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#7

November 22, 1995

BY EXPRESS MAIL, Label No. HB39370611
Assistant Commissioner for Trademarks
2900 Crystal Drive
Arlington, Virginia 22202-3513

Re: Cancellation No. 24108

Dear Sir or Madam:

Please find enclosed an original and two copies of respondents' Motion To Dismiss the Petition, Memorandum of Law In Support of Rerspondents' Motion To Dismiss the Petition and Notice of Reliance On and Submission of Foreign Law in the above-referenced cancellation proceeding. A Certificate of Express Mailing and Service is appended to the end of each document.

Thank you for your attention.

Very truly yours,

Michael Krinsky

cc: William R. Golden, Esq.
Kelley Drye & Warren
101 Park Avenue
New York City, New York 10003

rec'd 11-22-96

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

#5

GALLEON S.A., BACARDI-MARTINI U.S.A., INC., and BACARDI & COMPANY LIMITED,	Cancellation No. 24,108
Petitioners,	ORIGINAL
-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	

RESPONDENTS' MOTION TO DISMISS THE PETITION

Havana Club Holding, S.A., the current owner of the United States registration of the trademark HAVANA CLUB and Havana Rum & Liquors, S.A., a second named respondent in this cancellation proceeding (hereinafter "respondents"), through their undersigned counsel, hereby move this Board for an Order pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure dismissing the petition in this action for failure to state a claim upon which relief can be granted. Respondents' memorandum of law in support of their motion is submitted separately herewith.

Dated: New York, New York
November 22, 1995

Respectfully submitted,

RABINOWITZ, BOUDIN, STANDARD,
KRINSKY & LIEBERMAN, P.C.

By: _____
Michael Krinsky, Esq.
Debra Evenson, Esq.
Caroline Rule, Esq.
Attorneys for Respondents
Havana Club Holdings, S.A. and
Havana Rum & Liquors, S.A.

CANCELLATION NO. 24108

CERTIFICATE OF EXPRESS MAILING AND SERVICE

Date of Deposit: November 22, 1995

I hereby certify that this Respondents' Motion To Dismiss The Petition is being deposited with the United States Postal Service "Express Mail Post Office to Addressee" service under 37 C.F.R. § 1.10 on the date indicated above, addressed to:

Express Mail label number: HB309370611

Trademark Trial and Appeals Board
Patent and Trademark Office
2900 Crystal Drive
Arlington, Virginia 22202-3513

Express Mail label number: HB309370622

William R. Golden, Esq.
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101 Park Avenue
New York, New York 10178

_____
MARGO E. PENN

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

Cancellation No. 24,108

ORIGINAL

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

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

MEMORANDUM OF LAW IN SUPPORT OF RESPONDENTS' MOTION TO DISMISS THE PETITION

MICHAEL KRINSKY
CAROLINE RULE
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DATED: November 22, 1995

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
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GALLEON S.A., BACARDI-MARTINI U.S.A., INC., and BACARDI & COMPANY LIMITED,	Cancellation No. 24108
Petitioners,	
-against-	
HAVANA CLUB HOLDINGS, S.A. and HAVANA RUM & LIQUORS, S.A. d/b/a H.R.L., S.A.,	
Respondents.	
Registration No. 1,031,651	

MEMORANDUM OF LAW IN SUPPORT OF RESPONDENTS' MOTION TO DISMISS THE PETITION

INTRODUCTION

Havana Club Holdings, S.A. and Havana Rum & Liquors, S.A., respondents in this cancellation proceeding, respectfully submit this memorandum of law in support of their motion pursuant to Fed. R. Civ. P. 12(b)(6) to dismiss the petition in its entirety for failure to state a claim upon which relief can be granted.

STATEMENT OF THE CASE

Petitioners Galleon, S.A., Bacardi-Martini U.S.A., Inc. and Bacardi & Company Ltd. (hereinafter collectively "petitioners") have petitioned to cancel registration No. 1,031,651 of the trademark HAVANA CLUB, which has been in existence for nearly twenty years and is currently owned by respondent Havana Club Holdings, S.A. after assignment from respondent Havana Rum

& Liquors, S.A. (hereinafter collectively "respondents")[1/]. The petition sets forth five grounds for cancellation -- "Fraud in Obtaining and Maintaining Registration", "Misrepresentation of the Goods", "Treaty Violations and Constitutional Grounds", "Abandonment", and "Unclean Hands" -- none of which states a claim upon which relief can be granted.

Just over a month ago, this Board dismissed a similar petition to cancel the very registration of the mark HAVANA CLUB at issue in this case on the ground of abandonment. *Jose Ma. Arechabala Rodrigo* v. *Havana Rum & Liquors, S.A.*, Cancellation No. 22,881 (T.T.A.B. Oct. 19, 1995), slip op. The petitioner in that case raised the identical issues of nonuse and invalid assignment that petitioners raise here. In rejecting those claims, the Board held as a matter of law that the United States embargo of Cuba, which prohibits respondents from using their mark in commerce in the United States, excused nonuse of the mark, and that the mark had therefore not been abandoned. As the Board recognized, "for the entire relevant time frame it is and has been legally impossible for respondents to use their mark in the United States. This excuses their nonuse under the Trademark Act." Slip. op. at p. 19. Nothing alleged in the instant petition warrants a different result here.

Nearly twenty years ago, on January 27, 1976, the registration at issue in this case was originally issued to Empresa Cubana Exportadora de Alimentos y Productos Varios, d/b/a Cubaexport (hereinafter "Cubaexport") pursuant to Section 44 of the Lanham Act, 15 U.S.C. § 1126, based on a Cuban registration of the mark issued on February 12, 1974. (Pet.[2/] ¶ 17.) Cubaexport subsequently transferred its rum business and assigned the mark to respondent Havana Rum &

[1/] Although Havana Club Holding, S.A. is the current owner of the registration at issue here, it and its assignor Havana Rum & Liquors, S.A. will be referred to as respondents, and their rights to the HAVANA CLUB trademark will be discussed jointly.

[2/] The Petition For Cancellation will be cited as "Pet." throughout this memorandum of law.

Liquors, S.A., which in turn assigned it to respondent Havana Club Holding, S.A. (Pet. ¶¶ 34, 35.)

Just as the petitioner in *Jose Ma. Arechabala* alleged unsuccessfully, the petitioners here claim that respondents' HAVANA CLUB registration has been abandoned because of nonuse, despite their concession that "due to the long-standing embargo of items manufactured in Cuba, rum produced there cannot at present be lawfully sold or imported into the United States" (Pet. ¶ 12), that "it is not possible for petitioners or anyone else to make rum in Cuba and import and sell that rum in the United States" (Pet. ¶ 12), and that United States regulations imposing this embargo have been in place since 1963 (Pet. ¶ 33). The embargo's prohibitions, of course, are indisputable as a matter of law. Cuban Assets Control Regulations, 31 C.F.R. Part 515 (hereinafter the "trade regulations").

As the petitioner in *Jose Ma. Arechabala* also attempted to do without success, petitioners here try to attach a further legal consequence to the legal impossibility of respondents using their mark in the United States: that the assignments of the registration of the HAVANA CLUB mark must be considered invalid assignments in gross since as a matter of law there can be no present business of selling HAVANA CLUB rum in the United States to transfer along with the registration. Petitioners make this argument despite their own allegations of facts which this Board in *Jose Ma. Arechabala* held to defeat such an argument: that Cubaexport, the original registrant, produced HAVANA CLUB rum and transferred its "HAVANA CLUB rum business" worldwide to the first assignee, Havana Rum & Liquors, S.A., along with the assignment of the instant trademark registration, and that Havana Rum & Liquors, S.A. assigned the registration to a related company in which it was a shareholder, respondent Havana Club Holding, S.A. (Pet. ¶¶ 24, 34, 35.)

Although petitioners allege that Cubaexport registered the HAVANA CLUB mark in 1976 as a new registration pursuant to Section 44 of the Lanham Act (Pet. ¶ 17), the petition is replete with references to another Cuban company, Jose Arechabala, S.A. Petitioners' repeated

references to Jose Arechabala, S.A. are irrelevant here, as petitioners conspicuously have made no allegation either that any United States registration of the mark by Jose Arechabala, S.A. was still in existence when Cubaexport applied to register its mark under Section 44, or that Jose Arechabala, S.A. or anyone else was using the mark in the United States at that time. Indeed, petitioners artfully but unmistakably confine their allegations to an assertion that Jose Arechabala, S.A. used and registered the mark in the United States in the early 1950s, two decades before respondents' Section 44 registration, and that the mark "*was* owned" by Jose Arechabala, S.A. (Pet. ¶¶ 20, 21 (emphasis added).)

Petitioners seek to attach some significance here to Cuba's nationalization of Jose Arechabala, S.A. in 1960. (Pet. ¶¶ 9, 22.) Petitioners are strangers to the Jose Arechabala, S.A. company, unlike the unsuccessful petitioner in the recent *Jose Ma. Arechabala* who was the grandson of the company's founder. Slip op. at p. 6. The nationalization of Jose Arechabala, S.A. is no more relevant here than it was in *Jose Ma. Arechabala*, but in any event, the act of state doctrine requires that the Board not question the validity of that expropriation of a Cuban corporation.

While abandonment and nationalization seem to be the core of the petition, petitioners purport to assert other, more traditional grounds for cancellation under the Lanham Act. These claims likewise do not withstand scrutiny under established precedent and, as a consequence, the entire petition should be dismissed.

ARGUMENT

As petitioners concede, the registration of the HAVANA CLUB trademark at issue in this case has been in force since 1976, well over five years. (Pet. ¶ 17.) A registration that is over five years old may be cancelled solely on the statutory grounds set forth in Section 14(c) of the Lanham Act, 15 U.S.C. § 1064(c); this rule applies whether or not the registrant has filed an affidavit

of continuous use under Section 15 of the Lanham Act, 15 U.S.C. § 1065. *Wallpaper Manufacturers, Ltd.* v. *Crown Wallcovering Corp.*, 214 U.S.P.Q. 327, 332 & n.6, 680 F.2d 755, 761 & n.6 (C.C.P.A. 1982); *Western Worldwide Enterprises Group Inc.* v. *Qinqdao Brewery*, 17 U.S.P.Q.2d 1137, 1139 (T.T.A.B. 1990); *Strang Corp.* v. *The Stouffer Corp.*, 16 U.S.P.Q.2d 1309, 1311 (T.T.A.B. 1990). Consequently, the grounds on which petitioners may appropriately base their petition are limited. As is demonstrated *post*, none of petitioners' various allegations fall within the narrow, statutory bases for cancelling a mark that has been registered for over five years.

I. PETITIONERS' CLAIMS OF FRAUD IN THE REGISTRATION AND MAINTENANCE OF RESPONDENTS' MARK FAIL TO PLEAD A CLAIM UPON WHICH RELIEF CAN BE GRANTED

Petitioners' first claim for relief alleges that the current registration of the HAVANA CLUB registration was obtained fraudulently. Petitioners have, however, failed to set forth facts that, even if true, would carry petitioners' heavy burden in pleading and proving fraud. *Bonaventure Assoc.* v. *Westin Hotel Co.*, 218 U.S.P.Q. 537, 540 (T.T.A.B. 1983) ("fraud 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").

