ESTTA Tracking number: **ESTTA1085312**
Filing date: **09/29/2020**

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

Proceeding	92025859
Party	Defendant General Cigar Co., Inc.
Correspondence Address	ANDREW DEUTSCH DLA PIPER LLP US 2000 AVENUE OF THE STARS SUITE 400 LOS ANGELES, DE 90067 UNITED STATES Primary Email: Andrew.Deutsch@dlapiper.com Secondary Email(s): David.Huff@dlapiper.com, mkrinsky@rbskl.com, joshua.schwartzman@us.dlapiper.com, john.nading@us.dlapiper.com 212.335.4880
Submission	Testimony For Defendant
Filer's Name	Andrew L. Deutsch
Filer's email	andrew.deutsch@us.dlapiper.com, Joshua.Schwartzman@us.dlapiper.com, john.nading@us.dlapiper.com, Valerie.fadis@us.dlapiper.com
Signature	/Andrew L. Deutsch/
Date	09/29/2020
Attachments	GC Exs Part 55.pdf(5161367 bytes) GC Exs Part 56.pdf(4218265 bytes) GC Exs Part 57.pdf(3721855 bytes) GC Exs Part 58.pdf(5702087 bytes) GC Exs Part 59.pdf(5715151 bytes) GC Exs PArt 60.pdf(5564930 bytes) GC Exs Part 61.pdf(5666636 bytes) GC Exs Part 62.pdf(5513860 bytes) GC Exs Part 63.pdf(1929068 bytes) GC Exs Part 64.pdf(5115356 bytes) GC Exs Part 65.pdf(5052073 bytes)

THE GREAT 1989 BORDEAUX

THE NOBLE FIRST GROWTHS-ALL ON SALE

Ratings: P = Robert Parker Jr. WS = The Wine Spectator

	Bottle	Case
Chateau Haut Brion (Graves) 99 P/97 WS	115.00	1299.00
Chateau Petrus (Pomerol) 98 P/100 WS	495.00	5600.00
Chateau Margaux (Margaux) 99 WS	82.50	959.00
Chateau Mouton Rothschild (Pauillac) 99 WS	99.75	1175.00
Chateau Latour (Pauillac) 97 WS	76.50	899.00
Chateau Lafite Rothschild (Pauillac) 92 P/98 WS	85.50	999.00
Chateau Cheval Blanc (St. Emilion) 90 WS	94.50	1099.00
Chateau Ausone (St. Emilion) 92 P/93 WS	105.00	1199.00

1989 FIRST GROWTH SAMPLER

Without a doubt the finest sampler we have ever offered. Two bottles each of Haut Brion, Margaux, Mouton Rothschild, Lafite Rothschild and one bottle each of Petrus, Latour, Cheval Blanc, and Ausone. Total of twelve terrific bottles of the great 1989 vintage. What a treat to have in a dozen years. Special Sampler price $1495.00.

Ask for a Benjamin Sampler (named after Benjamin Zacharia, the first Zacharia grandchild—11 months old—I've put one of these samplers away for him for his 21st birthday in the year 2013). Only two dozen samplers available.

PERFECT POMEROL

Chateau Clinet (99 P)	95.00	1099.00
* Chateau La Conseillante (97 P/92 WS)	74.50	849.00
* Chateau La Fleur de Gay (95 P/98 WS)	87.50	999.00
Chateau La Croix de Gay	23.99	275.00
Chateau Lafleur (96 P/96 WS)	250.00	2899.00
* Pensees des Lafleur	53.50	599.00
* Chateau L'Evangile (89 P/92 WS)	59.50	699.00
Chateau Lafleur Petrus	74.99	899.00
* Chateau Gazin (88 P)	34.95	399.00
* Chateau Trotanoy (90 WS)	59.95	699.00
* Chateau Latour A Pomerol (87 P/90 WS)	34.95	399.00
* Chateau Bourgneuf (90 WS)	23.50	259.00
* Chateau Certan de May (87 P)	64.50	749.00
* Chateau Petit Village (88 P)	53.50	599.00
Chateau Clos L'Eglise (95-100 WS)	19.99	239.00
Chateau Haut Maillet	16.99	199.00
* Chateau Plince (85 P)	14.99	179.00
* Chateau Rouget	19.99	239.00
Chateau Siaurac	10.99	129.00

Buy a 1989 Pomerol Sampler:
1 bottle of each wine designated with an asterisk for the special sampler price of $575.00.

GRAND ST. ESTEPHE

Chateau Montrose (94 P/95 WS)	34.50	399.00
Chateau Calon Segur (95 WS)	27.50	319.00
Chateau Cos d'Estournel (95 WS)	38.50	449.00
Chateau Cos Labory (89 P/93 WS)	18.99	219.00
Chateau Meyney (92 P/93 WS)	14.99	179.00
Chateau Les Ormes de Pez	16.99	199.00
Chateau Haut Marbuzet (90 WS)	23.99	279.00

SPECIAL ST. EMILION

Chateau L'Angelus (94 P/94 WS)	34.50	399.00
Chateau Belair (87 P/89 WS)	34.99	399.00
Chateau Clos de Jacobins	28.99	345.00
Chateau Grand Mayne (90 P/93 WS)	18.99	225.00
Chateau Larmande (88 P/95 WS)	29.95	350.00
Chateau Pavie Macquin (90 P)	20.99	249.00
Chateau Franc Mayne (94 WS)	18.99	219.00
Chateau Figeac (93 WS)	43.50	499.00
Chateau La Commanderie (92 WS)	14.50	169.00
Chateau Puy Blanquet (90 WS)	10.99	129.00
Chateau Haut Corbin (89 P)	16.99	199.00
Chateau Troplong-Mondot (91 P/91 WS)	18.99	219.00

SUPREME PAUILLAC

Chateau Lynch Bages (96 P/98 WS)	38.95	449.00
Chateau Pichon Baron Longueville (96 P/98 WS)	39.99	475.00
Chateau Pibran (95 WS)	22.99	275.00
Chateau Cordeillan-Bages (96 WS)	24.99	299.00
Chateau Clerc Milon (96 WS)	24.99	279.00
Chateau d'Armailhac (94 WS)	19.99	239.00
Chateau Haut Batailley	26.99	315.00
Chateau Pichon Lalande (92 P/92 WS)	43.50	499.00
Chateau Grand Puy Lacoste (89 P)	23.95	275.00
Chateau Duhart Milon Rothschild (88 P/90 WS)	22.99	259.00
Chateau Haut Bages Averous (90 WS)	16.99	199.00
Carraudes de Lafite (89 WS)	23.95	275.00
Chateau Pontet Canet (89 P)	20.99	249.00
Tourelles de Longueville (94 WS)	19.99	239.00

GREAT GRAVES

Chateau Haut Brion (99 P/97 WS)	115.00	1299.00
Chateau La Mission Haut Brion (98 P/96 WS)	68.50	799.00
Chateau Bahans Haut Brion (89 P/90 WS)	24.99	299.00
Chateau La Tour Haut Brion (95 WS)	31.50	369.00
Chateau Haut Brion Blanc (6 bt case) (97 P)	150.00	875.00
Chateau Laville Haut Brion Blanc (6 bt case) (98 P)	150.00	875.00
Chateau de Fieuzal (98 WS)	25.95	299.00
Chateau Olivier (95 WS)	19.99	239.00
Chateau Bouscaut (93 WS)	14.99	179.00
Chateau La Louviere (87 P/91 WS)	16.99	199.00

SUPERB ST. JULIEN

Chateau Beychevelle (91 P/95 WS)	33.99	399.00
Chateau Leoville Las Cases (95 P)	59.99	699.00
Chateau Lagrange (95 WS)	24.99	299.00
Chateau Langoa Barton (94 WS)	19.99	239.00
Chateau Leoville Barton (88 P/94 WS)	24.99	299.00
Chateau Gruaud Larose (88 P/93 WS)	30.99	370.00
Chateau Talbot (88 P/90 WS)	27.95	325.00
Chateau Gloria (92 WS)	16.99	195.00
Chateau Ducru Beaucaillou (91-92 WS)	39.99	475.00

MARVELOUS MARGAUX

Chateau Palmer (96 P/95 WS)	49.99	599.00
Chateau D'angludet (87 WS)	20.99	249.00
Chateau Brane Cantenac (94 WS)	24.99	299.00
Chateau Monbrison (93 WS)	24.99	299.00
Chateau Prieure Lichine (88 P)	19.50	229.00
Chateau Potensac (Medoc)	12.99	149.00

zachys
WINE AND LIQUOR, INC.

