S.A., selling, offering for sale and distributing rum under the HAVANA

CLUB trademark here, and except as so admitted, deny each and every other allegation contained therein.

23. Answering each and every allegation contained in paragraph 80 of the Complaint, repeat and reallege each and every response to Paragraph 1 through 79 of the Complaint as though fully set forth herein.

24. Admit, in respect of paragraphs 81, 82, 83, 84, 85, 86, 87, 88, and 89 of the Complaint, that Defendant Galleon S.A. owns rights in the trademark HAVANA CLUB in New York and elsewhere in the United States and that Defendant BACARDI-MARTINI, under the authority of Galleon S.A., is distributing, offering for sale and selling rum under the HAVANA CLUB trademark in New York and elsewhere in the United States, and except as so admitted, deny each and every other allegation contained therein.

## AFFIRMATIVE DEFENSES AND COUNTERCLAIMS

Defendants-counterclaimants Galleon S.A. and BACARDI-MARTINI as and for their Affirmative Defenses and Counterclaims, allege upon personal knowledge as to their own acts and, upon information and belief as to the acts of others, as follows:

### AS AND FOR A FIRST AFFIRMATIVE DEFENSE AND COUNTERCLAIM

### I.

### Fraud In Obtaining And Maintaining The Purported HAVANA CLUB And Design Registration

1. Galleon S.A. is a Bahamian international business company with its principal place of business at 49 Collins Avenue, Nassau, Commonwealth of the Bahamas.

2. BACARDI-MARTINI is a Delaware corporation with its principal place of business in Miami, Florida.

3. BACARDI-MARTINI is engaged, among other things in the business of importing, distributing, and selling distilled spirits, including BACARDI and CASTILLO rums, in interstate commerce throughout the United States.

4. Galleon is engaged in the spirits business and is the owner of App. Ser. No. 74/572,667 to register the mark HAVANA CLUB for "rum and rum specialty drinks" in International Class 33.

5. The Bacardi rum business is presently owned by the descendants of Don Facundo Bacardi, who over a century ago in Cuba originated a recipe and process for the distillation and manufacture of rum that has been sold ever since under the BACARDI name and mark. Compania Ron Bacardi S.A., a Cuban joint-stock company formerly headquartered in Santiago de Cuba, produced BACARDI Rum in Cuba until unlawful confiscation of its assets by the Castro Regime. Indeed, BACARDI rum is today the best-selling brand of spirits in the world.

6. As a result of the extensive advertising, promotion and sale of BACARDI rum, American consumers have long recognized Bacardi rum as being of the highest quality.

7. In a 1937 book entitled Famous New Orleans Drinks, Stanley Arthur opined that "Cuba holds the palm for producing the best rum" (p.37) and goes on to note that Bacardi rum received its name from the Bacardi family of Cuba, well-known distillers and bottlers. Similarly, Alexis Lichine's New Encyclopedia of Wines and Spirits (1987) lists "Bacardi" as "a well-known brand of Cuban rum, now produced in Puerto Rico, Brazil,

Mexico and the Bahamas." The Encyclopedia also states that the principal producers of the best Cuban rum prior to Castro's takeover included Compania Ron Bacardi, a predecessor of Petitioners. On October 14, 1960, the Cuban properties of the Defendant-counterclaimants' predecessor were unlawfully expropriated.

8. The manufacture and sale of Cuban rum, that is to say, rum made in the manner originated in Cuba by Don Facundo Bacardi is the birthright of the defendants-counterclaimants.

9. Defendant-counterclaimants have a bona fide intent to produce rum in the future in a democratic Cuba. When the President of the United States, pursuant to the Cuban Democracy Act of 1992, 22 U.S.C.A. Section 6007(b), certifies that a democratic government has been re-established in Cuba such that the U.S. trade embargo with Cuba is lifted, then petitioners intend once again to produce rum in Cuba, the land where Bacardi's rum business began.

10. At present, however, it is not possible to make rum in Cuba and import and sell that rum in the United States. As American consumers are well aware due to the long-standing embargo of items manufactured in Cuba, rum produced there cannot at present be lawfully sold in or imported into the United States.

11. The array of rums being offered for sale and sold in the United States by BARCARDI-MARTINI is being expanded. Rums sold in the United States by BARCARDI-MARTINI are principally Cuban-style rums which are refined, aged, and blended using the processes and formulae perfected by Defendant-counterclaimants' predecessors in Cuba and taken outside of Cuba by Defendant-counterclaimants' predecessor after Castro's usurpation of power.