Petitioners base their claim that the original registration of the mark HAVANA CLUB at issue here was obtained fraudulently on five different grounds: a) that Cubaexport had no intent to use the mark in the United States when it filed its application (Pet. ¶ 27); b) that Cubaexport, the original registrant of the mark "was well aware at the time it filed its original application that it was not the owner of the mark . . . in the United States" (Pet. ¶¶ 23, 39); c) that Cubaexport knew that the mark "was associated with Jose Arechabala S.A., the original Cuban company which had previously imported and sold HAVANA CLUB rum in the United States" (Pet. ¶ 24); d) that

Cubaexport falsely asserted ownership of a Cuban registration of the mark (Pet. ¶ 25); and e) that Cubaexport filed a false Section 8 affidavit (Pet. ¶¶ 29, 39). As is discussed *post*, none of these grounds sets forth a viable claim of fraud.

A. Petitioners' Allegations Of Fraud Are Defective Under Rule 9(b) Of The Federal Rules Of Civil Procedure

As a threshold matter, petitioners' claims of fraud fail because they do not set forth with particularity the circumstances allegedly constituting fraud. Allegations of fraud in a petition for cancellation must comply with Rule 9(b) of the Federal Rules of Civil Procedure, which provides that, "In all averments of fraud or mistake, the circumstances constituting fraud or mistake shall be stated with particularity." As stated in *King Automotive, Inc.* v. *Speedy Muffler King, Inc.*, 212 U.S.P.Q. 801, 802-03, 667 F.2d 1008, 1010 (C.C.P.A. 1981), "Rule 9(b) requires that the pleadings contain explicit rather than implied expression of the circumstances constituting fraud." *See also, e.g., 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) (citing *King Automotive*, 21 U.S.P.Q. at 802-03, 667 F.2d at 1010). 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 during ex parte prosecution of the application." *Liberty Trouser Co., Inc.* v. *Liberty & Co., Ltd.*, 222 U.S.P.Q. 357, 358 (T.T.A.B. 1983).

Notwithstanding these well-known requirements, petitioners remarkably have not even set forth the statements in Cubaexport's application which they contend would have been fraudulent if made. They do not specify any statements in Cubaexport's application for registration alleging that Cubaexport intended to use the mark in the United States or that Cubaexport was the owner of the mark in the United States. Similarly, they did not set forth any statements in Cubaexport's Section 8 affidavit that the trademark was in use in the United States. (Pet. ¶ 29.) As to their claim that Cubaexport falsely asserted that it did not believe that any other entity had a superior right to use the

HAVANA CLUB mark in the United States, petitioners do not specify who supposedly had a superior right in the mark in 1976 and do not even allege that anyone owned or used the mark in the United States at that time.

"Because of the serious nature of allegations of fraud, it is necessary that the factual circumstances be pleaded with particularity so that the party against which the fraud is alleged has a full opportunity to meet the charges." *Electronic Realty Assoc.* v. *Extra Risk Assoc.*, 217 U.S.P.Q. 810, 813 (T.T.A.B. 1982). In this case, respondents are left to guess at what specific charges petitioners make with respect to their claim of fraud, and the petition thus fails on the ground of lack of specificity alone.

B. The Allegation That Cubaexport Did Not Intend To Use The HAVANA CLUB Mark In The United States When It Applied To Register The Mark Has No Merit As Grounds For Cancellation.

Petitioners' allegation that "Cubaexport had no intent to use the mark in the United States when it filed its application and, indeed, knew such use would be unlawful" (Pet. ¶ 27) does not make out a claim of fraud under Section 14 of the Lanham Act. In 1976, when the application was filed, Section 44 of the Lanham Act did not require the owner of a foreign registration to allege an intent to use the mark in the United States. This requirement was added to Section 44 only in 1988, many years after Cubaexport filed its application. In addition, this amendment has been held not to apply retroactively. *Jose Ma. Arechabala*, slip op. at p. 11 n.5.

"The concept of fraud upon the Patent and Trademark Office 'signifies a willful withholding from the Patent and Trademark Office by an applicant or registrant of 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 & Cohen, Inc.*, 188 U.S.P.Q. 411, 414 (T.T.A.B. 1975) (emphasis added) (quoting *Rogers Corp.* v. *Fields Plastics &*

Chemicals, Inc., 176 U.S.P.Q. 280 (T.T.A.B. 1972), *aff'd without op.*, 181 U.S.P.Q. 169, 496 F.2d 880 (C.C.P.A. 1974)), *appeal dismissed*, 189 U.S.P.Q. 15, 530 F.2d 953 (C.C.P.A. 1976). Likewise, a "knowing misstatement must have [been] with respect to a *material* fact -- one that would have affected the PTO's action on the application." *Orient Express Trading Co.* v. *Federated Department Stores Inc.*, 6 U.S.P.Q.2d 1308, 1311, 842 F.2d 650, 653 (2d Cir. 1988) (emphasis in original). Since an applicant for Section 44 registration was not required to allege an intent to use the mark in commerce in 1976, even if Cubaexport had made such an allegation, any falsity in the statement would not have been material to the decision of the Examiner of Trademarks to allow the present registration of the HAVANA CLUB mark. This is fatal to petitioners' claim of fraud. *SCOA Industries*, 188 U.S.P.Q. at 414; *see also Pennwalt Corp.* v. *Sentry Chemical Co.*, 219 U.S.P.Q. 542, 552 (T.T.A.B. 1983).

C. The Allegation That Cubaexport Did Not Own The Mark In The United States When It Applied To Register The Mark Has No Relevance When Cubaexport Registered The Mark Under Section 44.

The allegation that Cubaexport knew it was not the owner of the HAVANA CLUB mark in the United States when it applied to register its mark on the basis of a foreign registration is easily disposed of as simply nonsensical; of course Cubaexport knew it did not own the mark in the United States. If Cubaexport had so owned the mark in the United States, it would not have applied to register the mark solely on the basis of its foreign registration of the mark under Section 44, which does not require use of a mark in the United States as a prerequisite to registration. 15 U.S.C. § 1162. And, since a section 44 application does not depend upon ownership of a mark in the United States but only on registration of a mark in a treaty country, even if Cubaexport had claimed to be the owner of the mark in the United States in its Section 44 application it is clear that its lack of ownership 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.* 188 U.S.P.Q. at 414.

D. Allegations That Cubaexport Knew That The HAVANA CLUB Mark Had Previously Been "Associated With" Jose Arechabala, S.A. Do Not Make Out A Claim Of Fraud.

1. Petitioners have not alleged essential elements of a fraud claim based on Jose Arechabala's prior use and registration of the HAVANA CLUB mark.

Petitioners seem to argue that Cubaexport committed fraud when it asserted in its application to register the HAVANA CLUB mark that no one else had a right to use the mark in the United States. The petition, however, lacks any allegation that, at the time Cubaexport applied to register the mark in the United States, Jose Arechabala, S.A. (or anyone else) owned a registration of the same mark in the United States, or that Jose Arechabala, S.A. (or anyone else) was using the mark in commerce in the United States. Indeed, the petition is artfully but unmistakably framed to avoid this allegation.[3/] Petitioners have thus failed to allege an essential element of this kind of fraud claim.

Without such an allegation, there simply cannot be a legally sufficient claim of fraud here. Reliance on Jose Arechabala, S.A.'s prior registration of the mark in the 1950s is unavailing, since there is no allegation that Jose Arechabala S.A.'s registration of the mark was maintained through periodic renewals, or that anyone else ever registered the mark. "It has been 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.*,

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[3/] Petitioners do not allege that Jose Arechabala, S.A. owned the mark when Cubaexport registered it; rather petitioners allege that the mark "*was* owned" by Jose Arechabala, S.A. (Pet. ¶ 24 (emphasis added)) and that Cubaexport knew that the mark "was associated with" Jose Arechabala, S.A. (Pet. ¶ 21). Petitioners do not allege that the mark was in use in the United States when Cubaexport registered it, but rather that Jose Arechabala, S.A. "had *previously* imported and sold HAVANA CLUB rum in the United States. (Pet. ¶ 24 (emphasis added).)

188 U.S.P.Q. 415, 416 (T.T.A.B. 1975) and cases cited therein.[4/]

In any event, there would have been no fraud as a matter of law even if Arechabala's registration was still in existence when Cubaexport applied to register the mark. In a strictly analogous case, *SCOA Industries, Inc.* v. *Kennedy & Cohen, Inc.*, 188 U.S.P.Q. 411 (T.T.A.B. 1975), *appeal dismissed*, 189 U.S.P.Q. 15, 530 F.2d 953 (C.C.P.A. 1976), a petitioner for cancellation alleged that the registrant of a mark had fraudulently stated in its application for registration that no other person had a right to use its mark in any confusingly similar way, when the registrant in fact had knowledge of the petitioner's previously-registered similar mark. As this Board stated in that case: "The difficulty with [the] pleading of fraud is that the . . . registration of the party seeking cancellation was on the register, and thus presumably known to the Examiner of Trademarks, at the time when the Examiner of Trademarks was considering petitioner's right to registration." 188 U.S.P.Q. at 415. Consequently, the party seeking cancellation had not pleaded facts supporting a claim of willful withholding of information "which, if transmitted and disclosed to the Examiner, *would have resulted in the disallowance of the registration sought.*" *Id.* (emphasis in original). *See also Space Base Inc. v. Stadis Corp.*, 17 U.S.P.Q.2d 1216, 1218 (T.T.A.B. 1990) ("there is no fraud on the office by reason of a failure to disclose information to the Examining Attorney of which the Examining Attorney is aware"); *The Bionetics Corp.* v. *Litton Bionetics, Inc.*, 218 U.S.P.Q. 327, 331

[4/] It is inconceivable that anyone else had a superior right to Cubaexport's in 1976. When Cubaexport made its application to register the HAVANA CLUB mark in the United States, the records of the trademark office would have revealed any conflicting registration of the HAVANA CLUB mark by Jose Arechabala, S.A. or anyone else, and these records were available to the Examiner of Trademarks. As is set forth in Section 2(d) of the Lanham Act, no mark will be registered if it "consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1052(d). The Examiner thus necessarily found that Jose Arechabala's registration had expired.

(T.T.A.B. 1983) (applicant is under no duty to advise Trademark Examining Attorney of prior potentially-conflicting registration because "[p]resumably, [the examiner] noted the existence of [the prior registration] and decided that it was not a proper reference under Section 2(d)"); *Menzies* v. *International Playtex, Inc.*, 204 U.S.P.Q. 297, 305 (T.T.A.B. 1979) (when information about opposer's prior application to register mark is "in the files of the Search Room of the Patent and Trademark Office, ... it cannot logically be said that there was a willful withholding of facts which, if transmitted to the Trademark Attorneys in question, would have resulted in the disallowance of the registration sought"). Consequently, because records of any prior registration of the HAVANA CLUB mark were available to the Examiner of Trademarks when he or she approved Cubaexport's application to register the mark, any false statements that Cubaexport might have made with respect to such registration would not have been material and hence not fraudulent.

Not only does the petition fail to allege that Jose Arechabala's registration of the HAVANA CLUB mark was still in existence when Cubaexport applied to register the mark, but the petition is devoid of any allegation that the mark was being used by Jose Arechabala, S.A. or anyone else at that time. The only allegation as to use of the mark is that Jose Arechabala began using the mark in 1950 (Pet. ¶ 20), and there is no suggestion that Jose Arechabala, S.A. continued to use the mark into the 1960s, let alone the 1970s.[5/] Again significantly, the petition alleges only that Jose Arechabala, S.A. "*had previously* imported and sold HAVANA CLUB rum in the United States."

[5/] The petition also states that the importation, distribution or sale in the United States of rum produced in Cuba has been prohibited since at least 1963 (Pet. ¶ 33), and that Jose Arechabala, S.A. was nationalized after the Cuban revolution in 1960 (Pet. ¶ 22), thereby implying by their own allegations that Jose Arechabala, S.A. ceased use of the HAVANA CLUB mark in the United States in the early 1960s. The petition acknowledges that Cubaexport did not obtain registration of its HAVANA CLUB mark in the United States until 1976 (Pet. ¶ 17), more than twenty years after Arechabala, S.A. had registered its mark, and at least thirteen years after Arechabala, S.A. had apparently ceased to use the mark in the United States.