16 EAST PARKWAY
SCARSDALE, NY 10583
1-800-723-0241
(914) 723-0241 SALES TAX 6¾%
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The Wine Capital of the East

OVER 3000 SELECTIONS

PRESIDENT KENNEDY, LEFT, AND PIERRE SALINGER, HIS PRESS SECRETARY, AFTER A NEWS CONFERENCE.

Continued from page 154

I was now a solid Cuban cigar smoker, I knew a lot of stores, and I worked on the problem into the evening.

The next morning, I walked into my White House office at about 8 a.m., and the direct line from the President's office was already ringing. He asked me to come in immediately.

"How did you do Pierre?" he asked, as I walked through the door.

"Very well," I answered. In fact, I'd gotten 1,200 cigars. Kennedy smiled, and opened up his desk. He took out a long paper which he immediately signed. It was the decree banning all Cuban products from the United States. Cuban cigars were now illegal in our country.

The embargo complicated my life. The only time I could get a few Cuban cigars was when I traveled abroad with the President to countries like France, Austria and Great Britain. But then, in late May 1962, I went alone to Moscow for the first time. I met for two days with Nikita Khrushchev, talking face to face with the Soviet leader. As our meeting came to end, Krushchev turned to me.

"Gospodin Salinger, I see you like cigars. Well, I don't, and yesterday I received a wonderful present from Fidel Castro. I'm going to give it to you." He waved at an assistant who brought over a huge wooden box with the Cuban flag encrusted in the top, and inside were 250 gorgeous Cuban cigars. My first thought was I couldn't take them to the United States because it was illegal. But then I thought I was traveling with a special Presidential diplomatic passport, and I would have no trouble at U.S. Customs. I decided then and there to take them home and share them with the President.

When I arrived back in the office, the President immediately wanted to talk to me about the Khrushchev meetings. But I interrupted him.

"I made a killing in Moscow, Mr. President. I got 250 Cuban cigars."

The President looked shocked. "Do you have any idea what a scandal it will create if someone finds out you brought those cigars illegally into this country, particularly since I banned them?"

"It's no problem, Mr. President," I replied. "There are only three persons who know about these cigars—you, me and Khrushchev."

"That won't work. I want you to take them over to the chief of customs, and turn them over. And because I don't trust you with regards to cigars, I want you to come back with a receipt."

Overwhelmed with sadness, I went to customs and handed them over. After the chief had given me a receipt, I asked him what he was going to do with the cigars.

"Destroy them," he said without any sentiment.

"Yes, I know," I said as I was walking out of his office. "You're going to destroy them one by one."

About six months ago, nearly 30 years after my sad encounter with U.S. Customs, I landed at Kennedy airport in New York City. I walked through Customs and saw a Customs agent smoking a Cuban Davidoff cigar. He was obviously destroying a confiscated batch one by one.

Since 1968, I have been working in Europe. So, my access to Cuban cigars is no longer a problem. They are available everywhere, even though at a high price. But my learning about cigars hasn't stopped over the years. For instance, in 1974, I finally went to Cuba where I ended up in a long meeting with Castro. He handed me my first Cohiba cigar which at the time was still unavailable to the general public.

So, Kennedy, Khrushchev and Castro all had a hand in my cigar mania.

As I rush to finish up this piece, I'm puffing away on a Partagas Lusitania, which to my taste, is the best Cuban cigar in the world today. And, over the years, I learned about the best from some of history's great cigar smokers ... so I like the best. ❖

Kennedy, Cuba and Cigars

by Pierre Salinger

Cigars have been a part of my life. My smoking habit began in my youth, helped me write my own adult history, and now, cigars are in my dreams. Even though the world is rising against smoking, and particularly against cigars, I still feel they are part of my daily world and I have no incentive to stop smoking them.

My cigar smoking started when I was young. I entered the United States Navy in the early days of World War II and when I reached the age of 19, I became commanding officer of a submarine chaser in the Pacific Ocean. But to run a ship that had 25 sailors and two other officers, all older than me, posed a deep psychological problem. How could I convince them that I was a man of authority? Even if the quality of those big cigars was mediocre, they accomplished their purpose—they made a 19-year-old boy really look like the commander of the ship.

When I returned to San Francisco after the war, I went back to a job at a daily newspaper where I had briefly worked before entering the Navy. I kept on smoking my cigars while I wrote articles. But the cigars were still bad cigars, and they obviously smelled bad. There was a wonderful woman journalist working for the newspaper who hated the smell. She decided to take up a collection among my fellow workers. She handed me $19.32 and told me it was her contribution for a better quality of cigars. Better cigars, better smell.

Despite the self-interested largess of my colleagues, I still did not advance to the cream of available cigars in those days, the imports from Cuba. Actually, I would have to wait until I was almost 35 years old before I started to work for a rising young American politician named John Kennedy, who liked to smoke Petit Upmann Cuban cigars. Working around him, I felt I had no choice but to upgrade my smoke of choice to a Cuban. I've smoked them ever since.

Shortly after I entered the White House in 1961, a series of dramatic events occurred. In April, 1961, the United States went through the disastrous error of the Bay of Pigs, where Cuban exiles with the help of the United States government tried to overthrow the government of Fidel Castro. Several months later, the President

JOHN F. KENNEDY RELAXES IN THE OVAL OFFICE AT THE WHITE HOUSE WITH HIS FAVORITE SMOKE, A PETIT UPMANN.

called me into his office in the early evening.

"Pierre, I need some help," he said solemnly.

"I'll be glad to do anything I can Mr. President," I replied.

"I need a lot of cigars."

"How many, Mr. President?"

"About 1,000 Petit Upmanns."

I shuddered a bit, although I kept my reaction to myself. "And, when do you need them, Mr. President?"

"Tomorrow morning."

I walked out of the office wondering if I would succeed. But since

Continued on page 153

Here's a promise you don't have to take with a grain of salt.

The Buick Park Avenue Ultra. To fight the effects of corrosion, its body is built with two-sided galvanized steel that goes beyond what Mercedes-Benz, Lexus, Toyota and Honda use.*

In fact, all new Buicks are warranted against outer-body rust-through for 6 years or 100,000 miles, whichever comes first.† Buick quality. It's a promise you don't have to take with a grain of salt.

*Two-sided galvanized steel not used in roof.
†See your Buick dealer for terms of this limited warranty.

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

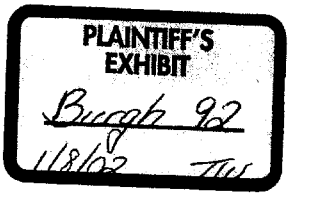
Defendant's Exhibit 44

For your information . . .

EDGAR M. CULLMAN, JR.

ation

New York, NY 10016-8899
212/561-8700
Telex: 325896
Cable: CULBROCORP NYK



Edgar M. Cullman, Jr.
President
212/561-8709

April 20, 1993

Mr. Nicholas Freeman
Hunters & Frankau Group Limited
30 St. James' Street
London SW1A 1HB
England

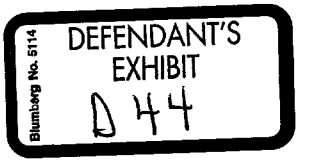
Dear Nick:

It was, as always, a pleasure seeing you in New York in early February. As we discussed, we would very much like you to present General Cigar's plans for its COHIBA brand cigars with Mr. Francisco Padron of Cubatobaco.

As you know, General Cigar owns the registered trademark for COHIBA in the United States. To date, we have been moderately successful with this brand considering the limited marketing effort we have undertaken on its behalf and the limited distribution it has enjoyed. We feel that now is the time to relaunch the brand as a super premium product and we propose that you present Mr. Padron with some samples of the packaging designs that we are considering. The design of the band would follow whatever package design ultimately used. We would like to have the benefit of Mr. Padron's thinking on this matter to avoid a possible legal proceeding alleging infringement of any rights which Cubatobaco may believe they have in the package and brand design for COHIBA.

Nick, if you should need more information on this matter, please do not hesitate to call me. I very much appreciate all you are doing for us.