12. BACARDI-MARTINI is now importing and distributing rum in the United States made under authority granted by Galleon. That rum is being sold under the trademark HAVANA CLUB and is carefully made in the style developed by Cuban rum masters prior to Castro's unlawful confiscation of the distilleries of Bacardi and other Cuban rum producers.

13. To emphasize the Cuban heritage of this rum, petitioners intend to market such products under brand names and marks that feature the word HAVANA. Galleon owns an I-T-U application to register the mark HAVANA CLUB for rum and rum specialty drinks.

14. The presence on the Principal Register of Reg. No. 1,031,651 of the mark HAVANA CLUB and Design is damaging to defendant-counterclaimants because: (a) it gives the purported registrant a colorable right to the exclusive use of the mark HAVANA CLUB for rum in the United States; (b) it places a cloud over Galleon's right to register and use the trademark HAVANA CLUB in the United States; (c) it puts a cloud over the right to register and use other "HAVANA" formative marks in the United States; (d) it threatens to interfere with the right of BACARDI-MARTINI to import, distribute, and sell HAVANA CLUB rum under the authority of Galleon in the United States; and (e) it threatens to interfere with the right of BACARDI-MARTINI to import, distribute and sell rum under other "HAVANA" formative marks in the United States.

Plaintiff-counterclaim-defendants' Business

15. The HAVANA CLUB and Design mark was registered in the United States Patent & Trademark Office ("PTO") under No. 1,031,651 on January 27, 1976, based on a purported Cuban Registration No. 110,353, dated February 12, 1974, pursuant to

Section 44 of the Lanham Act, 15 U.S.C. § 1126. The Design portion of the mark included the Spanish legend "Fundado en 1878" and the depiction of a figure in a circle holding a cross or sword.

16. The registrant was allegedly a Cuban state enterprise called Empressa Cubana Exportadora de alimentos y Productos Varios, which translates in English to the Cuban Export Enterprise of Food and Various Products d/b/a Cubaexport (hereinafter "Cubaexport"). Cubaexport was incorporated under the laws of Cuba in 1965, with offices in Havana.

17. Jose Arechabala, S.A. of Cardenas, Cuba, had first used the mark HAVANA CLUB in commerce in the United States as early as the 1930's. On May 14, 1935, the trademark HAVANA CLUB for "Ethyl alcohol, rum, etc." was registered under No. 324,385 and on June 16, 1936, the trademark HAVANA CLUB and Design for "Rum, etc." was registered under No. 335,919 in the PTO, by Jose Arechabala, S.A. The Design portion of the latter registered mark included the words "Founded 1878". Thereafter, on August 11, 1953, Jose Arechabala, S.A. was issued two registrations of label Design marks incorporating the words "HAVANA CLUB" on the Supplemental Register under Nos. 578,679 and 578,680, respectively.

18. The registration of the mark HAVANA CLUB for rum on the principal register owned by Jose Arechabala, S.A. was obtained under § 2(f) of the Lanham Act, which indicates that the mark HAVANA CLUB had obtained secondary meaning in the United States.

19. Cubaexport was not "founded in 1878" and Cubaexport was not the successor to Jose Arechabala, S.A., the Cuban company which first used the HAVANA

CLUB name and mark in the United States. The use of the statement "Fundado en 1878" as part of the HAVANA CLUB and Design mark registered by Cubaexport was meant to be understood by the American public as an indication that Cubaexport's rum was somehow associated with or approved by the original source of HAVANA CLUB rum in the United States and was of the same quality as the rum they had previously purchased and enjoyed.

20. Cubaexport was well aware at the time it filed its application that matured into Reg. No. 1,031,651 that it was not the owner of the mark HAVANA CLUB for rum in the United States.

21. Cubaexport knew that the HAVANA CLUB and Design mark which it applied for in the United States was still associated with Jose Arechabala, S.A., the original Cuban company which had previously imported and sold HAVANA CLUB rum in the United States. Moreover, the formula used to make ersatz HAVANA CLUB rum by Cubaexport was materially different from the formula used by the original producers of HAVANA CLUB rum. This formula was changed surreptitiously in a manner calculated to deceive purchasers of HAVANA CLUB rum as to the changed nature of the product.