(Pet. ¶ 24 (emphasis added).)

Since there is no allegation that the mark was still in use in 1976, nothing in the petition suggests that it was not perfectly reasonable for Cubaexport to assume that it had a right to use the mark itself. Section 45 of the Lanham Act sets forth a statutory presumption that nonuse of a mark for two years establishes a prima facie case of abandonment. 15 U.S.C. § 1127. So, on the very allegations of this petition, Cubaexport had grounds for a good faith belief that the HAVANA CLUB mark had been abandoned after it had not been used for at least thirteen years and that Cubaexport could make application for its registration. 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)). *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).

This is dispositive. "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.* v. *Olivetti Controllo Numerico, S.p.A.*, 221 U.S.P.Q. 73, 76 (T.T.A.B. 1983) (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). And, 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, 4 *McCarthy On Trademarks And Unfair Competition* § 31.21[3][d] at 31-114-15.[6/] Consequently, the "petition lacks the prerequisite averments of fact supportive of [petitioners'] belief that [the registrant] knew of a third-party's right to use [the mark at issue] in commerce when [the registrant] filed in the United States." *King Automotive*, 21 U.S.P.Q. at 803 (emphasis added).

Finally, to the extent that petitioners' claims are based on allegations concerning the actual ownership of the HAVANA CLUB mark, rather than simply on the claims of fraud that have been demonstrated to be inadequate, *ante*, they fail to allege a ground for cancelling respondents' registration. None of the specifically enumerated grounds for cancelling a mark over five years old involves ownership of the registered mark. *Kemin Industries*, 192 U.S.P.Q. at 328.

2. Even if Cubaexport had alleged ownership of the HAVANA CLUB mark or registration of the mark in the United States, this would not constitute fraud.

For the several reasons already stated, there is no need for this Board to consider whether a claim of fraud would lie if there had been an existing United States registration of the HAVANA CLUB trademark when Cubaexport applied to register the mark and Cubaexport had asserted ownership of this registration in its Section 44 application. Yet, even on those unpleaded

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[6/] Indeed, the Board held in *Bonaventure Associates* v. *Westin Hotel Co.*, 218 U.S.P.Q. 537 (T.T.A.B. 1983), that "the statement of an applicant that no other person 'to the best of his knowledge' has the right to use the mark does not require the applicant to disclose those persons whom he may have heard are noticed *are using* the mark if he believes that the rights of such others are not superior to his." *Id.* at 540 (emphasis added); *see also Space Base Inc. v. Stadis Corp.*, 17 U.S.P.Q.2d 1216, 1218 (T.T.A.B. 1990) (same). Here, there is no allegation that anyone was even using the mark, let alone that respondents knew of such contemporaneous use and believed the user had superior rights.

and untenable hypotheses, no fraud could be claimed as a matter of law. Jose Arechabala, S.A., the putative owner of the United States trademark in 1976 on this hypothesis, was nationalized in October 1960, as petitioner concedes. (Pet. ¶¶ 9, 20, 22.) Under the Cuban nationalization decree, Law No. 890 of October 13, 1960 of the Republic of Cuba (Gaceta Oficial, October 13, 1960), the Republic of Cuba nationalized all the assets of Jose Arechabala, S.A. wherever located, as it did with respect to the numerous other Cuban concerns that were nationalized under that law. *See post* n.10 for the text of the relevant portions of Law No. 890. *See also Maltina Corp.* v. *Cawy Bottling Co.*, 174 U.S.P.Q. 74, 462 F.2d 1021 (5th Cir. 1972) (Law No. 890 purports to have extraterritorial reach), *cert. denied*, 176 U.S.P.Q. 33, 409 U.S. 1060 (1972); *Banco Nacional de Cuba* v. *Chemical Bank New York Trust Co.*, 658 F.2d 903 (2d Cir. 1981) (same with respect to the companion legislation, Law No. 891 of 1960, nationalizing Cuban banks). Thus, under Cuban law, title to any United States trademarks would have passed from Jose Arechabala, S.A. to the Cuban State and those taking title from the State.

This would be dispositive. "Where . . . the alleged misrepresentations [in an application] were made under the color of title the conduct of the party to whom it is attributed cannot be equated with deceit." *Griffin Wellpoint Corp.* v. *AMSTED Industries, Inc.*, 172 U.S.P.Q. 502, 506 (T.T.A.B. 1971). *See also Clark Yorum* v. *Warren Covington*, 216 U.S.P.Q. 210, 217 (T.T.A.B. 1982) ("color of title" precludes fraud as matter of law). *Cf. Carl Zeiss Stiftung* v. *VEB Carl Zeiss Jena*, 167 U.S.P.Q. 641, 433 F.2d 686, 706-08 (2d Cir. 1970) (damages for infringement inappropriate since, under East German expropriation law, an East German exporter succeeded to United States trademark of expropriated company even though United States courts refused to determine ownership of United States trademark according to East German law), *cert. denied,* 170

U.S.P.Q. 1, 403 U.S. 905 (1971).[7]

C. Petitioners' Claim That Cubaexport Falsely Asserted Ownership Of A Cuban Registration Of The HAVANA CLUB Mark Fails To Allege Fraud.

1. Petitioners' assertion that Cubaexport falsely alleged that it owned the Cuban HAVANA CLUB mark does not satisfy Rule 9(b) of the Federal Rules of Civil Procedure

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 issued on the basis of that foreign registration. (Pet. ¶ 17.) We are therefore left to speculate as to how to understand the allegation that Cubaexport "falsely asserted ownership of the Cuban registration." (Pet. ¶ 25.) Is petitioners' assertion that the Cuban registration of the mark was not validly issued?[8] Or is their claim that the Cuban government is illegitimate and so is its issuance of a trademark registration? Or is petitioners' allegation based on the assertedly unlawful expropriation of Jose Arechabala, S.A. on an unarticulated theory that Jose Arechabala, S.A. remained the rightful owner of a Cuban registration of the mark? This complete lack of specificity of the circumstances that constitute fraud cannot be tolerated under Rule 9(b) of the Federal Rules Of Civil Procedure.

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[7] While it therefore would be unnecessary for Cubaexport's claim of title on the basis of Cuban law actually to be accepted, we do note additionally that there are circumstances in which the United States courts will give extraterritorial effect to a foreign sovereign's expropriation of its own national's property. *See, e.g., United States* v. *Belmont*, 301 U.S. 324 (1937); *Banco Nacional de Cuba* v *Chemical Bank New York Trust Co.*, 658 F.2d 903 (2d Cir. 1981).

[8] Respondents' registration of the HAVANA CLUB mark was obtained through Section 44 of the Lanham Act, which provides for United States registration of trademarks that have been registered in foreign countries, such as Cuba, which are signatories to trademark treaties to which the United States is also a party. 15 U.S.C. § 1126. (Pet. ¶ 25.) Section 44(c) provides that no registration will be granted pursuant to the provisions of Section 44 "until such mark has been registered in the country of origin of the applicant." 15 U.S.C. § 1126(c). Section 44(e) similarly provides that "[a] mark duly registered in the country of origin of the applicant may be registered on the principal register." 15 U.S.C. § 1126(e).

2. Petitioners' cannot state a cognizable fraud claim based on an allegation that the Cuban registration of the HAVANA CLUB mark was somehow invalid.

To make out their claim of fraud, petitioners must allege that Cubaexport knew that the Cuban trademark authority's issuance to it of a registration of the HAVANA CLUB mark was invalid *under Cuban law*.[9/] Since petitioners do not, however, assert that the registration was invalid under Cuban law (or, if so, why), much less that Cubaexport had any reason to doubt its validity, this claim of fraud founders.

What is more, "once issued a United States registration secured under Sections 44(c) and (e) [is] independent of the foreign registration and subject only to the requirements of United States law." *Marie Claire Album S.A.*, v. *Kruger GmbH & Co. KG*, Opposition No. 88, 932, 1993 Westlaw 515454 (T.T.A.B. Nov. 16, 1993); *see also Fioravanti* v. *Fioravanti Corrado S.R.L.*, 230 U.S.P.Q. 36, 40 (T.T.A.B.), *reconsideration denied*, 1 U.S.P.Q.2d 1304 (T.T.A.B. 1986). Thus, once a registration is issued in the United States based on Section 44, as here, an allegation that the underlying foreign registration was invalid could not affect the validity of the United States registration. *Id.* at 42 n. 9.

9/ "[Q]uestions 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." *Hitachi Metals International, Ltd.* v. *Yamakju Chain Kabushiki Kaisha*, 209 U.S.P.Q. 1057, 1059 (T.T.A.B. 1981); *see also Fioravanti v. Fioravanti Corrado S.R.L.*, 230 U.S.P.Q. 36, 44 (T.T.A.B.) ("it is clear under the applicable international law that determination of ownership of the mark subject of the country of origin registration is determined . . . according to the law in the country of origin"), *reconsideration denied*, 1 U.S.P.Q.2d 1304 (T.T.A.B. 1986); *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"); *Johnson & Johnson* v. *Salve, S.A.*, 183 U.S.P.Q. 375, 377 (T.T.A.B. 1974) ("there is no provision . . . 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 of the filing and registration in the United States").

3. There can be no claim of fraud based on the Cuban nationalization of Jose Arechabala, S.A

Of all the possibilities, it is most likely that petitioners bottom their claim of fraud on their 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. 20-25).[10/] There are many fallacies of law

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[10/] 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. Law No. 890 reads in relevant part as follows:

> NOW, THEREFORE, In pursuance of the powers conferred upon it the Council of Ministers has resolved to enact the following:
>
> Article 1. The nationalization through compulsory expropriation of all the industrial and commercial enterprises, as well as the factories, warehouses, storage facilities and other property and rights thereto appurtenant, owned by the natural or legal persons listed below:
>
> ***
>
> GROUP B
> DISTILLERIES
>
> 1. Jose Arechabala, S.A.
>
> * * *
>
> Article 2. Therefore, all the property, rights, and claims of enterprises listed in Article 1 of this Law are hereby adjudicated in favor of the Cuban State, thereby transferring all their assets and liabilities to the State, and subrogating the State to such rights and claims so that it may act in the place and stead of the natural and legal persons who are the proprietors of said enterprises.

Law No. 890 was published on October 13, 1960 in the Republic of Cuba's Gaceta Oficial, which is available in the Library of Congress as well as the New York Public Library. For the convenience of the Board, we are forwarding a copy of the Law No. 890 together with an English translation thereof. The determination of foreign law is itself a question of law, not fact, Rule 44.1, Federal Rules of Civil Procedure, and the Board may consider any relevant material or source, whether submitted by a party or admissible under the Federal Rules of Evidence, Rule 44.1.

Law No. 890 is discussed, *inter alia*, in *Maltina Corp.* v. *Cawy Bottling Corp.*, 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) and *Bosch* v. *Comm. of Internal Revenue*, 1970 Westlaw 1560, 29 T.C.M. (CCH) 284 (1970), T.C.M. (P-H) 70, 066

and logic, as well as lapses in pleading, in petitioner's leap from its premise of the nationalization's illegality to its conclusion of fraud, but the Board need go no further than petitioner's premise.[11/] There simply is no question that, under the "act of state" doctrine, the Board is bound to accept the validity of that nationalization as to Jose Arechabala S.A.'s assets -- including any Cuban trademarks -- located within the territory of Cuba at the time of the nationalization, and must recognize title to those assets traced through the nationalization.