Very truly yours,



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Defendant's Exhibit 45

Raymond, Peter

From: Mel Mannion [mmannion@mshanken.com]
Sent: Friday, September 01, 2000 1:46 PM
To: praymond@halldickler.com
Subject: Cigar Aficionado

PLAINTIFF'S DEPOSITION EXHIBIT
Shanken -3
4/24/01 AA

Cigar Aficionado

average paid circulation by year:

1999	291,000
1998	322,000
1997	373,000
1996	292,000
1995	217,000
1994	124,000
1993	85,000

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 45

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

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EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defendant's Exhibit 46

PLAINTIFF'S DEPOSITION EXHIBIT
Pearce-3
11/20/01 M

HA

Somewhat Confusing

Punch and Macanudo Ascots Advertising Survey

July, 2001 - Post-Advertising Results

DEFENDANT'S EXHIBIT
D46

Blumberg No. 5114

CONFIDENTIAL:
UNDER PROTECTIVE ORDER
GC 022346

POST ADVERTISING SURVEY RESULTS:
Overview and Report Objective

- **Overview of Report:**
  - Punch:
    - Sales Tracking Results
    - Brand Awareness Measurement
  - Macanudo Ascots:
    - Sales Tracking Results
    - Brand Awareness Measurement
  - Other Results
  - Appendix

Objective of Survey:

- Measure the impact of newspaper and newsweekly magazine advertising on Punch and Macanudo Ascots brand sales and brand awareness.
- Measure and qualify the newspaper and magazine reading habits of cigar smokers.

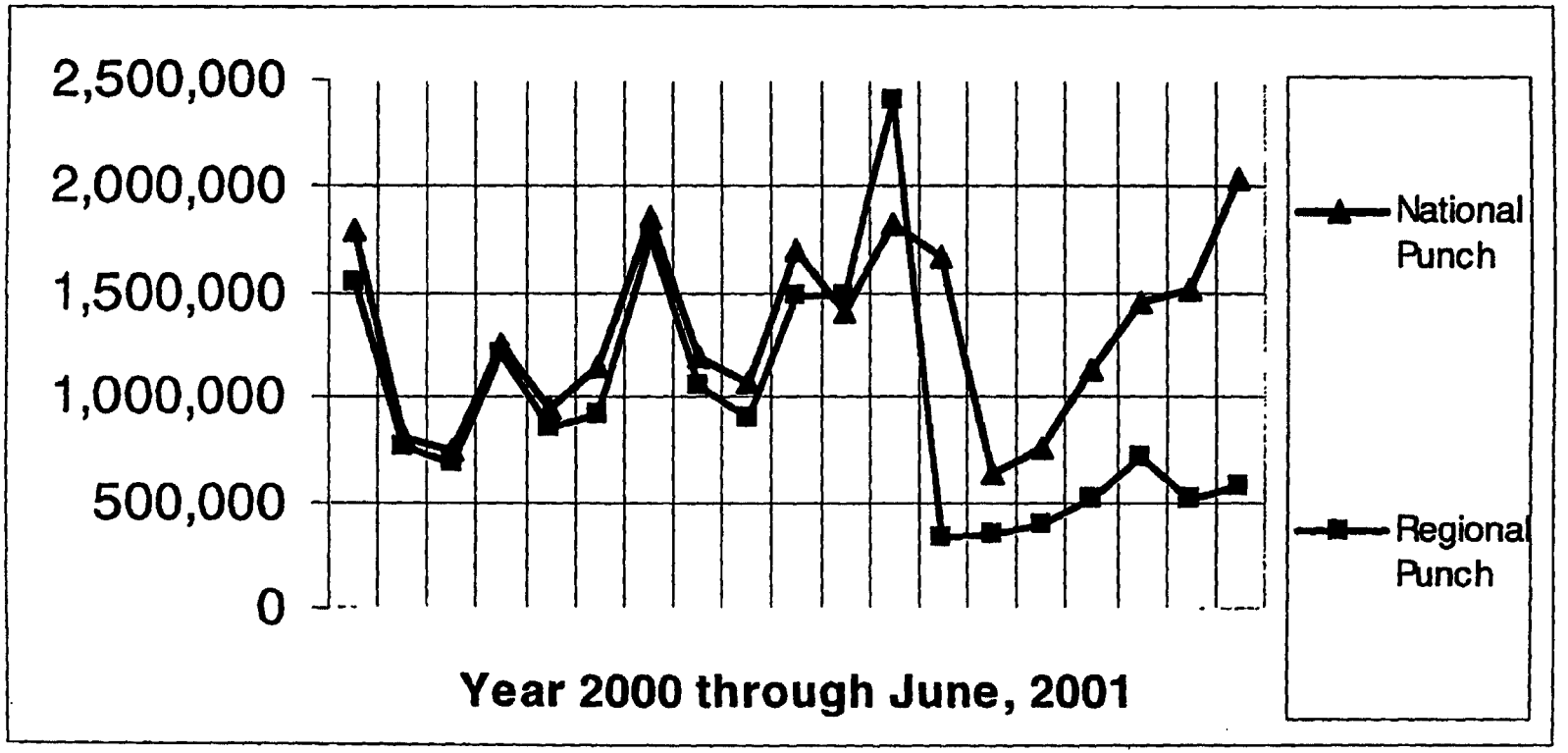
Method:

- On-line Survey of NPD consumer panel, fielded in March, **July** and possibly October.
- In-house sales tracking: highlight Regional sales (Ohio and Phoenix) as well as national sales

CONFIDENTIAL:
UNDER PROTECTIVE ORDER
GC 022347

Punch Sales Results:

Regional Sales for Punch, in the spotlighted test area [Ohio and Phoenix] are consistent with national Punch sales patterns



- The advertising test period encompasses 41% of annual Punch sales activity.
- Punch sales are up 9% in 2001.

CONFIDENTIAL: UNDER PROTECTIVE ORDER
GC 022348

Punch showed small gains in brand recall
More consumers identify Punch as a Regular Smoke in Wave 2

Brand Recall:	National		Regional	
	FIRST WAVE	SECOND WAVE	FIRST WAVE	SECOND WAVE
Unaided Punch Brand Recall:	(5th) 7.0%	(5th) 7.1%	(3rd) 12.0%	(2nd) 14.9%
Aided Punch Brand Recall:	(11th) 29.1%	(9th) 34.4%	(15th) 22.9%	(9th) 27.1%
Smoked Punch Last Year:	(11th) 15.6%	(11th) 16.5%	(6th) 13.2%	(6th) 18.9%
Smoke Punch Regularly:	(10th) 6.0%	(5th) 7.0%	(9th) 6.0%	(7th) 7.7%