22. Nonetheless, Cubaexport filed its application under Section 44 of the Lanham Act, falsely asserting ownership of the Cuban registration and submitting a label specimen showing use, when no lawful label approval had been obtained from the Federal Bureau of Alcohol, Tobacco and Firearms ("BATF") by Cubaexport.

23. Under Section 44 and Sections 1 and 45 of the Lanham Act, a foreign applicant must have a good faith intent to use the mark applied for in commerce in the United States.

24. Cubaexport was not using and never used the mark HAVANA CLUB and Design in the United States at the time it filed its trademark application.

25. Cubaexport, at all relevant times, had no intent to use the mark in the United States and its application was made in bad faith for defensive purposes with the intent of foreclosing others from rightfully using the mark HAVANA CLUB and Design here.

26. On or about January 12, 1982, a Section 8 Declaration was filed in the PTO in connection with Registration No. 1,031,651. On information and belief, that declaration, ostensibly signed by Fausto Alfonso Man, wilfully and falsely stated that the mark [HAVANA CLUB] "is still in use on goods and services in each class as evidenced by the attached specimen for each class showing the mark as currently used."

27. The Declaration further falsely averred that Cubaexport was the owner of said mark and registration. As alleged aforesaid, Cubaexport, at all relevant times, knew said mark HAVANA CLUB and Design was not owned by Cubaexport in the United States.

28. The label specimen submitted by Cubaexport was never the subject of a lawful label approval issued by the BATF and contained misleading and false statements that precluded approval by the BATF.

29. The United States Department of the Treasury pursuant to the Trading with the Enemy Act, 50 U.S.C. App. § 1 et. seq. issued the Cuban Asset Control Regulations ("CACR") in 1963 imposing a total embargo on all trade between the United States and Cuba. These regulations, inter alia, have prohibited the importation, distribution or sale in the United States of rum produced in Cuba. (31 CFR Part 515). Those regulations remain in effect.

30. Section 515.201(b)(1) of the CACR prohibits all transactions involving transfers of property [such as a U.S. trademark right] in which a Cuban company such as Cubaexport has at any time had an interest of any nature whatsoever "direct or indirect", including transfers of "any property" or "evidences of ownership of property" by any person subject to the jurisdiction of the United States and § 505.201(b)(2) prohibits all transfers of such property or property interests subject to jurisdiction in the United States. In other words, tangible or intangible property rights in the United States in which Cuban nationals have an interest (like the trademark rights claimed by Cubaexport), cannot be transferred or assigned under the CACR without prior authorization from OFAC.

31. Section 515.203(a) makes any transfer which violates the CACR null and void and provides that such transfers "shall not be the basis for the assertion or recognition of any interest in or right, remedy, power or privilege with respect to such property."

32. In or about November 1993, Pernod Ricard, S.A. ("Pernod"), a French corporation with offices at 142 Boulevard Hausmann, Paris, France signed a cooperation agreement with a Castro governmental entity, making Pernod Ricard S.A. the exclusive distributor of HAVANA CLUB rums throughout the world, including the United States. Pernod reportedly directly or indirectly paid millions of dollars for this right to Cuban nationals or entities. In return for this payment, companies controlled directly or indirectly by Pernod were to be transferred rights to the HAVANA CLUB and Design trademark in the United States, including the U.S. Regulation thereof and U.S. distribution rights.

33. Plaintiff-counterclaim-defendant Havana Holding, a corporation organized under the laws of Luxembourg, was established in November 1993 and has its

offices in Paris, France. Plaintiff-counterclaim-defendant Havana Holding is controlled by Pernod.

34. Plaintiff-counterclaim-defendant HRL, is a Cuban company organized in 1993, acquired the HAVANA CLUB rum business from Cubaexport in 1993. Plaintiff-counterclaim-defendant HRL is a shareholder in Havana Holdings.

35. By Assignment, dated January 10, 1994, Cubaexport purportedly assigned the rights to the HAVANA CLUB and Design trademark in the United States and U.S. Reg. No. 1,031,651 thereof to HRL, a Cuban company, with its address at 305 Miramar, Havana Cuba. The assignment was executed by Milda Picos Rivera, Manager of Cubaexport. The assignment recited that the transfer was for $10 and other good and valuable consideration received by Cubaexport, from HRL. The assignment was recorded in the PTO at Reel 1104, Frame 047 on February 10, 1994. No goodwill or related assets were conveyed with the purported trademark, so this assignment-in-gross destroyed any rights of the purported assignee in or to said HAVANA CLUB and Design mark or the registration thereof in the United States.