The federal act of state doctrine is established by a long line of United States Supreme Court decisions stretching back at least to *Underhill* v. *Hernandez*, 168 U.S. 250 (1897). As the Supreme Court later stated in *Banco Nacional de Cuba* v. *Sabbatino*, 376 U.S. 398, 416 (1964), *Underhill* provides the "classic American statement of the act of state doctrine":

(U.S. Tax Ct.), *aff'd*, 448 F.2d 1026 (5th Cir. 1971). Prior to the issuance of Law No. 890, directed to Cuban-owned businesses, Cuba nationalized businesses and properties owned by United States citizens pursuant to Law No. 851 of July 6, 1960. *See Banco Nacional de Cuba* v. *Chase Manhattan Bank*, 505 F. Supp. 412, 420 (S.D.N.Y. 1980), *aff'd in part and rev'd in part*, 658 F.2d 875 (2d Cir. 1981); *Banco Nacional de Cuba* v. *Sabbatino*, 307 F.2d 845, 866-867 (2d Cir. 1962), *rev'd on other grounds*, 376 U.S. 398 (1964).

By Law No. 914 of January 4, 1961, the Republic of Cuba expressly provided that the change of trademark ownership resulting from the nationalizations could be recorded in the Cuban registration of trademarks. *See* Gleason, *Notes From Other Nations: Cuba*, 51 Trademark Rptr. 41 (1961), where the text of Law No. 914 is set out.

Cubaexport, the applicant for the United States trademark, is a Cuban state trading enterprise established by the Ministry of Foreign Commerce to carry out all exports of food products. Ministry of Foreign Commerce Resolution No. 254 of 1966, Gaceta Oficial 9 (Jan. 26, 1966). Foreign trade was declared a state monopoly under the control of the Ministry of Foreign Trade by Law No. 934 of February 23, 1961, Gaceta Oficial Extr. (Feb. 23, 1961).

[11/] Presumably petitioner has something like the following in mind: It assumes (but does not allege) that Jose Arechabala, S.A. owned a Cuban mark for HAVANA CLUB. Since, on petitioner's supposition, Cuba's 1960 nationalization of Jose Arechabala, S.A. was unlawful, Jose Arechabala, S.A. should be considered to have been the lawful owner of the Cuban mark fourteen years later in 1974 when Cuban Registration No. 110,353 was issued to Cubaexport. This being so, Cuban Registration No. 110,353 cannot be considered legally valid and respondent's reliance on it was fraudulent.

> 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.

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.[12/]

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 expropriation is effective with respect to any trademarks registered in Cuba or otherwise owned in that country by Jose Arechabala, S.A., just as they are with respect to any other of Jose Arechabala S.A.'s assets located there.[13/]

[12/] 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)

[13/] 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 an expropriation was in violation of international law. However, the statutory exception is inapplicable when, as 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)

While it is thus established beyond cavil that, as a matter of United States law, there can be no challenge to Cubaexport's title to the Cuban HAVANA CLUB trademark on account of the Jose Arechabala, S.A. expropriation, it is only necessary to defeat a claim of fraud that Cubaexport have acted under "color of title." "Where . . . the alleged misrepresentations [in an application] were made under the color of title the conduct of the party to whom it is attributed cannot be equated with deceit." *Griffin Wellpoint Corp.* v. *AMSTED Industries, Inc.*, 172 U.S.P.Q. 503, 506 (T.T.A.B. 1971). *See also Clark Yorum* v. *Warren Covington*, 216 U.S.P.Q. 210, 217 (T.T.A.B. 1982) ("color of title" precludes fraud as matter of law). *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

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(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. We also note that the Second Hickenlooper Amendment's other requirement -- that the dispute concerns title to property brought into the United States after being nationalized within the territory of the foreign sovereign -- is not met here.

to believe precludes fraud); *Colt Industries Operating Corp.* v. *Olivetti Controllo Numerico S.p.A.*, 221 U.S.P.Q. 73, 76 (T.T.A.B. 1983) (belief in right precludes fraud); *Bonaventure Associates* v. *Westin Hotel Co.*, 218 U.S.P.Q. 537, 540 (T.T.A.B. 1983) (same). For that reason as well, petitioners' apparent assertion of fraud on account of the Jose Arechabala, S.A. expropriation is meritless.

D. Petitioners' Allegations Of Fraud In The Section 8 Affidavit Filed By Cubaexport Fail To State A Claim

Petitioners also allege that Cubaexport falsely stated in a Section 8 affidavit filed in connection with the current registration of the HAVANA CLUB mark that the mark was "still in use on goods and services." (Pet. ¶¶ 29, 34). Petitioners' claim of fraud is once again defective.

The petition admits that Cubaexport, the registrant at the time the Section 8 affidavit was filed, produced rum under the mark HAVANA CLUB. (Pet. ¶ 24, 28.) At the time Cubaexport's Section 8 affidavit was filed -- on January 12, 1982 as alleged by petitioners (Pet. ¶ 29) -- Section 8 required only that a registrant allege that the mark was in use. This requirement was fulfilled by an allegation that the mark was in use anywhere in the world, 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 § 8, 15 U.S.C. § 1058; Pub. L. 97-247 §§ 8, 17(c), 96 Stat. 320 (Aug. 27, 1982).

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 affidavit 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. In this case, since petitioners have set forth allegations making it clear that Cubaexport was using the HAVANA CLUB mark outside the United States when it filed its Section 8 affidavit (Pet. ¶¶ 24, 28), and that Cubaexport's Section 8 affidavit stated only that the mark was in use, not necessarily in the United States, (Pet. ¶ 29), this case falls squarely under the precedent of *Cerveceria India*, and petitioners have failed to make out a claim of fraud in the maintenance of the registration at issue in this proceeding.

E. Petitioners Claims Concerning Respondents' Failure To Obtain BATF Approval Of A Liquor Label Are Irrelevant To This Action.

Petitioners claim that the label specimen submitted by Cubaexport as part of its Section 44(e) application to register the HAVANA CLUB trademark "was never the subject of a lawful label approval issued by the BATF and contained misleading and false statements that precluded approval by BATF." (Pet. ¶ 31.) It is unclear as to which, if any, of petitioners' grounds for relief this allegation pertains but, in any event, the claim has no merit as a ground for cancellation of a trademark registration.

As an applicant for registration based on a foreign registration, Cubaexport was not required to show use of its trademark in United States commerce, and was thus not required to produce a label to be used in commerce in the United States. Approval of its label by the United States Bureau of Alcohol, Tobacco and Firearms would be necessary only if the registrant of the HAVANA CLUB mark was using the label in the United States but, as petitioners themselves state, "Rum produced under the supervision of the original registrant, Cubaexport, has never been sold in

the United States under the trademark HAVANA CLUB" (Pet. ¶ 28), because "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" (Pet. ¶ 12). Consequently, respondents have been unable to import Havana Club rum into the United States and have had no need to have a label approved by the BATF.

Moreover, as the regulations governing trademark applications provide, 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 in order to determine "the lawfulness of the commerce recited in the application." 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). There is absolutely no suggestion in the instant petition that the Patent and Trademark Office made any inquiry of respondents or the original registrant of the HAVANA CLUB mark in connection with a BATF approval of a label. Consequently, the original registrant had no obligation to make any form of disclosure to the Patent and Trademark Office as to whether or not it had received BATF approval for a label.[14/]

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 commerce. The Board rejected this claim in part because the respondent did not "make any statements whatsoever regarding

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[14/] While the Patent and Trademark Office will not recognize unlawful shipments of goods in commerce as "use" under the Lanham Act, *Coahoma Chemical Co., Inc.* v. *Smith*, 113 U.S.P.Q. 413 (Comr. 1957), *aff'd*, 121 U.S.P.Q. 215, 264 F.2d 916 (C.C.P.A. 1959), this doctrine has nothing to do with this case where, as the petition admits, respondents have made no shipments of HAVANA CLUB rum in United States commerce as they are forbidden to do so by United States trade regulations.

label approval in its application" and the petitioner therefore could not demonstrate that the respondent had committed fraud in connection with any statements in its application. Petitioners in this case have not claimed that Cubaexport made any statements regarding label approval in its application, and this claim is therefore not grounds for cancellation.

II. PETITIONERS' ALLEGATIONS OF "MISREPRESENTATION OF THE GOODS" FAIL TO SET FORTH A VIABLE CLAIM

Petitioners' second cause of action alleges that the HAVANA CLUB mark "is being used to misrepresent the nature, quality, and source of the rum sold under the mark." (Pet. ¶ 41.)[15/] Not every misrepresentation, however, is a ground for cancellation under Section 14 of the Lanham Act, 15 U.S.C. § 1064, of a mark which has been registered for more than five years. To the extent even conceivably relevant here, Section 14 sets forth two possible grounds for cancellation of a mark which has been registered for five years. A petition to cancel may be brought at any time: 1) if the mark is being used "so as to misrepresent the source of the goods or services on or in connection with which the mark is used"; or 2) if the registration was obtained contrary to the provisions of Section 2(a) of the Lanham Act which bars registration of marks that are "deceptive." Neither ground is established by the allegations of the petition.

A. Respondents Are Not Currently Selling Rum In The United States

As an initial matter, respondents are not currently selling rum under the mark HAVANA CLUB in the United States. (Pet. ¶¶ 12, 27, 29, 33.) As a consequence, respondents simply cannot be using the mark in this country to misrepresent any aspect of the rum they

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15/ Petitioners' claim tracks the language of Section 43(a) of the Lanham Act, which provides for civil liability of anyone who uses any name which misrepresents the "nature, characteristics, or qualities" of goods. 15 U.S.C. § 1125(a)(1)(B). Such a claim is irrelevant in a cancellation proceeding: "Section 43(a) is intended to reach false advertising violations, not false registration claims." *La Societe Anonyme des Parfums le Galion* v. *Jean Patou, Inc.*, 181 U.S.P.Q. 545, 547 n.6, 495 F.2d 1265, 1270 n.6 (2d Cir. 1974).

manufacture.

B. Petitioners Have Not Pleaded A Claim Of Misrepresentation Of Source Under Section 14(3) Of The Lanham Act.

A claim by petitioners that respondents are using the HAVANA CLUB trademark to misrepresent the source of goods under section 14(3) of the Lanham Act could not survive even if respondents were selling their HAVANA CLUB rum in the United States. The petition is void of allegations that respondents registered the mark with the intent of passing off its goods as those of petitioner or of any other person or company currently selling rum in the United States. Indeed, petitioners could not make such an allegation. Petitioners have alleged only that respondents knew that the mark was once associated with Jose Arechabala, S.A. (Pet. ¶ 24), a company which "previously imported and sold" rum in the United States. (Indeed, petitioners' own allegations implicitly concede that Jose Arechabala, S.A. has not produced or sold HAVANA CLUB rum since the nationalization of its property in Cuba in 1960.) Certainly the petition contains no allegation that there was any other seller of rum in the United States market at the time respondent registered its mark which could conceivably have been the object of intentional passing off. Moreover, petitioners do not allege that the mark previously registered by Jose Arechabala, S.A. continued to identify Jose Arechabala, S.A. as the unique source of HAVANA CLUB rum after more than 16 years of non-use in the United States.

A petitioner claiming misrepresentation of source must set forth allegations not only that the respondent is using a mark that the public recognizes as petitioner's mark, but that the respondent has deliberately misused a mark so as to trade on the petitioner's goodwill and to deceive the public. Even wilful and deliberate adoption and use of a mark by respondent with full knowledge of petitioner's use of the mark does not constitute misrepresentation of source under Section 14(c) unless there is a deliberate intent to deceive and trade on the goodwill of a prior user. *McDonnell*

Douglas Corp. v. *National Data Corp.*, 228 U.S.P.Q. 45, 47 (T.T.A.B. 1985); *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).