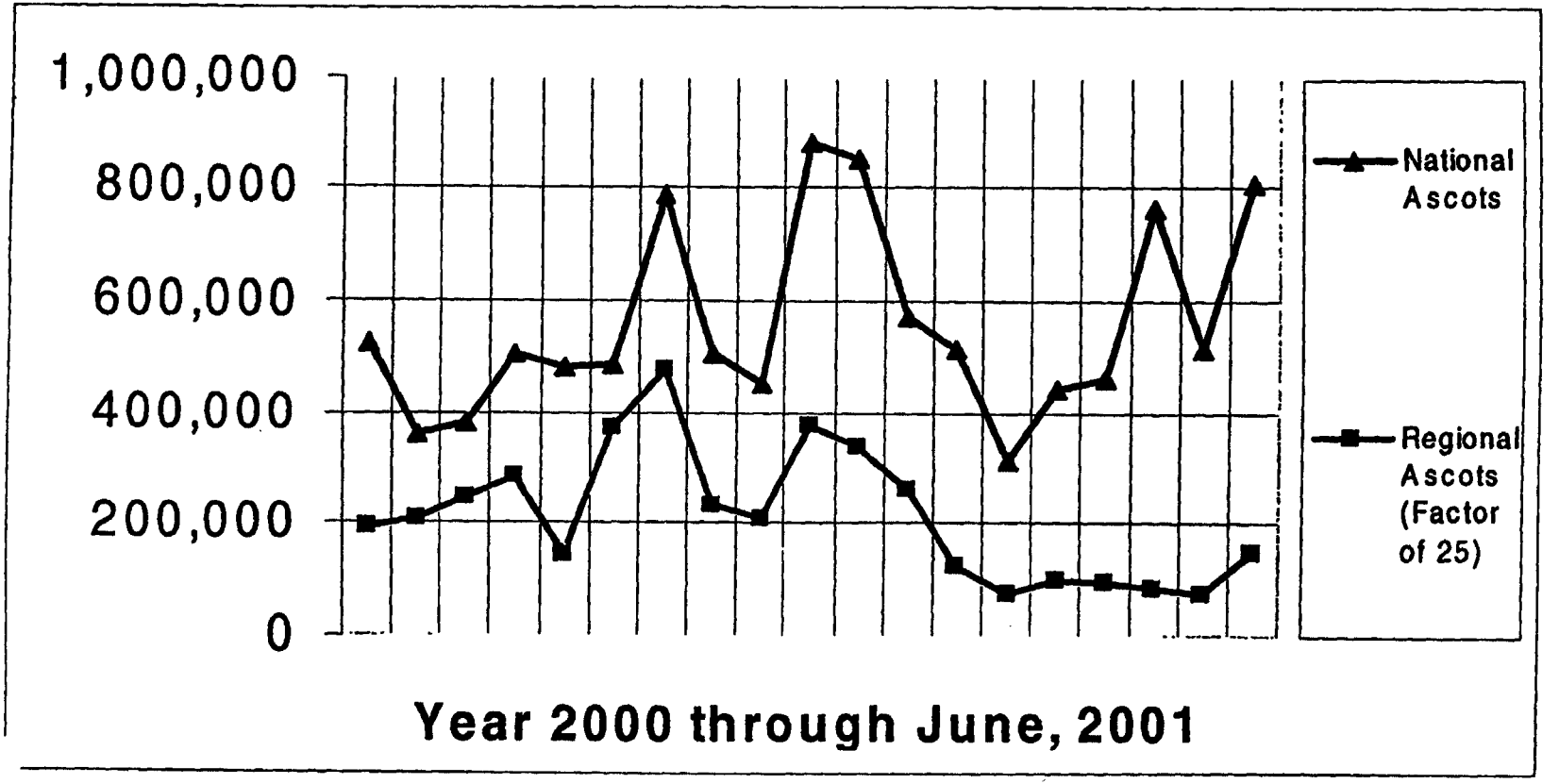
[Full results of recall are listed in the appendix]

- **Advertising Recall:**
  - Punch ads are the 6th most remembered ads in Wave 2, at 5.9% of the total sample, and placed 6th in Wave 1.
  - 52.5% of respondents are likely to purchase a Punch cigar after having seen an ad for one in Wave 2. Davidoff's ads came in at 47.4%, and 55.5% of H.Upmann ad viewers were likely to purchase the cigar.

CONFIDENTIAL: UNDER PROTECTIVE ORDER
GC 022349

Macanudo Ascots Sales Results:

Regional Sales for Ascots, in the spotlighted test area [Ohio and Phoenix] are consistent with National Ascots Sales Patterns



- The advertising test period encompasses 60% of annual Ascots sales activity.
- National Ascots sales are tracking up 3 % in 2001.

CONFIDENTIAL: UNDER PROTECTIVE ORDER
GC 022350

Macanudo Brand products are 1st:

1st in all Brand Recall categories
Most commonly Smoked Last Year

1st in Advertising Recall
Most Smoked on a Regular Basis

Brand Recall:	**National**		**Regional**	
	FIRST WAVE	**SECOND WAVE**	**FIRST WAVE**	**SECOND WAVE**
Unaided Macanudo Brand Recall:	*1st* 22.0%	*1st* 27.1%	*1st* 28.9%	*1st* 27.6%
Aided Macanudo Brand Recall:	(2nd) 54.5%	*1st* 55.6%	(3rd) 49.4%	*1st* 48.7%
Smoked Macanudo Last Year:	*1st* 36.4%	*1st* 38.9%	*1st* 22.0%	*1st* 36.9%
Smoke Macanudo Regularly:	*1st* 16.7%	*1st* 17.8%	*1st* 15.7%	*1st* 15.0%
Aided Mac. Ascots Brand Recall:	*1st* 26.9%	*1st* 25.4%	*1st* 21.7%	*1st* 20.9%

[Full results of recall are listed in the appendix]

- **Advertising Recall:**
  - Macanudo ads are the most remembered ads in Wave 1 and 2, at 14.9% and 10.6% of the total samples for each survey, respectively.
  - Ascots ads ranked 1st in small cigar ad recall in both waves, but are not well remembered in overall ad recall.
  - More respondents were likely to purchase a Macanudo (large cigar) after having seen an ad for one, than all other brands of cigars. Wave 1: 68.3% Wave 2: 63.7%.

CONFIDENTIAL: UNDER PROTECTIVE ORDER
GC 022351

Other Results:

- **Advertising Recall:**
  - Magazine ads are remembered more often than newspaper ads.
  - 17.9% of respondents remembered cigar newspaper ads in Wave 2, a dramatic increase over Wave 1, in which newspaper ads were remembered by only 1% of respondents.
    - Macanudo placed 1st
    - Punch was 6th
- **Magazine & Newspaper Reading:**
  - Playboy, Sports Illustrated and Readers Digest are the most read magazines in Waves 1 and 2, with Cigar Aficionado placing 4th in Wave 2, and 5th in Wave 1.
  - Local daily papers are the top read papers in Waves 1 and 2, more than national or business papers such as USA Today and WSJ.
- **Retail 'Pull Through' Tracking:**
  - Retailers continue to report slight increases in sales due to Punch advertising.
- **Most Important Consideration When Purchasing a Cigar:**

	WAVE 1		WAVE 2	
	National	Regional	National	Regional
Taste:	56.0%	54.2%	64.2%	67.0%
Quality:	15.8%	16.8%	9.5%	9.4%
Smoking Occasion:	8.8%	12.0%	7.4%	5.2%

CONFIDENTIAL: UNDER PROTECTIVE ORDER
GC 022352

Appendix

CONFIDENTIAL:
UNDER PROTECTIVE ORDER
GC 022353

BRAND RECALL TABLES

UNAIDED RECALL

WAVE 1

1st Place	**Macanudo**	**22%**
2nd Place	**Cohiba**	**16.4%**
3rd Place	Swisher Sweets	15.0%
4th Place	Fuente	12.0%
5th Place	**Partagas**	**7%**
5th Place	**Punch**	**7%**
6th Place	Romeo y Julieta	6%
7th Place	Garcia y Vega	6%
8th Place	Montecristo	6%
9th Place	Dunhill	5%
10th Place	**Hoyo de Monterrey**	**3%**

WAVE 2

1st Place	**Macanudo**	**27.1%**
2nd Place	**Cohiba**	**15.0%**
2nd Place	Swisher Sweets	15.0%
3rd Place	Garcia y Vega	12.1%
4th Place	Fuente	11.5%
5th Place	**Punch**	**7.1%**
6th Place	**Partagas**	**6.9%**
7th Place	Romeo y Julieta	6.8%
8th Place	Monetcristo	5.1%
9th Place	**Hoyo de Monterey**	**4.2%**
10th Place	Thompsons	3.0%

AIDED BRAND RECALL

WAVE 1

1st Place	Dunhill	58.9 %
2nd Place	**Macanudo**	**54.5 %**
3rd Place	Don Diego	53.1 %
4th Place	**Cohiba Red Dot**	**48.7 %**
5th Place	Montecristo	48.4 %
6th Place	**Excalibur**	**42.9 %**
7th Place	Romeo Y Julieta	42.9 %
8th Place	Fuente	38.2 %
9th Place	**Partagas**	**36.0 %**
10th Place	Ashton	31.6 %

WAVE 2

1st Place	**Macanudo**	**55.6%**
2nd Place	Don Diego	53.6%
3rd Place	Dunhill	53.1%
4th Place	Romeo y Julieta	47.0%
5th Place	Montecristo	46.1%
6th Place	**Cohiba**	**40.2%**
7th Place	**Excalibur**	**39.3%**
8th Place	Fuente	39.1%
9th Place	**Punch**	**34.4%**
10th Place	**Partagas**	**33.1%**