36. By Assignment, dated June 22, 1994, HRL purportedly assigned the rights to the trademark HAVANA CLUB and Design in the United States and U.S. Reg. No. 1,031,651 thereof to plaintiff-counterclaim-defendant Havana Holding, a Luxembourg company, with offices at 6, Rue Heine, Luxembourg. The assignment recited that the transfer was for $10 and other good and valuable consideration received by HRL, from Havana Holdings. The assignment was recorded in the PTO at Reel 1219, Frame 429 on September 13, 1994. No goodwill or related assets were conveyed with the purported

trademark, so this assignment-in-gross destroyed any rights of the purported assignee in or to said mark or the registration thereof in the United States.

37. The purported barter and sale of said U.S. Registration, a U.S.-based asset of HRL, a Cuban company to Havana Holdings in return for payment of an undetermined but substantial sum of money was in violation of the Cuban Asset Control Regulations.

38. The rights to the HAVANA CLUB and Design trademark and Registration No. 1,031,651 thereof are trademark or property rights with a situs in the United States. Cubaexport Designated a domestic representative in the United States and consented to the jurisdiction of the United States with respect to that mark. Respondent Havana Holdings is subject to the jurisdiction of the United States and has appointed Rabinowitz, Boudin as its domestic (U.S.) representative upon whom notice of process in proceedings affecting the mark may be served.

39. The purported transfers of the HAVANA CLUB and Design mark and the U.S. registration No. 1,031,651 thereof, which are U.S. assets of a Cuban company, first to HRL and then to Havana Holding, a Luxembourg company, were in violation of the Cuban Asset Control Regulations. These purported transfers were null and void under § 505.203(a) of the CACR and may not be the basis for recognition of any rights or property interest of Respondent Havana Club Holdings, S.A. in the mark HAVANA CLUB and Design or in U.S. Registration No. 1,031,651 thereof.

40. Registration No. 1,031,651 of the mark HAVANA CLUB and Design was fraudulently obtained and maintained by the original registrant, Cubaexport.

41. These fraudulent acts and statements include, but are not limited to, the statement that the HAVANA CLUB and Design mark was owned by Cubaexport at the time of the original application and the statement that it was "still in use in commerce" in the Section 8 affidavit. These statements were wilfully false and fraudulent when made and were done with the intention of fraudulently obtaining and maintaining the registration of the HAVANA CLUB and Design mark on the Principal Register of the PTO.

42. Wherefore, Registration No. 1,031,651 of the HAVANA CLUB and Design mark has been fraudulently obtained and maintained in violation of 15 U.S.C. § 1064(3) and should be cancelled as prayed for hereinafter.

## AS AND FOR A SECOND AFFIRMATIVE DEFENSE AND COUNTERCLAIM

## II.

### False and Fraudulent Renewal by Plaintiff-counterclaim-defendant Havana Holding

43. Paragraphs 1 though 42 are incorporated herein by reference.

44. The rights, if any, still subsisted, to the HAVANA CLUB and Design mark in the United States and U.S. Registration 1,031,651 on or about January 12, 1996, were never transferred from Cuba export. Nonetheless, Havana Holding purported to renew said registration on said date. The purported attempts by Cubaexport and plaintiff-counterclaim-defendants to transfer said mark and registration were, in addition to being assignments-in-gross, null and void ab initio pursuant to 31 CFR § 515.203(a) and cannot serve as the basis for recognizing any rights to said mark in Havana Holding. Alternatively, since Cubaexport never sought to renew Reg. No. 1,031,651 of said HAVANA CLUB and Design mark, the requirements of 15 U.S.C. § 1059(a) and (e) were not met, and the

registration thereof in the United States PTO expired, and said registration must be cancelled and expunged.

45. Cubaexport and plaintiff-counterclaim-defendants Havana Holding and HRL were at all relevant times aware of the fact that the purported transfers of the HAVANA CLUB and Design mark in the United States and said registration thereof were prohibited by the CACR and willfully violated those regulations. Furthermore, Havana Holding knowingly falsely represented that it owned said mark and registration in connection with the renewal declaration filed on or about January 12, 1996.