> [This section's] application under the decisional law has . . . been limited to cases involving deliberate and blatant misrepresentation of source wherein the registration is merely a vehicle for the misuse rather than evidence of even a colorable ownership claim, and where the mark is intentionally displayed in such a manner as to facilitate passing off the goods as those of another.

Global Maschinen GmbH v. *Global Banking Systems, Inc.*, 227 U.S.P.Q. 862, 863 n.3 (T.T.A.B. 1985).[16/] Thus, as one commentator states: "A cancellation claim for misrepresentation under Sec. 14(c) requires a pleading that registrant deliberately sought to pass off its goods of those of petitioner. Willful use of a confusingly similar mark is not sufficient." J.T. McCarthy, 3 *McCarthy On Trademarks And Unfair Competition* § 20.15[6]. *Cf. UMC Electronics Co.* v. *UMC Industries, Inc.*, 184 U.S.P.Q. 319 (T.T.A.B. 1974) (in the absence of fraud "any assertions of likelihood of confusion or mistake are immaterial to the issue under Section 14(c)").[17/]

As demonstrated above, petitioner's pleadings -- even when accepted as true -- fall

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[16/] In *Global Maschinen*, this Board rejected an allegation of misrepresentation of source in a case where both parties claimed ownership of a mark, because all goods sold under the mark carried name plates identifying the actual manufacturing source of the goods. In the present case, even if it could be argued that respondents' use of the HAVANA CLUB mark in the United States might be confusing (which the petition fails adequately to allege), and if confusion was a ground for cancellation (which it is not), there is nothing in the petition that suggests that respondents could not cure any confusion by clearly labelling the manufacturing source of their HAVANA CLUB rum once they are permitted by United States trade regulations to sell the rum in the United States.

[17/] Furthermore, although the petition appears to allege that respondents have misrepresented the source of their goods as those of a third-party, Jose Arechabala, S.A., there is no precedent as far as research has disclosed for cancellation under Section 14 on grounds of intentional misrepresentation of goods where the claim was that the respondent misrepresented its goods as those of any entity other than the petitioner. 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).

far short of alleging intentional misrepresentation of source, and petitioners' claim for relief based on this ground must therefore be dismissed.

C. Petitioners Have Not Pleaded A Valid Claim That The HAVANA CLUB Mark Is Deceptive Within The Meaning Of Section 2(a) Of The Lanham Act.

Petitioners have not pleaded a claim that the mark HAVANA CLUB was obtained contrary to Section 2(a)'s bar to "deceptive" marks and, moreover, the petition is void of allegations specifically suggesting that respondent's mark is deceptive under Section 2(a). However, even if petitioners could argue that their petition -- broadly construed -- contains allegations that respondents' mark is deceptive, such a claim would fail. There are two aspects of a Section 2(a) claim relevant to deception: 1) that the mark itself deceptively misdescribes the goods with which it is used; or 2) that the mark contains a false suggestion of a connection with a person or institutions. The petition fails to state a claim on either ground.

Petitioners have not alleged, nor could they allege, that the mark HAVANA CLUB in and of itself deceptively misdescribes rum under Section 2(a). As stated by the court in *Gold Seal Co.* v. *Weeks*, 105 U.S.P.Q. 407, 129 F. Supp. 928, 934 (D.D.C. 1955), *aff'd sub. nom. S.C. Johnson & Son, Inc.* v. *Gold Seal Co.*, 180 U.S.P.Q. 400, 230 F.2d 832 (D.C. Cir.), *cert. denied*, 352 U.S. 829 (1956), "deception is found when an essential and material element is misrepresented, is distinctly false, and is the very element upon which the customer relies in purchasing one product over another." The mark HAVANA CLUB contains no term which misdescribes rum, and, thus, could not conceivably deceive the consumer as to the nature, quality or character of the goods it represents.

This is, therefore, not a case involving an allegation that a mark is "by its inherent nature deceptive," *Springs Industries, Inc.* v. *Bumblebee Di Stefano Ottina & C.S.A.S.*, 222 U.S.P.Q. 512, 515 (T.T.A.B. 1984), as is a mark that falsely suggests a product is made of a substance it does not contain, such as the mark CEDAR RIDGE for use with timber products containing no cedar

wood, *Evans Products Co.* v. *Boise Cascade Corp.*, 218 U.S.P.Q. 160 (T.T.A.B. 1983), or use of the term "Hyde" in marks applied to synthetic substances that simulate leather, *id.* at 164 and cases cited. The only descriptive term in respondents' mark is the word "Havana" and, as the petition itself alleges, respondents' product is in fact produced in Cuba and therefore use of the word "Havana" cannot be considered deceptive.

Even construing the petition in the broadest possible manner, the only allegation suggesting that respondents' mark contains a misrepresentation of any kind is that the design of respondents' mark includes the words "fundada en 1878" ("founded in 1878"). Petitioner asserts this to be false since Cubaexport, the Cuban registrant, was neither founded in 1878 nor was it the successor to Jose Arechabala, S.A. and that the mark therefore contains a misrepresentation. (Pet. ¶ 22.) Contrary to the petitioners' allegations, Cubaexport *is* the successor to Jose Arechabala, S.A. by virtue of the Cuban nationalization of that company, a nationalization which, as shown *ante*, the courts of the United States are required to recognize under the act of state doctrine.

Even if Cubaexport were not the successor to Jose Arechabala, S.A., however, petitioners' allegations would be patently insufficient on which to base a claim for cancellation. The decisions of this Board and the courts impose a high standard for a finding of deceptiveness under Section 2(a) -- a more stringent standard than that applied to claims under Section 2(d), 15 U.S.C. § 1052(d), which provides that a mark that is likely "to deceive" will not initially be registered, but which does not provide grounds for cancellation of a mark that has been registered for more than five years under Section 14, 15 U.S.C. § 1064. *Pennwalt Corp.* v. *Sentry Chemical Co.*, 219 U.S.P.Q. 542, 547 (T.T.A.B. 1983). The test for deceptiveness under Section 2(a) consists of three essential elements: a) whether the mark misdescribes registrant's goods, b) whether anyone would be likely to believe the misrepresentation, and c) whether the misrepresentation would materially affect the

decision to purchase the goods sold under the mark. *Miller Brewing Co.* v. *Anheuser-Busch Inc.*, 27 U.S.P.Q.2d 1711 (T.T.A.B. 1993); *American Speech-Language-Hearing Association* v. *National Hearing Aid Society*, 224 U.S.P.Q. 798 (T.T.A.B. 1984).[18/]

First, petitioners fail to allege in what way the use of the words "fundada en 1878" deceptively misdescribes respondents' goods. On their face, the words "fundada en 1878" refer to the historical origin of the company which produces HAVANA CLUB rum and not to any quality of the goods or product sold under that mark. Further, the petition fails to allege that consumers would place material reliance on these words in deciding to purchase respondents' product, an allegation which is essential to a pleading of deception under Section 2(a) of the Lanham Act.[19/] *Miller Brewing Co.* v. *Anheuser-Busch Inc.*, 27 U.S.P.Q.2d 1711, 1712 (T.T.A.B. 1993).

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.* at 1713. 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

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[18/] As noted, petitioners could not allege that the mark HAVANA CLUB is geographically deceptive under Section 2(a). To be geographically deceptive under that section, a mark must convey primarily a geographical connotation, the goods to be sold under the mark "must not actually come from the area named by the mark," and the use of the mark must be calculated to "deceive the public as to the geographical origin of the goods bearing the mark." *In re Charles S. Loeb Pipes, Inc.*, 190 U.S.P.Q. 238, 244-45 (T.T.A.B. 1976). Nothing in the petition for cancellation suggests that respondents produce HAVANA CLUB rum anywhere other than in Cuba and, consequently, petitioners have also failed to suggest that respondents' proposed use of the mark in this country would deceive the public.

[19/] Indeed, petitioners could not allege with any credibility that purchasers of rum would be materially influenced to make a purchase of rum based on the year that the rum-maker was founded.

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*, 222 U.S.P.Q. at 514. "[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 allege 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.

III. PETITIONERS HAVE FAILED TO SET FORTH ALLEGATIONS WHICH MAKE OUT A CLAIM THAT THE REGISTRATION OF THE HAVANA CLUB MARK HAS BEEN ABANDONED.

The Board's recent decision in *Jose Ma. Arechabala* precludes petitioners' claims of abandonment. Petitioners' claim that the HAVANA CLUB mark has been abandoned in the United States is based on two allegations: that the mark "has never been used in commerce in the United States by the original registrant or its purported predecessors-in-interest [sic]" (Pet. ¶ 45), and that the assignments of the mark have been "invalid assignments-in-gross as the mark was never used in interstate commerce" (Pet. ¶ 46).[20/] In *Jose Ma. Arechabala*, however, the Board just last month

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[20/] The relevant section of the Lanham Act provides that a trademark will be deemed to have been abandoned:

> When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be

rejected identical claims to petitioners' in considering another petition to cancel this very registration of the HAVANA CLUB mark on grounds of abandonment and invalid assignment. There, the Board determined that, as a matter of law, the United States embargo of Cuba prohibiting respondents from using the HAVANA CLUB mark in commerce in the United States excused nonuse of the mark, and that the mark had therefore not been abandoned.

In this case, petitioners themselves acknowledge the existence of United States Department of the Treasury regulations, the Cuban Assets Control Regulations, 31 C.F.R. Part 515, which forbid the importation into the United States of merchandise from Cuba or merchandise that is of Cuban origin, 31 C.F.R. §§ 515.201 & 15.204. (Pet. ¶ 33.) The trade regulations also forbid the use in United States commerce of any trademark in which Cuba or a Cuban national has, or had at any time since 1963, any interest of any nature whatsoever, direct or indirect. *Id.* §§ 515.201 & 515.311. The regulations do, however, permit trademarks in which a Cuban entity has an interest to be filed and registered in the United States Patent and Trademark Office. *Id.* § 515.527.

In *Jose Ma. Arechabala*, the Board noted the existence of the trade regulations, slip op. at pp. 15-16; rejected as a matter of law an argument that the regulations are permanent, slip op. at p. 18; and held that the fact that "it is and has been legally impossible for respondents to use their

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prima facie evidence of abandonment.

Lanham Act § 45; 15 U.S.C. § 1127. Under Section 45, two consecutive years of nonuse give rise to no more than a rebuttable presumption of abandonment. *Id.*; *American International Group* v. *American International Airways*, 14 U.S.P.Q.2d 1933, 1940, 726 F. Supp. 1470, 1480 (E.D. Pa. 1989). "[T]he presumption of abandonment following two years of non-use is rebuttable, if the owner of the mark presents facts that would negate the inference of an intent to abandon." *Seidelman Yachts Inc.* v. *Pace Yacht Corp.*, 14 U.S.P.Q.2d 1497, 1501 (D. Md. 1989). And, "abandonment, being in the nature of forfeiture, must be strictly proved." *Wallpaper Manufacturers, Ltd.* v. *Crown Wallcovering Corp.*, 214 U.S.P.Q. 327, 332, 680 F.2d 755, 761 (C.C.P.A. 1982) (citing *P.A.B. Produites et Appareils de Beaute* v. *Satinine Societa*, 196 U.S.P.Q. 801, 804, 570 F.2d 328, 332-33 (C.C.P.A. 1978)); *Girard Polly-Pig, Inc.* v. *Polly-Pig by Knapp, Inc.*, 217 U.S.P.Q. 1338, 1342 (T.T.A.B. 1983).

mark in the United States . . . excuses their nonuse of the mark under the Trademark Act," slip op. at p. 19. Consequently, the Board concluded, "[a]s a matter of law there has been no abandonment." *Id.* The same legal conclusion applies to petitioners' claim of abandonment in this case, and nothing alleged in their petition suggests otherwise.