CONFIDENTIAL: UNDER PROTECTIVE ORDER
GC 022354

Small Cigar Brand Recall

WAVE 1

1st Place	**26.9%**	**Macanudo Ascots**
2nd Place	23.3%	Montecristo Habanitos
3rd Place	22.9%	Don Diego Preludes
4th Place	19.6%	Fuente Cubanitos
5th Place	**16.7%**	**Excalibur Cigarillos**
6th Place	**14.2%**	**Partagas Puritos**
7th Place	11.3%	H. Upmann Demi Tasse
8th Place	6.2%	La Flor Dominicana Mojito
9th Place	7.6%	Davidoff Ambassadrice
10th Place	5.0%	CAO Petite

WAVE 2

1st Place	**25.4%**	**Macanudo Ascots**
2nd Place	25.1%	Montecristo Habanitos
3rd Place	21.0%	Don Diego Preludes
4th Place	20.1%	Fuente Cubanitos
5th Place	**16.5%**	**Excalibur Cigarillos**
6th Place	**13.0%**	**Partagas Puritos**
7th Place	10.1%	H. Upmann Demi Tasse
8th Place	8.7%	La Flor Dominicana Mojito
9th Place	7.0%	Davidoff Ambassadrice
10th Place	4.1%	CAO Petite

CONFIDENTIAL:
UNDER PROTECTIVE ORDER
GC 022355

Newspaper and Magazine Advertising Recall:

	WAVE 1		WAVE 2	
Macanudo	**14.9 %**	**1st Place**	10.6%	1st Place
Dunhill	**10.2 %**	2nd Place	8.0%	2nd Place
H. Upmann	9.8 %	3rd Place	6.5%	3rd Place
Romeo Y Julieta	9.5 %	4th Place	5.4%	9th Place
Don Diego	9.1 %	5th Place	6.3%	4th Place
Fuente	9.1 %	5th Place	5.7%	7th Place
Cohiba Red Dot	**8.4 %**	**6th Place**	**6.2%**	**5th Place**
Punch	**8.4 %**	**6th Place**	**5.9%**	**6th Place**
Excalibur	**8.0 %**	**7th Place**	**4.1%**	**10th Place**
Montecristo	8.0 %	7th Place	6.2%	5th Place
Ashton	7.6 %	8th Place	---	--------
Hoyo de Monterrey	**7.6 %**	**8th Place**	**3.6%**	**11th Place**
Partagas	**7.6 %**	**8th Place**	**6.2%**	**5th Place**
Te-Amo	6.2 %	9th Place	---	--------
Davidoff	5.8 %	10th Place	5.6%	8th Place
Padron	5.1 %	11th Place	2.9%	12th Place

CONFIDENTIAL:
UNDER PROTECTIVE ORDER
GC 022356

Magazine Reading Habits of Premium Smokers

Percentage of respondents who purchased magazine at least twice in the last year.

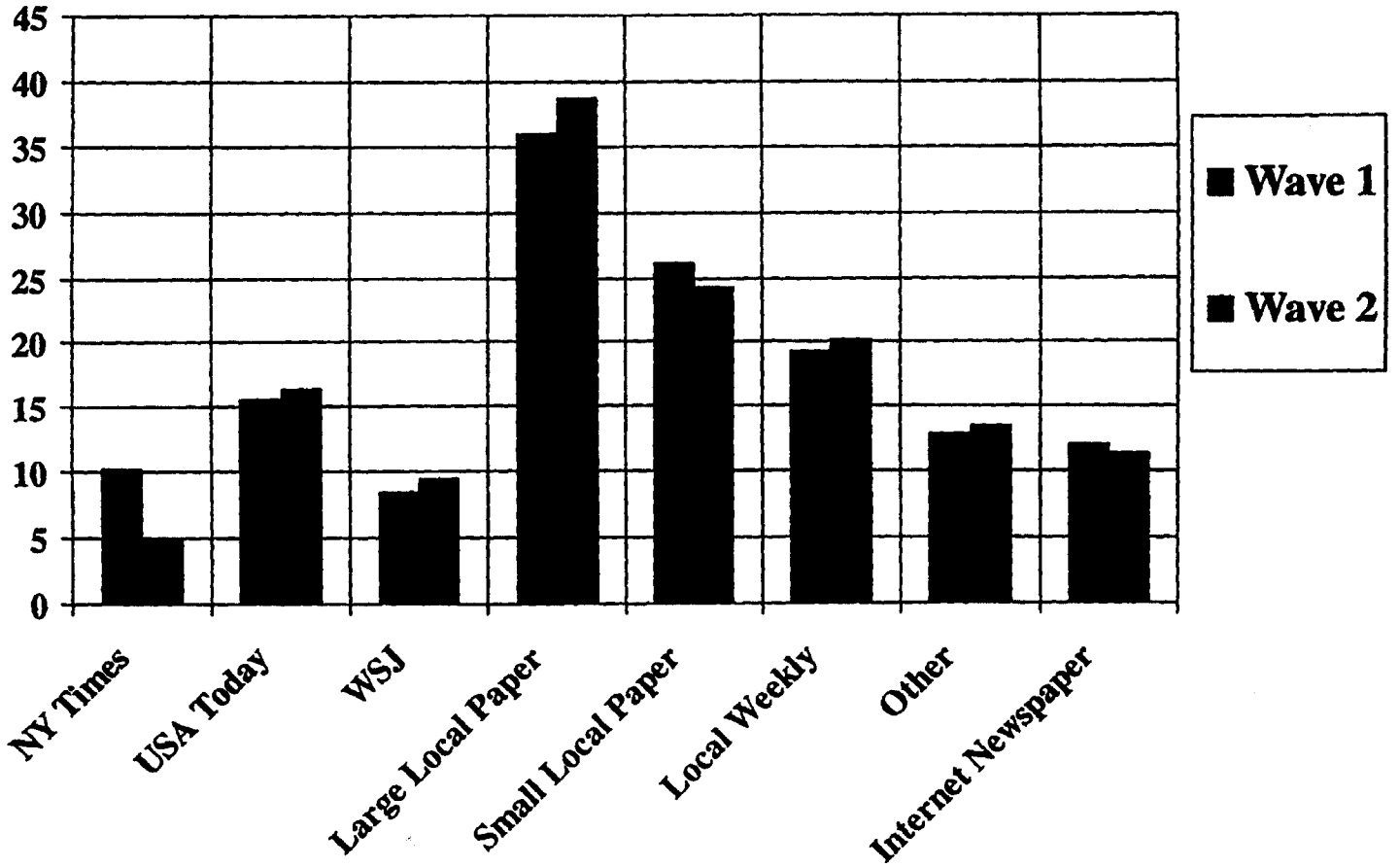
	WAVE 1	WAVE 2
Playboy	19.6%	20.4%
Sports Illustrated	15.6%	19.4%
Reader's Digest	13.5%	14.7%
PC Magazine	12.7%	10.6%
Cigar Aficionado	11.3%	12.5%
Newsweek	10.5%	11.9%
PC World	10.2%	9.4%
Guns & Ammo	9.8%	10.7%
National Geographic	9.5%	10.3%
Car and driver	9.5%	10.9%
Golf Digest	8.4%	11.0%
Field & Stream	8.0%	10.0%

	WAVE 1	WAVE 2
Time	8.0%	5.0%
GQ	7.3%	5.0%
People	6.9%	9.2%
Automobile	6.9%	7.9%
US News & World	6.9%	10.0%
Golf	6.5%	7.9%
Rolling Stone	6.2%	5.9%
Men's Journal	6.2%	5.7%
Food & Wine	5.5%	7.4%
Road & Track	5.5%	5.9%
Consumers Digest	5.5%	7.3%
Business Week	5.5%	6.9%
Forbes	5.1%	4.5%

CONFIDENTIAL:
UNDER PROTECTIVE ORDER
GC 022357

Newspaper Reading Habits of Premium Smokers

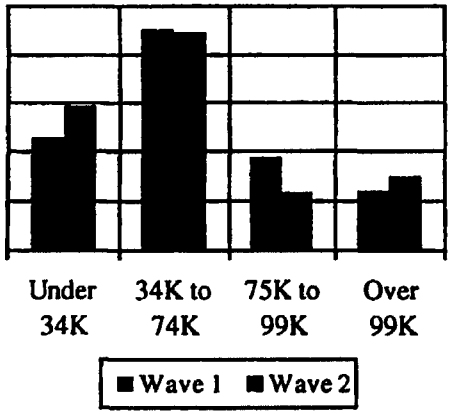
Percentage of Respondents who read newspapers on a regular basis:



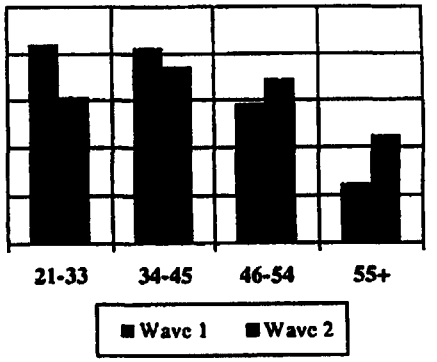
CONFIDENTIAL:
UNDER PROTECTIVE ORDER
GC 022358

Demographics of Survey Participants

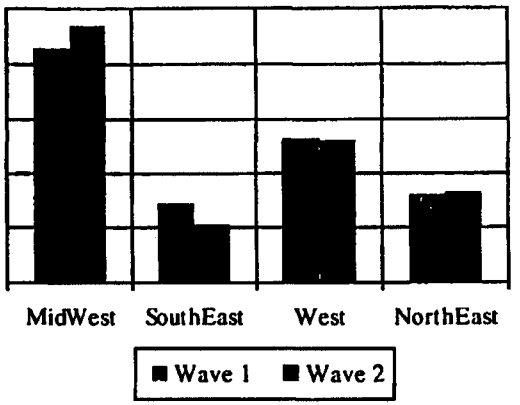
Income



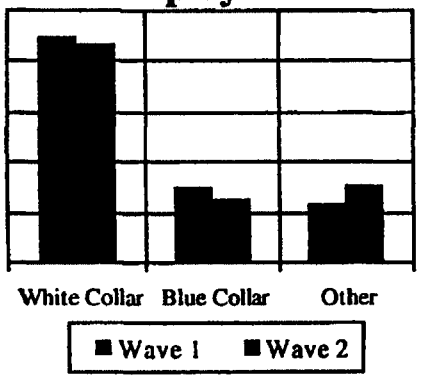
Age



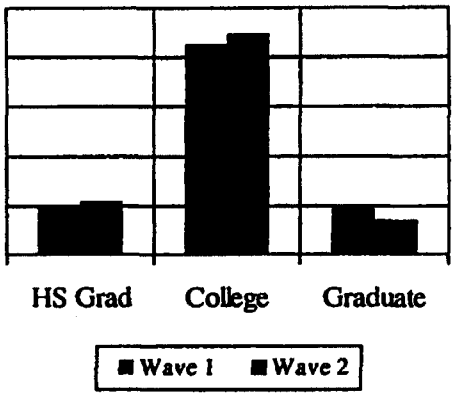
Region



Employment



Education



WAVE 1: 15.5% live in Phoenix
17.5% live in Ohio
57.59% live in metro areas over 1,000,000

WAVE 2: 16.5% live in Phoenix
21.3% live in Ohio
55.9% live in metro areas over 1,000,000

CONFIDENTIAL: UNDER PROTECTIVE ORDER
GC 022359

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defendant's Exhibit 52

PX 171

(Release approved for Mike's Cigars issuance)

NEW COHIBA PREMIUM HITS THE MARKET OCTOBER 1st

Mike's Cigars to carry exclusively through November

MIAMI -- The new Cohiba, a super-premium brand of cigars with a new blend, will be introduced in Florida on Wednesday, Oct. 1. Manufactured in the Dominican Republic by General Cigar Co., the new Cohiba will be available exclusively at Mike's Cigars in Bay Harbour and in the humidor rooms of Alfred Dunhill in New York through mid-November, when the cigars will be available at other fine tobacconists across the country.

"The new Cohiba is being hailed as the finest cigar on the market by cigar aficionados," said Oded Ben-Arie, senior vice president of Mike's Cigars.

To celebrate the launch, Mike's Cigars and the General Cigar Co. will co-host a lavish by-invitation-only soiree at the Tropigala Club in the Fountainbleau Hilton on Miami Beach, Tuesday, September 30, 1997, from 6:30 p.m. to 8:30 p.m. Celebrities, cigar lovers and other attendees will enjoy spectacular entertainment including a show choreographed by Mercedes Ellington (daughter of the legendary Duke Ellington and choreographer of Lena Horne's much-touted 80th birthday party) and a performance by RMM Records' rising star Jose Alberto (a.k.a. El Canario), whose album "Back to the Mambo" is making serious waves in the Latin music industry. In addition, making its musical debut that evening "Cohiba," a special CD of a new song composed by jazz greats Chico Hamilton and Hale Smith to commemorate the launch of the new cigar.

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 52

Confidential:
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Party guests will be the first to enjoy a unique Cohiba red wine created especially for the occasion, while viewing an on-site video compilation displayed on monitors throughout the room featuring famous clips of legendary performers enjoying cigars.

As a parting gift, guests will receive limited, special editions of scarlet Cohiba nail polish and lipstick.

Six years in development, the new Cohiba features three varieties of Dominican-grown Cuban seed tobacco, supple Jember binder tobacco from Indonesia, and a natural wrapper from Cameroon, West Africa. With a new logo, box art and brand dress, the full-flavored cigar is comparable in strength to a Partagas, but with a creamier taste.

"The hand-made brand has the rich, full-flavor character that is reminiscent of the old traditions of centuries past, while imparting a spirit and taste that is strictly today," said Austin T. McNamara, president of General Cigar Company, the maker of such premium cigar brands as Macanudo, Partagas and Punch. "The new Cohiba represents extraordinary quality, consistency and prestige. We anticipate it will have the widest appeal of any new product coming to market since the renaissance of the cigar industry."

General Cigar Co., which has owned U.S. rights to the brand since 1978, has marketed a differently blended Cohiba brand on a limited basis since that time.

Founded in 1950, Mike's Cigars, recently cited by *Forbes* magazine as one of the "world's great cigar emporiums," is the country's largest retail and wholesale cigar outlet. Serving 6,000 retail outlets as well as direct mail consumers nationwide,

Mike's Cigars features such coveted stogies as Fuente, Fuente Opus X, Partagas Signature 150, Montecristo, and Playboy by Don Diego.

Mike's also boasts an insulated cedar cigar aging room, espresso bar, and an accessories boutique replete with high-end humidors, lighters, ashtrays, cutters, literature, and logo sportswear, among other cigar accouterments.

Mike's Cigars is located at 1030 Kane Concourse in Bay Harbour, Fla. Store hours are Tuesday, Wednesday and Friday from 8 a.m. to 6 p.m.; Mondays and Thursdays from 8 a.m. to 8:30 p.m. For more information, please call Mike's Cigars at 305-866-2277.

Information about Cohiba is available at http://www.cigarworld.com.

Media contact: Henry Quintero/Susan Brustman & Associates
PH: 305-573-0658 FAX: 305-573-7077

Confidential:
Under Protective Order

About Cohiba

The Name

As early as 1496, the word *cohiba* was used by the natives of Hispaniola (the island shared by Haiti and the Dominican Republic) to describe the cured leaves of tobacco they smoked for pleasure and relaxation. While sailing with Christopher Columbus on his second voyage, Romanus Pane, a Spanish monk, wrote of this, recording the name.

The New Cohiba

The launch of the all-new, super-premium Cohiba brand cigar has been six years in the making. The cigar itself has been reblended. It uses Dominican filler tobacco, Indonesian Jember tobacco as a binder, and a Cameroon wrapper to produce a full-flavored cigar that is creamier, but about as strong, as a Partagas, another premium brand from General Cigar that uses Cameroon wrapper tobacco. The look of the Cohiba logo, box art and trade dress is all-new.

The new Cohiba will be available at the humidor rooms of 12 Alfred Dunhill retail outlets in the U.S. through mid-November 1997. At that time, it will become available at other leading tobacconists.

The Cigar's History

Cohiba cigars initially were made in Cuba in 1966 for Fidel Castro's personal consumption and to be given away as diplomatic gifts. General Cigar Company began manufacturing Cohiba cigars in the Dominican Republic and selling them in the U.S. in 1978. It applied for U.S. registration of the Cohiba brand wordmark on March 13, 1978. The registration became effective on February 17, 1981. A second registration for the bold wordmark COHIBA was issued in 1995.