46. Wherefore, Registration No. 1,031,651 of the HAVANA CLUB and Design mark was falsely and fraudulently renewed by plaintiff-counterclaim-defendant Havana Holding in violation of 15 U.S.C. § 1064(3) and should be cancelled as prayed for hereinafter.

**AS AND FOR A THIRD**
**AFFIRMATIVE DEFENSE AND COUNTERCLAIM**

**III.**

**Abandonment**

47. Paragraphs 1 through 46 of the Counterclaims herein are incorporated herein by reference.

48. Furthermore, the purported assignments of said HAVANA CLUB and Design mark and Registration No. 1,031,651 were invalid assignments-in-gross, so the purported HAVANA CLUB and Design mark does not identify goods emanating exclusively from a single source.

49. Wherefore, the HAVANA CLUB and Design mark has been abandoned by registrant or its alleged predecessors-in-title within the meaning of Section 45 of the Lanham Act, 15 U.S.C. § 1127, and the Registration No. 1,031,651 of the HAVANA CLUB and Design mark should be cancelled as prayed for hereinafter.

**AS AND FOR A FOURTH AFFIRMATIVE DEFENSE AND COUNTERCLAIM**

**IV.**

**Misrepresentation of Goods**

50. Paragraphs 1 through 49 of the Counterclaims herein are incorporated by reference.

51. Plaintiff-counterclaim-defendants and Cubaexport have prepared and caused advertisements for their ersatz HAVANA CLUB rum to appear in magazines and publications distributed through the channels of interstate commerce in the United States and have paid promotional fees or given other inducements to movie producers to cause their HAVANA CLUB rum and their purported HAVANA CLUB and Design mark to be depicted in movies distributed in interstate commerce in the United States, including the film "The Firm". These advertisements and the use and depiction of said mark in films are designed to induce American consumers into buying ersatz HAVANA CLUB rum abroad and to build up a demand for said product when it becomes legally available for sale in the United States.

52. The aforesaid actions of plaintiff-counterclaim-defendants including their use of the labeling statement incorporated as a component of the Design portion of the aforesaid mark that falsely indicates that the producer was "founded in 1878" is part of a deliberate scheme by Respondents to pass off their ersatz HAVANA CLUB rum as being

somehow approved by the producer of, or as being the same quality as, the only HAVANA CLUB rum ever sold legally in the United States by a Cuban company which was produced by Jose Arechabala, S.A.

53. Furthermore, said advertising and promotional use of said HAVANA CLUB and Design mark and plaintiff-counterclaim-defendants' other aforesaid acts and omissions are intended to confuse the American public into wrongly believing that they are somehow the legitimate successor to the original producer of the HAVANA CLUB rum sold in the United States, Jose Arechabala, S.A. Indeed, the use of the statement "founded in 1878" as part of the Design portion of the mark can have no other purpose.

54. Through the aforesaid acts, plaintiff-counterclaim-defendants have used the purported HAVANA CLUB and Design mark as a vehicle for fraud and said mark is being used in violation of 15 U.S.C. § 1064(3) to misrepresent the source of Respondents' ersatz HAVANA CLUB rum.

55. Wherefore, said mark was used by or with the permission of Respondent in violation of § 1064(3) and the registration thereof should be cancelled as prayed for hereinafter.

## AS AND FOR A FIFTH AFFIRMATIVE DEFENSE AND COUNTERCLAIM

## V.

**Violations of § 38 of the Lanham Act**

56. Paragraphs 1 through 55 of the counterclaims herein are incorporated by reference.

57. Cubaexport, plaintiff-counterclaimants-defendants' alleged predecessor-in-title obtained U.S. Registration No. 1,031,651 of the mark HAVANA CLUB and Design for rum by false means, including making false or fraudulent representations, as heretofore alleged.

58. Plaintiff-counterclaim-defendant HRL obtained title to U.S. Reg. No. 1,031,651 of the mark HAVANA CLUB and Design for rum by false means, including making false or fraudulent representations, both orally or in writing, to the PTO and OFAC, which statements were designed to conceal its unlawful activities as alleged above.

59. Plaintiff-counterclaim-defendant Havana Holding obtained title to U.S. Registration No. 1,031,651 of the mark HAVANA CLUB and Design by false means, including making false or fraudulent representations, to the PTO as alleged above in connection with the purported renewal of said mark in the name of HAVANA Holding and to OFAC in an effort to conceal its unlawful activities as alleged above.