Petitioners advance a related legal proposition in support of their claim of abandonment: that the successive owners of the registration of the HAVANA CLUB trademark could not as a matter of law assign the mark without abandoning it because the legal impossibility of using the mark in the United States at this time necessarily turned any assignment of their registration into an assignment in gross. (Pet. ¶¶ 34, 35, 46.). The *Jose Ma. Arechabala* decision, however, rejects this very proposition. In that case, the petitioner argued similarly that the same successive assignments at issue here were evidence of an intent of the successive owners to divest themselves of the mark. In response, the registrants successfully asserted that the assignments of the registration had been part of a sale and reorganization of the "entire business" of HAVANA CLUB worldwide, slip. op. at p. 12, and consequently that they had not abandoned the mark in the United States, where they cannot presently sell HAVANA CLUB rum by virtue of the trade regulations. Thus, petitioners are incorrect as a matter of law in their essential supposition that an assignment of a mark which cannot legally be used in the United States because of United States trade regulations is *ipso facto* an invalid assignment.

What is more, petitioners' own factual allegations concede the facts which the Board in *Jose Ma. Arechabala* found were sufficient to defeat a claim of abandonment. Petitioners themselves allege that the assignment of the mark from Cubaexport, which produced and exported HAVANA CLUB rum, to Havana Rum & Liquors, S.A. followed the transfer of "the 'HAVANA CLUB' rum business" from Cubaexport to respondent Havana Rum & Liquors, S.A., and that Havana

Rum & Liquors, S.A. is a shareholder of the company, respondent Havana Club Holding, S.A., to which it in turn assigned the mark. (Pet. ¶¶ 34, 35.) This assignment of a mark concomitant with the transfer of the HAVANA CLUB business with which that mark is used is not, the Board held, an assignment in gross.

This Board's decision in *Jose Ma. Arechabala* rejecting a claim that the registration of the HAVANA CLUB mark in the United States has been abandoned is fully supported by prior precedent and commentary. It is settled that "[a]bandonment does not result from a temporary forced withdrawal from the market due to causes such as war, prohibition, a labor strike, bankruptcy, import problems, unprofitable sales, or some other involuntary action." J.T. McCarthy, 2 *McCarthy On Trademarks And Unfair Competition* § 17.04 at 17-20-21. Thus, "[s]pecial circumstances which excuse a registrant's nonuse" of a mark will overcome a charge of abandonment. *Imperial Tobacco Ltd.* v. *Philip Morris, Inc.*, 14 U.S.P.Q.2d 1390, 1395, 899 F.2d 1575, 1581 (Fed. Cir. 1990); *see American International Group* v. *American International Airways*, 14 U.S.P.Q.2d 1933, 1940, 726 F. Supp. 1470, 1480 (E.D. Pa. 1989) ("[o]bjective facts can explain non-use, thereby negating the inference of intent to abandon, and the presumption under section 1127"). As the Federal Circuit states: "If a registrant's nonuse is excusable, the registrant has overcome the presumption that its nonuse was coupled with an 'intent not to resume use,' or . . . an 'intent to abandon.'" *Imperial Tobacco Ltd.*, 14 U.S.P.Q. at 1345, 899 F.2d at 1581. As already discussed, the existence of trade regulations forbidding use of the HAVANA CLUB mark in the United States constitutes just such objective facts that explain non-use and negate any inference of an intent to abandon.

The Board in *Jose Ma. Arechabala* relied upon analogous cases which held that nonuse of a trademark during a time of war is excusable and does not constitute abandonment of the mark. *See Chandon Champagne Corp.* v. *San Marino Wine Corp.*, 142 U.S.P.Q. 239, 335 F.2d 531,

535 (2d Cir. 1964) ("forced wartime withdrawal from the American market was not abandonment of the mark"); *Haviland & Co.* v. *Johan Haviland China Corp.*, 154 U.S.P.Q. 287, 269 F. Supp. 928, 954 (S.D.N.Y. 1967) (Austrian manufacturer's nonuse of trademark within the United States during the Second World War was not abandonment). Just as a European manufacturer could not have distributed its goods to the United States during the war -- not just because it would have been physically impossible for it to do so, but also because the Trading With The Enemy Act would have forbidden such trade from enemy-occupied territories -- the owners of the HAVANA CLUB trademark have had no ability to use the mark in the United States, and this Board has recognized this fact to be a legal excuse for nonuse, negating any inference of abandonment.

Three international treaties to which the United States and Cuba are parties provide further support for the *Jose Ma. Arechabala* decision and, indeed, compel its conclusion that nonuse of the mark is excused as a matter of law where import restrictions prevent the sale of respondents' product in the United States: (1) the Agreement on Trade-Related Aspects of Intellectual Property Rights, annexed to the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations (hereinafter "TRIPs");[21/] (2) the Paris Convention for the Protection of Industrial Property (hereinafter "Paris Convention");[22/] and (3) the General Inter-American Convention for Trade Mark

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21/ Uruguay Round Agreements Act, Pub. L. No. 103-465 § 101(a)(1) & 101(d)(15), 108 Stat. 4809, 4814-15 (1994), incorporating text of TRIPs reprinted in Message From The President of the United States Transmitting the Uruguay Round Trade Agreements, Text of Agreements, Implementing Bill, Statement of Administrative Action, and Required Supporting Statements, House Doc. 103-316, vol. 1, 103d Cong., 2d Sess. at 1621 *et seq.* (Sept. 27, 1994). TRIPs entered into force for the United States pursuant to a Presidential Proclamation issued on December 23, 1994. *See* Proclamation No. 6763, 60 Fed. Reg. 1007 (1995).

22/ 21 U.S.T. 1583, 24 U.S.T. 2140, T.I.A.S. 6923, 7727, entered into force for the United States August 25, 1973.

and Commercial Protection (hereinafter "Inter-American Convention")[23]. This Board must construe the Lanham Act consistent with these treaties, since, under more than a century and a half of Supreme Court jurisprudence, "an act of Congress ought never to be construed to violate the law of nations if any possible construction remains." *Sale* v. *Haitian Centers Council*, ___ U.S. ___, 113 S. Ct. 2549, 2562 n.35 (1993) (quoting *Murray* v. *The Charming Betsy*, 6 U.S. (2 Cranch) 64, 118 (1804)). Furthermore, TRIPs has been affirmatively incorporated into United States law,[24] and the Inter-American Convention, as the Court held in *Bacardi Corp. of America* v. *Dumenech*, 311 U.S. 150, 161-62, 47 U.S.P.Q. 350, 355 (1940), is self-executing and hence binding United States law as well.[25]

Under TRIPs, the most recent and most explicit international convention to protect foreign trademarks throughout the world, including in the United States, respondents' nonuse of the HAVANA CLUB trademark in the United States is excused as a matter of law because of the United States embargo on importing Cuban goods. Article 19(1) provides:

> If use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. *Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions* or other government requirements for goods or services protected by the trademark, *shall be recognized as valid reasons for non-use.*

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[23] 46 Stat. 2907, Treaty Series 833, 2 Bevans 751, signed at Washington Feb. 20, 1929, entered into force for the United States Feb. 17, 1931.

[24] *See* Uruguay Round Agreements Act, Pub. L. No. 103-465 § 101(a)(2), 108 Stat. 4809, 4814 (1994) (approving "the statement of administrative action proposed to implement the [Uruguay Round] agreements" into United States law).

[25] *See also, e.g., Trans World Airlines, Inc.* v. *Franklin Mint Corp.*, 466 U.S. 243, 252 (1984); *Weinberger* v. *Rossi*, 456 U.S. 25, 32, (1982); *Washington* v. *Washington State Commercial Passenger Fishing Vessel Assoc.*, 443 U.S. 658, 690 (1979); *Menominee Tribe of Indians* v. *United States*, 391 U.S. 404, 412-13 (1968); *Clark* v. *Allen*, 341 U.S. 503, 510, (1947).

TRIPs, Article 19(1) (emphasis added). The President and Congress have authoritatively acknowledged that, under this provision, import restrictions excuse nonuse and, further, that United States law must be so applied.[26/] In addition, commentary uniformly concludes that TRIPs' plain and unambiguous language provides a dispositive basis for excusing nonuse as a result of import restrictions.[27/] Every signatory of TRIPs is required to "give effect" to all provisions of the treaty. TRIPs Article 1(1).

Although TRIPs is the most recent international agreement providing global protection for trademarks, the Paris Convention, which is still in force for both the United States and Cuba and

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[26/] Statement of Administrative Action, House Doc. 103-316, vol. 1, 103d Cong., 2d Sess. at 984, *reprinted in* 1994 U.S.C.C.A.N. 4040, 4282 ("Valid reasons for non-use, as set forth in Article 19, include import restrictions on or other government requirements for goods or services protected by the trademark."). By its own terms, the President's analysis "represents an authoritative expression by the Administration concerning its views regarding the interpretation and application of the Uruguay Round agreements, both for purposes of U.S. international obligations *and domestic law*. . . . Moreover, since this Statement will be approved by the Congress at the time it implements the Uruguay Round agreements, *the interpretations of those agreements included in this Statement carry particular authority*. *Id.* at 656, 1994 U.S.C.C.A.N. at 4040 (emphasis added).

[27/] *See* Eleanor K. Meltzer, *TRIPs and Trademarks, or -- GATT Got Your Tongue?*, 83 Trademark Rptr. 18, 29 (1993) ("[o]utside forces beyond the control of the registrant, including import restrictions and other government requirements, would be recognized as 'valid reasons for nonuse'"); Harriet R. Freeman, *Reshaping Trademark Protection in Today's Global Village: Looking Beyond GATT's Uruguay Round Toward Global Trademark Harmonization and Centralization*, 1 ILSA J. Int'l & Comp. L. 67, 89 n.136 (1995) ("[c]ircumstances beyond the owner's control creating an obstacle to use, such as import restrictions on or other government requirements for goods or services protected by a trademark, constitute a valid reason [for nonuse]"). *See also* Al J. Daniel, Jr. *Intellectual Property in the Uruguay Round: The Dunkel Draft and a Comparison of United States Intellectual Property Rights, Remedies, and Border Measures*, 25 N.Y.U. J. Int'l L. & Pol. 751, 776 (1993) ("[c]ancellation of registration of a trademark for disuse requires three years of uninterrupted non-use, though the owner may defeat cancellation by showing obstacles to use during that period"). The commentary on the identical provision of NAFTA, 32 I.L.M. 605 (1993), is to the same effect. *NAFTA and Beyond: A New Framework for Doing Business in the Americas* 391 (Joseph J. Norton et al. eds. 1995) (Article 1708(8) establishes that "import restrictions on trademarked goods or other governmental requirements for goods or services identified by trademark are valid reasons for non-use.")

which is expressly recognized as binding in TRIPs itself,[28] also requires recognition of import restrictions as a legally sufficient justification for the failure to use a mark in the United States. Article 5(C)(1) of the Paris Convention provides that

> [i]f, in any country, use of registered mark is compulsory, then registration may be cancelled only after a reasonable period, and then *only if the person concerned does not justify his inaction.*

Paris Convention, Article 5(C)(1) (emphasis added). Authoritative interpretations of the Paris Convention make clear that a trademark holder may justify its failure to use the mark as a result of circumstances beyond its control by reason of import restrictions on trademarked goods.[29]

The inclusion of these excuse-of-use clauses in TRIPs and the Paris Convention reflects the universal consensus found in national trademark laws permitting a trademark holder to justify nonuse. As one commentator recently concluded after conducting a global survey of use requirements in national trademark laws:

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[28] Article 2(2) of TRIPs expressly provides that "[n]othing in . . . this Agreement shall derogate from existing obligations that Members may have to each other under the Paris Convention . . . ."