Cuban Cohibas were not sold commercially until the 1980s, long after the Cohiba brand was registered and being sold in the U.S. In fact, the Cuban tobacco monopoly did not oppose the registration of Cohiba in the U.S. either in the 1978-81 period or in the 1993-95 period.

General Cigar's earlier version of the Cohiba brand was sold through limited channels, and was available only to select customers.

In recent years, there has been an increase of both Cuban Cohibas coming into the country in violation of the U.S. trade embargo against Cuba, as well as counterfeit Cohibas from Cuba and other countries. General Cigar Co. has worked closely with U.S. Customs, which has interdicted and confiscated thousands of the counterfeit cigars.

Additional information about Cohiba is available at http://www.cigarworld.com.

# # #

Confidential:
Under Protective Order

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defendant's Exhibit 53

April 7, 1998

GENERAL CIGAR COMPANY
Cohiba Cigars
60 Seconds Live Radio
"Cohiba"

LIVE ANNOUNCER:

Are you looking for the last word in cigars? The word is Cohiba. Because Cohiba is a world beyond other cigars. With a new blend of three varieties of Dominican tobacco that took six years to develop. The rarest of Cameroon wrappers from Africa. And the supplest of Jember binders from Indonesia. All in a superbly aged cigar with a taste all its own that's always rich yet never harsh. Cohiba. Made by hand in the Dominican Republic since 1978 and now available throughout the country for the first time, this is the only cigar with the Cohiba name that can be purchased legally in the United States. So make today your day to discover a world beyond other cigars. Cohiba.

Now at (name of store and address). That's (name of store and address).

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 53

Confidential:
Under Protective Order

Exhibit 108

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defendant's Exhibit 54

GENERAL CIGAR COMPANY
Cohiba
50 Seconds Recorded Radio
For Use With 10- Second Live Tag
"Amigo"
40-340

February 3, 1998

SOUND: ORIGINAL COHIBA MUSIC IN AND UNDER

FIRST MAN: How do you like the cigar, amigo?

SECOND MAN: I like it. What is it?

FIRST MAN: Cohiba

WOMAN'S VOCAL: Cohiba. Come haunt me.....

SECOND MAN: Cohiba? You're kidding.

FIRST MAN: Not kidding.

SECOND MAN: From Cuba?

FIRST MAN: Dominican Republic

WOMAN'S VOCAL: Cohiba. Come haunt me....

SECOND MAN: Since when?

FIRST MAN: Since 1978. But this Cohiba's new.

SECOND MAN: How so?

FIRST MAN: A brand-new Piloto Cubano blend. And the wrapper's Cameroon.

WOMAN'S VOCAL: Cohiba. Come haunt me....

SECOND MAN: Piloto Cubano and Cameroon. Some combination.

FIRST MAN: Like they say: a world beyond other cigars.

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 54

Exhibit 107

Confidential:
Under Protective Order

SECOND MAN: I hear you.

WOMAN'S VOCAL: Cohiba. Come haunt me....(FADE MUSIC)

LIVE TAG: For the Exclusive Cohiba Tobacconist nearest you, call 1-800-000-0000. That's 1-800-000-0000.

Confidential:
Under Protective Order

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
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PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defendant's Exhibit 57

[LW728]

[illegible handwritten notation]

[handwritten:] 3/5/92

[illegible initials]

[figure of head]

Coiba

1991 Report on the

Spanish Market

Included in
earlier sales &
marketing binder

P8773

Blumberg No. 5114
DEFENDANT'S
EXHIBIT
D57

VIII - ADVERTISING AND PROMOTION ACTIVITY

8.1 Advertising

As in previous years, since the end of 1990, working meetings between Cubatabaco, Creactual and Coiba were held to define the lines of the campaigns to be carried out, taking into account the supplies planned, the situation with the Spanish economy, the anti-tobacco campaigns and the general interests of Cubatabaco in the utilization of uniform images in all markets.

To guarantee the objectives of the Company in 1991, a decision was made at a joint meeting in Paris during the month of October 1990 to carry out five advertising campaigns that, together with the makeups and Special Actions for Advertising and Promotion, will have a cost of 205 million pesetas, distributed along the following lines:

GENERAL CORPORATE CAMPAIGN	33,00,000 Pesetas
GENERAL GIFT CAMPAIGN	34,900,000 "
COHIBA CAMPAIGN	15,400,000 "
MONTECRISTO CAMPAIGN	42,600,000 "
OTHER BRANDS CAMPAIGN	20,000,000 "
SPECIAL ADVERTISING ACTIONS	15,000,000 "
SPECIAL PROMOTION ACTIONS	40,000,000 "
MAKEUPS	5,000,000 "
TOTAL	205,900,000 Pesetas

The execution of the Advertising during the year 1991 was more critical than the 89/90 campaigns, since in reality, the lack of supply continued to set the tone during the year. Only 72.9 million pesetas ending up being spent, of which 91% was for Special Advertising Actions, so that we can say that in '91, practically no Advertising was done.

On the other hand, out of the income we have available for Advertising, it was necessary to make payments for air freight to guarantee some supplies of labels lacking in the market and settle 8.5 million pesetas of the Montecristo strips that were done in Spain.

creactual S.A.

STMA. TRINIDAD 32, 2nd
Tel. 445 81 50 – 445 88 50
445 18 98 – 445 13 50
TELEX 44535 AXED E
28010 MADRID

CLIENT
PRODUCT
TAX I.D.
ADDRESS

INV. No.: A
DUE:
MADRID:

ITEM	NET AMOUNT	VAT APPLIED %	AMOUNT TO BE CHARGED
Duplicates of the slide of the emblem of the brand, an ocean horizon with a sunset, of the Morro [Castle] of Havana and the Statue of Liberty in New York, subjected to a computerized treatment with a high-definition Paint Box computer. Photographic copy of the resulting image and duplicate of the Havana Cigars logo.			
MONTECRISTO. Slide of the crisscrossing of two swords, specially made for the photograph, with which the crossing of the swords of the MONTECRISTO logo is reproduced. Photographic copy of this image and duplicates of the Montecristo name and logo and of the Havana Cigars logo.			
Duplicates of the Montecristo name and logo and of a qualification of the brand, subjected to a computerized treatment with a high-definition Paint Box computer. Photographic copy of the resulting image and duplicate of the logo Puros Habanos.			
Slide of the emblem and name of the brand with special relief, on a paper cutout in the color of the brand, equipped with qualification of the brand. Photographic copy of this image, labeling of the bands of the brand and duplicate of the Havana Cigars logo.			
Slide of the emblem and name of the brand with special relief, on paper the color of the brand, framed in an ornamental border of a more intense yellow tone and equipped with a strip of the qualifications of the brand. Photographic copy of this image and duplicate of the Havana Cigars logo.			
TOTALS			

[LW731]

creactual S.A.

STMA. TRINIDAD 32, 2nd
Tel. 445 81 50 – 445 88 50
445 18 98 – 445 13 50
TELEX 44535 AXED E
28010 MADRID

CLIENT
PRODUCT
TAX I.D.
ADDRESS

INV. No.: A
DUE:
MADRID:

ITEM	NET AMOUNT	VAT APPLIED %	AMOUNT TO BE CHARGED

- Fifteen dummies of corporate images of different brands of Havana Cigars, submitted to CUBATABACO in Havana, in which the following factors play a part:

FLOR DE RAFAEL GONZALEZ MARQUEZ. Duplicates of slide of tobacco leaves and of the trademark's brand, subjected to computerized treatment of a high-definition Paint Box computer. Photographic copy of the resulting image and duplicate of the Havana Cigars logo.

Slide, against white background, of the text in old-fashioned typography that appears on the packages, equipped with crystalline blocks, plus double impression in gold of the trademark's brand. Photographic copy and duplicate of the Havana Cigars logo.

FLOR DE CANO. Slide of the brand emblem against a white background with green paint and red cloth. Photographic copy of this image and duplicate of the Havana Cigars logo.

Duplicate of the slide of the brand emblem and illustration of smoke subjected to computerized treatment with a high-definition Paint Box computer. Photographic copy of the resulting image and duplicate of the Havana Cigars logo.

FONSECA. Slide of the illustration of the emblematic character of the brand. Montage of passe-partout and qualification. Photographic copy of this image and duplicates of the Fonseca name and Havana Cigars logo.