60. Defendant-counterclaimants have sustained damages to their business in the United States under the HAVANA CLUB mark for rum and have been forced to incur attorneys fees on their own behalf and on behalf of independent distributors who have been threatened and sued by plaintiff-counterclaim-defendants ostensibly relying on their

fraudulently or falsely obtained rights in U.S. Reg. No. 2,031,651 for their purported HAVANA CLUB and Design mark, all in violation of Section 38 of the Lanham Act 15 U.S.C. § 1120.

## AS AND FOR A SIXTH AFFIRMATIVE DEFENSE AND COUNTERCLAIM

## VI.

## Unclean Hands

61. Paragraphs 1 through 60 of the counterclaims herein are incorporated by reference.

62. Plaintiff-counterclaim-defendants are barred by the doctrine of unclean hands from being awarded any equitable relief herein.

WHEREFORE, defendant-counterclaimants seek monetary damages and other relief as proposed for hereinafter.

WHEREFORE, defendant-counterclaimants respectfully pray:

A. That the Complaint herein be dismissed with prejudice; and that Defendant-counterclaimants be awarded their reasonable attorneys' fees and their costs and disbursements.

B. That with respect to the Affirmative Defenses and Counterclaims asserted herein, the Court adjudge and decree as follows:

1. That plaintiff-counterclaim-defendants' U.S. Registration No. 1,031,651 of the purported trademark HAVANA CLUB and Design is null and void and of no effect, and that it is further ordered by the Court that the Register of the United States Patent and Trademark Office be rectified by cancellation of said registration of the purported

trademark HAVANA CLUB and Design pursuant to § 37 of the Lanham Act, 15 U.S.C. § 1119.

2. That defendant-counterclaimants recover their monetary damages suffered as a result of the aforesaid violations of 13 U.S.C. § 1120; and

3. That defendant-counterclaimants have such other and further relief as the Court deems just and proper.

## DEMAND FOR JURY TRIAL

Defendant-counterclaimants hereby demand trial by jury on all issues so triable as of right.

Dated: New York, New York
January 13, 1997

Respectfully submitted

KELLEY DRYE & WARREN

By: William R. Golden Jr.
William R. Golden, Jr. (WG9406)

Attorneys for Defendants-counterclaimants
Galleon S.A. and BACARDI-MARTINI U.S.A., Inc.
101 Park Avenue
New York, New York 10178
(212) 808-7800

Exhibit A

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

Cu-151435

DEC 1 9 1996

Dear Mr. Sanchez:

This is in response to your letters of May 20, 1996 and August 12, 1996, concerning the assignment of the *Havana Club* trademark. This matter was the subject of a meeting on May 23, 1996.

In your letters you raise two issues. First, you convey your view that certain assignments of the *Havana Club* trademark were made in violation of the Cuban Assets Control Regulations, 31 C.F.R. Part 515 (the "Regulations"), and should, therefore, be declared null and void.

Section 515.527 of the Regulations authorizes all transactions related to the registration and renewal in the United States Patent and Trademark Office ("USPTO") of patents, trademarks, and copyrights in which the Government of Cuba or a Cuban national has an interest. This general license allows only for the registration and renewal of intellectual property; § 515.527 does not convey to the registrant the authority to assign the registrant's interest in a patent, trademark, or copyright registered in the United States to another person. Such an assignment would require authorization by OFAC in the form of a specific license. With regard to the *Havana Club* trademark, a review of our licensing files shows no license was issued to authorize the assignment of the trademark as described in your letter. Section 515.203(a) provides that any transfer in violation or any provision of the Regulations involving property in which Cuba or a Cuban national has an interest is null and void. In the absence of OFAC authorization, the assignment of rights to the U.S.-registered trademark would be null and void.

OFAC is itself investigating the possible unauthorized assignment of interest in Cuban trademarks registered at USPTO. As this investigation involves OFAC's law enforcement authority, we cannot share information gathered in this process with you.

If you have any questions concerning this matter, please call me (202/622-2500) or Serena Moe, OFAC Deputy Chief Counsel (202/622-2410).

Sincerely,

R. Richard Newcomb
Director
Office of Foreign Assets Control

Ignacio E. Sanchez, Esq.
Kelley Drye & Warren
201 South Biscayne Boulevard
2400 Miami Center
Miami, Florida 33131-2399