[29] *See* Professor G.H.C. Bodenhausen, *Guide to the Application of the Paris Convention for the Protection of Industrial Property* 74, 76 (1968). Analyzing Article 5(C)(1), Professor Bodenhausen concludes:

> Cancellation of a trademark registration on the ground of non-use of the trademark in the country concerned will be possible only if the proprietor of the registration does not justify his inaction. National legislation may define this further, failing which the competent authorities will decide on any alleged justification. *Justification will normally be possible if legal and economic conditions have prevented the use of the mark in a given country, for example, if the importation of certain products has been prohibited, or prevented by war, or if there was no market for such products.*

Id. at 76 (emphasis added). *Accord* Richard J. Taylor, *Loss of Trademark Rights Through Nonuse: A Comparative Worldwide Analysis*, 80 Trademark Rptr. 197, 246 (1990) (noting that "regulations or laws making sales impossible are a clear example of justified nonuse" under Article 5(C)(1) of Paris Convention); Richard J. Taylor & Victor Bentata, *Trademark User Requirements in Latin America*, 74 Trademark Rptr. 109, 118 (1984) (citing Professor Bodenhausen's analysis of Article 5(C)(1) with approval).

> Basic considerations of fairness dictate that if a registrant has a valid excuse for not using its mark, the registration should not be canceled. . . . In all countries surveyed except Mexico,[30/] nonuse of a mark is excusable either because there is an express statutory provision to this effect, or merely by invoking the general civil law principle of force majeure. . . .
>
> Force majeure is defined in civil law countries as any unforeseeable and insurmountable obstacle preventing execution of an obligation. . . . *[R]egulations or laws making sales impossible are a clear example of justified non-use almost everywhere.*

Richard J. Taylor, *Loss of Trademark Rights Through Nonuse; A Comparative Worldwide Analysis*, 80 Trademark Rptr. 197, 246 (1990) (emphasis added). A recent survey of trademark laws in the Americas confirms this conclusion. *See* Richard J. Taylor & Victor Bentata, *Trademark User Requirements in Latin America*, 74 Trademark Rptr. 109, 114 (1984).

For different reasons, the Inter American Convention also requires the result reached in *Jose Ma. Arechabala*. It provides that

> [t]he transfer of the ownership of a registered or deposited mark in the country of its original registration *shall be effective and shall be recognized in the other Contracting States*, provided that reliable proof be furnished that such transfer has been executed and registered in accordance with the internal law of the State in which such transfer took place.

Article 11, ¶ 1 (emphasis added).

On its face, Article 11 permits all types of assignments, including assignments in gross, provided that the assigning parties comply with the law of the State where the assignment occurred. Commentators interpreting the Convention confirm that Article 11 must be interpreted to include all assignments. *See* Jeremiah D. McAuliffe, *Consideration of Inter-American Conventions*, 52 Trademark Rptr. 25, 32 (1962) ("[a] transfer in the country of origin is declared to be effective and recognized in all other countries"); Walter J. Derenberg, *Trade-Mark Protection and Unfair*

[30/] Taylor concludes that Mexico's refusal to recognize excuses for nonuse violates Article 5(C)(1) of the Paris Convention. Taylor, *supra*, at 246.

Trading 793 (1936) ("a transfer or an assignment of the mark in the country of origin shall be recognized as valid in the other countries, provided the prerequisites of the domestic law of the country of origin are observed"). While departing from the normal United States rule, Article 11 must be given effect because the Inter-American Convention is self-executing and is thus part of United States law without the need for implementing legislation. *See Bacardi Corp. of America* v. *Domenech*, 311 U.S. 150, 161-62, 47 U.S.P.Q. 350, 355 (1940).[31/]

IV. PETITIONERS HAVE FAILED TO SET FORTH ANY VIOLATION OF AN INTERNATIONAL TREATY TO WHICH THE UNITED STATES AND CUBA ARE PARTIES; TO THE CONTRARY, SUCH TREATIES CONCLUSIVELY DEMONSTRATE THAT NONUSE OF THE HAVANA CLUB TRADEMARK IS EXCUSED AS A MATTER OF LAW

Petitioners' claim for relief entitled "Treaty Violations and Constitutional Grounds" alleges that "[c]ontrary to . . . international conventions, the HAVANA CLUB mark was not used in commerce in the United States within a reasonable time after the original application was filed." (Pet. ¶ 42.) As we demonstrate in Point IV.B. *post*, petitioners' exclusive reliance on the Inter-American Convention to support this contention is entirely misplaced. However, the Board need not reach the Inter-American Convention because TRIPs and the Paris Convention, which excuse nonuse, as we have shown, *ante*, control.

A. TRIPs And The Paris Convention Control The Question Of Nonuse Here

As nationals of a country which is a party to all three trademark conventions, respondents enjoy and may enforce in the United States an independent and cumulative set of rights from each treaty. Thus, if even one of the global trademark conventions excuses respondents' nonuse

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[31/] We note that Article 11 has limited effect given the small number of parties to the Inter-American Convention: Columbia, Cuba, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Peru, and the United States. *See* United States Department of State, *A List of Treaties and Other International Agreements of the United States in Force on January 1, 1995* 364 (1995).

of the HAVANA CLUB mark, the Inter-American Convention is simply surplusage here. This result follows from the text of section 44 of the Lanham Act, from general principles of treaty construction, from the international understanding of the interrelationship of the trademark conventions, and from general principles of United States jurisprudence.

First, section 44 of the Lanham Act, both before and after its amendment in 1962, unequivocally demonstrates that respondents may invoke any treaty to which both the United States and Cuba are parties in support of their trademark rights in the United States. The current section 44(b), under the heading "Benefits of section to persons whose country of origin is party to convention or treaty," states:

> Any person whose country of origin is a party to *any* convention or treaty relating to trade-marks . . . to which the United States is also a party . . . shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention [or] treaty . . . in addition to the rights to which any owner of a mark is otherwise entitled by this chapter.

15 U.S.C. § 1126(b) (emphasis added). Prior to 1962, section 44(b) stated expressly that foreign nationals could invoke their treaty rights in the alternative:

> Persons who are nationals of, domiciled in, or have a bona fide and effective business or commercial establishment in any foreign country, which is a party to (1) the International Convention for the Protection of Industrial Property, signed at Paris on March 20, 1883; *or* (2) the General Inter-American Convention for Trade Mark and Commercial Protection signed at Washington on February 20, 1929; *or* (3) any other convention or treaty relating to trade-marks . . . to which the United States is a party shall be entitled to the benefits and subject to the provisions of this Act to the extent and under the conditions essential to give effect to *any* such conventions or treaties . . . .

Pub. L. 87-772, 76 Stat. 774, approved Oct. 9, 1962 and codified at 15 U.S.C. § 1126(b) (emphasis added). *See also Crocker National Bank* v. *Canadian National Bank of Commerce*, 223 U.S.P.Q. 909 (T.T.A.B. 1984) (Lanham Act was enacted to give effect to provisions of *both* Inter-American and

Paris Conventions); Stephen P. Ladas, *Trade-Marks and Foreign Trade*, 38 Trademark Rptr. 278, 280 (1948) ("[i]n considering the position of a foreign trade-mark owner claiming the benefits of the International Convention *or* the Inter-American Convention, we must always lean to such interpretation of the provisions of the [Lanham] Act which will . . . give effect to the Conventions") (emphasis added).

Second, established principles of treaty construction make clear that where two or more international agreements provide enforceable rights to private parties, those rights must be construed as independent and cumulative. Indeed, TRIPs and the Paris Convention expressly provide that nothing in the treaties undermines existing trademark rights that member States create by means of other international conventions. *See* TRIPs, art. 2(2); Paris Convention, art. 19. *See also* Paul Edward Geller, *Intellectual Property in the Global Marketplace: Impact of TRIPs Dispute Settlements?*, 29 Int'l Law. 99, 112 (1995) ("the TRIPS agreement may not be construed to derogate from the private rights that . . . prior treaties assure"). And with respect to the Inter-American Convention, commentators supported a proposal that signatories of Inter-American Convention ratify the Paris Convention by noting that the former treaty guarantees additional rights not protected by the latter. *See* Cyril Drew Pearson, *Proposal That Non-Member Countries of the Western Hemisphere Adhere to the International Union for the Protection of Industrial Property Signed at Paris, March 20, 1983 As Revised at London, June 2, 1934*, 44 Trademark Rptr. 465, 470-72 (1954). *Cf.* Melville B. Nimmer, 1 *Nimmer on Copyright* § 5.05[B], at 5-52.13 to 5-52.19 (1995) (discussing rights available to foreign nationals under multi-lateral and bi-lateral copyright treaties).

Third, soon after the ratification of the Inter-American Convention, Cuba, one of the principal parties to the treaty, ruled that both the Inter-American and the Paris Conventions may be invoked in support of foreign trademark rights. *See, e.g.,* J. Garcia Ordonez, *"Aspirin" Protected in*

Cuba Under Washington Convention, 30 Trademark Bull. 112 (1935) (United States trademark holder successfully invoked both Inter-American and Paris Conventions); Lorenzo S. Ruiz, *"J & P Coats" Label Protected in Cuba*, 28 Trademark Bull. 275 (1933) (applying provisions of both Paris Convention and Inter-American Convention). *See also Another Cuban Cancellation under the Pan-American Convention*, 27 Trademark Bull. 181 (1932) (noting additional cases where Cuban authorities had protected United States trademarks under Inter-American Convention).

It is always important, of course, for international treaties such as those at issue here to be given consistent interpretation and application by the various member States if possible. This principle is particularly important here where Cuba affords United States corporations the full protection of both the Inter-American and the Paris Conventions and must be assumed to expect similar treatment of its nationals by the United States trademark authorities.[32/]

Finally, general jurisprudence confirms that a trademark holder's treaty rights are both independent and cumulative. Just as litigants in United States courts may properly invoke more than one statute to protect their intellectual property rights. *See, e.g., Comprehensive Technologies, Int'l, Inc.* v. *Software Artisans, Inc.*, 28 U.S.P.Q.2d 1031, 3 F.3d 730, 736 n.7 (4th Cir. 1993) (opinion vacated by agreement of parties, Sept. 30, 1993) ("Computer programs can simultaneously constitute 'literary works' under federal copyright law and 'processes' or 'programs' under state trade secret law") (citations omitted); *Atari Games Corp.* v. *Nintendo of America Inc.*, 24 U.S.P.Q.2d 1015, 975 F.2d 832, 835 (Fed. Cir. 1992) (seeking to protect computer program under both patent and copyright laws), so foreign nationals may invoke more than one treaty in support of those rights. *See, e.g.,*

[32/] The Cuban Assets Control Regulations, 31 C.F.R. § 515.528 provide a general license permitting United States corporations to register and maintain trademarks in Cuba. However, the same Regulations prohibit United States nationals from carrying out any trade with Cuba and hence prohibit use of those trademarks in Cuba.

Yamaha Corp. of America v. *United States*, 22 U.S.P.Q.2d 1417, 961 F.2d 245, 258 (D.C. Cir. 1992), *cert. denied*, 113 S. Ct. 1044 (1993) (wholly owned subsidiary of foreign corporation invoked rights under both Paris Convention and Treaty of Friendship, Commerce and Navigation between United States and Japan).

B. The Inter-American Convention

Even assuming *arguendo* that TRIPs and the Paris Convention are not controlling, resort to the Inter-American Convention is of no assistance to petitioners. First, the Convention's abandonment provision, by its own terms, cannot be invoked where, as here, there is a national law on abandonment. Second, even if the abandonment provision can be invoked, petitioners misconstrue the Convention as invalidating any registered trademark that has not been used within two years and one day. To the contrary, the treaty merely permits a finding of abandonment after nonuse for two years and a day from the filing of a registration, and neither requires States to find abandonment on the basis of nonuse for a longer period nor precludes them from recognizing excuses for nonuse. Indeed, the national laws of all of the States parties to the Inter-American Convention explicitly recognize import restrictions as justifying nonuse of a mark. Finally, petitioners do not have standing to invoke the Inter-American Convention.

1. The Inter-American Convention's Abandonment Clause is Inapplicable by its Own Terms Because of United States Law on Abandonment

In their petition, petitioners assert that "[w]here a mark has never been used, use under the Inter-American Convention must be made within two years and a day in order for a registration obtained pursuant to section 44 to subsist." (Pet. ¶ 32.) Article 9 of the Convention states in its entirety:

> When the refusal of registration or deposit of a mark is based on a registration previously effected in accordance with this Convention,

> the owner of the refused mark shall have the right to request and obtain the cancellation of the mark previously registered or deposited, by proving, in accordance with the legal procedure of the country in which he is endeavoring to obtain registration or deposit of his mark, that the registrant of the mark which he desires to cancel, has abandoned it. *The period within which a mark may be declared abandoned for lack of use shall be determined by the internal law of each country*, and if there is no provision in internal law, the period shall be two years and one day beginning from the date of registration or deposit if the mark has never been used, or one year and one day if the abandonment or lack of use took place after the mark has been used.

Inter-American Convention, Article 9 (emphasis added).

By its own terms, the timing provisions of Article 9 are of no force and effect where national trademark laws address the same subject, as is the case here. Section 45 of the Lanham Act provides that "[n]onuse for two consecutive years shall be prima facie evidence of abandonment." 15 U.S.C. § 1127. Accordingly, Article 9 is inapplicable on its face and cannot be invoked by petitioners. This operation of Article 9 is confirmed by numerous commentators. *See*, Derenberg, *supra* at 792 ("[w]hen such abandonment may be considered effectuated [under the Inter-American Convention] is left to the determination of the laws of the contracting States"); Taylor & Bentata, *supra*, at 121 ("Article 9 should only be applicable if there is no provision whatever in internal law allowing third parties to cancel marks for nonuse"); Taylor, *supra*, at 210 (Convention only applies in countries which do not have their own national user requirements).

2. Even if Applicable, the Inter-American Convention's Abandonment Clause Does Not Preclude Excusing Nonuse Here

Even assuming, contrary to the Convention's unambiguous text, that Article 9's two-year provision rather than section 45 of the Lanham Act is applicable in the United States, petitioners are incorrect in interpreting the provision to require "use . . . within two years and a day in order for a registration obtained pursuant to section 44 to subsist." (Pet. ¶ 32.) As the text of the Convention

makes clear, Article 9 merely authorizes the owner of a refused mark to seek cancellation of a prior registration and sets a time period after which a mark "*may* be declared abandoned." Art. 9 (emphasis added). Commentators confirm this reading of Article 9. *See, e.g.,* Derenberg, *supra*, at 792 (petitioner must provide "proof that the owner of the [mark] has abandoned it"); Taylor & Bentata, *supra*, at 120 (prior registrations "*may* be cancelled if the mark has been 'abandoned.'") (emphasis added); Taylor, *supra*, at 210 (same). In short, Article 9 merely provides the mechanism by which to challenge a registered mark and sets a time before which its cancellation cannot be sought on the basis of nonuse; it does not in any way dictate the outcome of such a challenge.

This reading of Article 9 is also compelled by the fact that all of the States that are parties to the Inter-American Convention recognize import restrictions and other government regulations to excuse nonuse. As a recent survey of Latin American states demonstrates, every State party to the Inter-American Convention has recognized that "regulations or laws making sales impossible" are a valid excuse for nonuse of a mark. Taylor & Bentata, *supra*, at 114.[33/]

These excuse of use provisions must be construed to have been incorporated into the Inter-American Convention. Any other result would mean that a crucial segment of the trademark laws of every nation that ratified the Inter-American Convention became invalid upon ratification of that treaty. Such a construction would defy both logic and the text of Article 35 of the Convention, which provides that those nations in which the treaty does not immediately have the force of law "agree to request of their legislative bodies the enactment of the necessary legislation [to implement the Convention] in the shortest possible period of time . . . ." The fact that more than fifty years after the Convention was signed, the laws of all but one of the States parties continue to permit a

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[33/] Haiti, the only party to the Convention that has not had the occasion expressly to recognize the excuse of import restrictions, nevertheless excuses non-use for "special circumstances." Taylor & Bentata, *supra*, at 114.

trademark holder to assert excuses for nonuse further confirms the need to construe the Convention in this manner.[34/]

3. Petitioners Cannot Invoke the Inter-American Convention in Support of Their Cancellation Petition

Finally, leaving aside any question of the meaning and application of Article 9, under the plain language of the Convention as well as settled principles of treaty construction, petitioners Galleon, S.A., a Bahamian company (Pet. ¶ 1), and Bacardi & Company Limited, a Liechtenstein company (Pet. ¶ 3), who are not nationals of any State party to the Convention, may not invoke the treaty in support of their effort to cancel respondents' mark. Although petitioner Bacardi-Martini U.S.A., Inc. is a national of the United States, the Board should not permit it to invoke the Inter-American Convention either. It is a wholly owned subsidiary of Bacardi & Company Limited, a national of a non-treaty country (Pet. ¶¶ 6,7), and appears in this proceeding merely as the potential importer of a rum which the other petitioners, who themselves may not invoke the Inter-American Convention, intend to produce. If the United States importer of non-treaty nationals could invoke the Convention, then obviously there is nothing left of the rule limiting invocation of the Convention to nationals of treaty parties.

As Taylor and Bentata explain:

> The Inter-American Convention only creates rights and obligations among the countries which have adopted it. This is the clear intent of a number of provisions of the treaty including Article 1 which calls for national treatment for nationals only of other member states and certain domesticated foreigners. [Thus,] . . . *a*

[34/] No country stands to lose more from petitioners' construction of the Inter-American Convention than the United States. As noted *ante*, the United States embargo regulations prohibit any trade with Cuba and hence prohibit use of the trademarks United States corporations have registered in Cuba. If petitioners were correct, the Inter-American Convention would require the Cuban authorities to cancel those trademarks on the application of any Cuban national or national of other countries which might want to capture those marks for themselves.

national of a country which has not adhered to the Inter-American Convention should not be able to invoke the Convention against a national of a country which has adopted the Convention.

Taylor & Bentata, *supra*, at 122 (emphasis added). *Accord* Taylor, *supra*, at 210 ("the user requirement of the Convention cannot be invoked against, or by, nationals of countries not members of the Convention"). Under this settled construction, petitioners have no rights under the Convention and cannot invoke it as a basis for cancelling Havana Club's mark on the grounds of abandonment or nonuse. Their petition based on this ground must be dismissed for this reason as well as upon its lack of merit.

V. PETITIONERS' CLAIM FOR RELIEF TITLED "UNCLEAN HANDS" FAILS TO SET FORTH A RECOGNIZABLE GROUND FOR CANCELLATION OF A TRADEMARK REGISTRATION

Petitioners title their fifth claim for relief "Unclean Hands." This kind of allegation of inequitable conduct does not, however, set forth a statutory ground for cancellation of a trademark. *See, e.g., Garri Publication Assoc.* v. *Dabora, Inc.*, 10 U.S.P.Q.2d 1694, n.5 (T.T.A.B. 1988) ("[a]n allegation of unclean hands does not constitute grounds for cancellation"); *E. & J. Gallo Winery* v. *Gallo Cattle Co.*, 21 U.S.P.Q.2d 1824, 1834, 955 F.2d 1327, 1341 (9th Cir. 1992) (equitable defenses to trademark infringement charges do not serve as affirmative challenges to ownership rights in a trademark); *cf. Burroughs Wellcome Co.* v. *Warner-Lambert Co.*, 203 U.S.P.Q. 201, 208 n.7 (T.T.A.B. 1979) ("inequitable conduct does not, in an of itself, constitute a ground for refusal of registration in the absence of a showing that the conduct complained amounted to fraud committed for the purpose of obtaining a registration"). Thus petitioners' fifth cause of action must be dismissed.

Apparently in support of their claim of "unclean hands," petitioners utilize language pertinent to a claim of abandonment, alleging that respondents have "caused the purported mark

HAVANA CLUB to lose its significance as a trademark within the meaning of 15 U.S.C. § 1127." (Pet. ¶ 49.) This language, however, has nothing to do with unclean hands. In any event, petitioners have not made out a cognizable claim of abandonment under this section. "Abandonment" may be shown by proof that "any course of conduct by the registrant . . . causes the mark to lose its significance as an indication of origin," Lanham Act § 45, but this provision normally applies when a trademark owner engages in naked licensing of a trademark so that the public no longer associates the mark exclusively with the trademark owner, where a mark becomes the generic term for the goods on which it is used, or when a trademark owner fails to take action against infringers of the mark. J. Gilson, *Trademark Protection and Practice* § 3.06[9][a]. Petitioners have made no such allegations with respect to respondents or the HAVANA CLUB mark.

This section does not apply, moreover, where a claim is simply that one party's use of a mark may be confused with another party's use. In *Girard Polly-Pig, Inc.* v. *Polly-Pig by Knapp, Inc.*, 217 U.S.P.Q. 1338 (T.T.A.B. 1983), for example, this Board held that the fact that two manufacturers were actually using the trademark POLLY-PIG did not provide the basis for a claim of abandonment under this section. Indeed, precisely because the mark identified the respondent as one of two users of the mark, the mark was not abandoned. This is because, under this section, a mark is abandoned "only when the mark loses its significance as *an* indication of origin, not *the sole* indication of source." *Polly-Pig*, 217 U.S.P.Q. at 1342 (quoting *Wallpaper Manufacturers*, 214 U.S.P.Q. at 336, 680 F.2d at 765). Petitioners have made no allegation that the HAVANA CLUB trademark has lost its significance as an indication of origin. Petitioners' allegations of possible consumer confusion are thus irrelevant in a petition to cancel a trademark registration that is over five years old; an allegation of "likelihood of confusion between respective marks . . . . is not a valid statutory ground for cancellation." *Liberty Trouser Co., Inc.* v. *Liberty & Co., Ltd.*, 222 U.S.P.Q.

357, 358 (T.T.A.B. 1983). "To equate likelihood of confusion of source with abandonment has no basis in logic or in law." *Wallpaper Manufacturers*, 214 U.S.P.Q. at 336, 680 F.2d at 767.

Petitioner's fifth cause of action therefore fails to state a claim upon which relief can be granted, and should be dismissed as well.

CONCLUSION

For the foregoing reasons, the instant Petition for Cancellation should be dismissed in its entirety for failure to state a claim upon which relief can be granted pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure.

Dated: New York, New York
November 22, 1995

Respectfully submitted,

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CANCELLATION NO. 24108

CERTIFICATE OF EXPRESS MAILING AND SERVICE

Date of Deposit: **November 22, 1995**

I hereby certify that this Memorandum Of Law In Support Of Respondents' Motion To Dismiss The Petition is being deposited with the United States Postal Service "Express Mail Post Office to Addressee" service under 37 C.F.R. § 1.10 on the date indicated above, addressed to:

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