TOTALS

[LW732]

creactual S.A.

STMA. TRINIDAD 32, 2nd
Tel. 445 81 50 – 445 88 50
445 18 98 – 445 13 50
TELEX 44535 AXED E
28010 MADRID

CLIENT CUBATABACO
PRODUCT
TAX I.D.
ADDRESS O'Reilly, 104, HAVANA, CUBA

INV. No.: A
DUE:
MADRID: 3/31/91

ITEM	NET AMOUNT	VAT APPLIED %	AMOUNT TO BE CHARGED
Amount corresponding to the MAKEUP of the advertising materials indicated below for the HAVANA CIGARS product:			
- Photomechanical proofs and color photocopies of the corporate pages for the creation of the file on the EUROPE '90 campaign	58,235.00		
- New typesetting of texts in four languages (Spanish, English, French and German) for the INNER LABEL of Havana Cigars boxes	16,250.00		
- Color slide 13 x 18 format of the Havana Cigars packaging sent by CUBATABACO to appear in the 500 YEARS pamphlet	52,500.00		
- New originals for COHIBA brand labels in three sizes: Large, for Lanceros, Coronas Especiales and Espléndidos; medium, for Exquisitos and Panetelas, and small, for Robustos. Includes lettering, copies all across and montages	85,000.00		
- Copy on VHS videotape of the movie "Unequalled since 1492" in German, and expenses for shipping said copy to Austria (Mr. Zimel)	16,000.00		
TOTALS			

P8777

[LW733]

[truncated text]

STMA. TRINIDAD 32, 2nd
Tel. 445 81 50 – 445 88 50 – 445 13 50
FAX 445 18 98 – TELEX 44535 AXED E
28010 MADRID

INV. No.: A 1535
DUE DATE:
MADRID: 12/30/91

CLIENT CUBATABACO
ADDRESS O'Reilly 104
TOWN HAVANA, CUBA

Nat'l I.D. or Taxpayer I.D.

ITEM	AMOUNT
- Makeup of an original for the decoration of Dupont LIGHTER and CIGAR CUTTER with COHIBA design, including dummies, copies of logos, montage of final art and expenses for shipping same to Paris	38,250.00

SUM
12% VAT
TOTAL

P8778

[LW734]

[truncated text]

STMA. TRINIDAD 32, 2nd
Tel. 445 81 50 – 445 88 50 – 445 13 50
FAX 445 18 98 TELEX 44535 AXED E
28010 MADRID

INV. No.: A 1535
DUE DATE:
MADRID:

CLIENT CUBATABACO
ADDRESS O'Reilly 104
TOWN HAVANA, CUBA

Nat'l I.D. or Taxpayer I.D.

ITEM	AMOUNT
- Makeup of preparatory materials for original for the printing of the Corporate Catalogue: a slide of the COHIBA Robustos cigar (to substitute for the one that appeared with cellophane) and three slides of the logos of Montecristo, J. Cano and Diplomáticos, appear on the covers of those brands' respective booklets	53,400.00

P8779

[LW735]

creactual S.A.

STMA. TRINIDAD 32, 2nd
Tel. 445 81 50 – 445 88 50
445 18 98 – 445 13 50
TELEX 44535 AXED E
28010 MADRID

CLIENT
PRODUCT
TAX I.D.
ADDRESS

INV. No.: A 649
DUE:
MADRID:

ITEM	NET AMOUNT	VAT APPLIED %	AMOUNT TO BE CHARGED
c) COHIBA Campaign AN ORIGINAL for the Nuestra Comunidad magazine, including a duplicate of 18 x 24 color slide of still life and another 9 x 12 of the Havana Cigars logo, photographic copies all across and montage of final art I.G. 2657/88	17,750.00		

P8780

[LW736]

creactual S.A.

STMA. TRINIDAD 32, 2nd
Tel. 445 81 50 – 445 88 50 – 445 13 50
FAX 445 18 98 TELEX 44535 AXED E
28010 MADRID

INV. No.: A 1496
DUE DATE:
MADRID: 10/30/91

CLIENT CUBATABACO
ADDRESS O'Reilly 104
TOWN HAVANA, CUBA

Nat'l I.D. or Taxpayer I.D.

ITEM	AMOUNT
Makeup of ten copies in English and Spanish, respectively, of the video "Unequalled since 1492"	360,000.00
Makeup of originals for the Montecristo catalogue, including makeup of dummies, color photographic copies, duplicates and 9 x 12 slides, typesetting of texts, rectifying of photographic and photomechanical lettering	895,000.00

SUM	2,952,000.00
12% VAT	
TOTAL	2,952,000.00

P8781

[LW737]

[illegible handwritten notation]

creactual S.A.

STMA. TRINIDAD 32, 2nd
Tel. 445 81 50 – 445 88 50 – 445 13 50
FAX 445 18 98 TELEX 44535 AXED E
28010 MADRID

INV. No.: A 1496
DUE DATE:
MADRID: 10/31/91

CLIENT CUBATABACO
ADDRESS O'Reilly 104
TOWN HAVANA, CUBA

Nat'l I.D. or Taxpayer I.D.

ITEM	AMOUNT
Makeup and designing of Quai Dorsay brand, proof all across, phototypesetting, slide and photographic duplicates	260,000.00
Makeup of three new dummies of generic display case for the Havana Cigars Corporate campaign in Western Europe with interchangeable images of brands	252,000.00
Creation of three corporate images, on cardboard, of the dummies described above	225,000.00
Makeup of a prototype in methacrylate with etching in relief of smoke and corporate block of the Havana Cigar	125,000.00
Makeup of two prototypes of plastic bags with the corporate image of the Havana Cigar	114,000.00
Makeup of two prototypes for plastic-coated paper bags and cotton handles, with the image of the Cohiba brand. Including makeup of raff dummies, duplicates of color slides of drawing all across of Cohiba logo. Typesetting of texts, photographic copies all across and montage	225,000.00
Amount corresponding to the makeup of four originals, in color page format of price lists for the duty-free shops of Qatar, Jordan and Lebanon: Including dummies all across, duplicates of slides and originals with Havana Cigars logos, typesetting of texts, copies all across, montage of final art and makeup of four photomechanicals	496,000.00

SUM
12% VAT
TOTAL

P8782

8.1.1. 1991 Campaign. Distribution of campaign per line, media utilized and results

1) General Campaign: This campaign was the same as that of 89/90 and used the same messages, comprised of three originals "SMOKE," "GIFT," and "THE THREE SEALS" for magazines, with a planned investment of 67.9 million pesetas; 1,520,000 being executed with six insertions.

2) COHIBA Campaign: For this campaign, an investment of 15,400,000 pesetas was planned, of which 1,155,000 were spent on four insertions in the months of March, April, May and July.

[LW739]

creactual S.A.

STMA. TRINIDAD 32, 2nd
Tel. 445 81 50 – 445 88 50
445 18 98 – 445 13 50
TELEX 44535 AXED E
28010 MADRID

CLIENT CUBATABACO
PRODUCT
TAX I.D.
ADDRESS O'Reilly 104, HAVANA, CUBA

INV. No.: A 1350
DUE:
MADRID: 5/31/91

ITEM	NET AMOUNT	VAT APPLIED %	AMOUNT TO BE CHARGED
Amount corresponding to the following jobs performed for HAVANA CIGARS:			
- Makeup of 5,000,000 adhesive labels for seals at 270 per 5,000	1,350,000.00		
- Makeup of engraved labels for the following models:			
- ESPLENDIDOS 25,6000 @ 21.63	553,728.00		
- CORONAS ESPECIALES 35,600 @ 21.63	770,028.00		
- LANCEROS 30,600 @ 21.63	661,878.00		
- EXQUISITOS 25,200 @ 13.50	340,200.00		
- PANETELAS 20,200 @ 13.50 (1)	272,700.00		
- ROBUSTOS 26,000 @ 5.00	130,000.00		
(1) 25.200 are being delivered – the balance of 5,000 is WITHOUT CHARGE			
TOTALS	4,078,534.00		4,078,534.00

P8784

[LW740]

creactual S.A.

STMA. TRINIDAD 32, 2nd
Tel. 445 81 50 – 445 88 50 – 445 13 50
FAX 445 18 98 – TELEX 44535 AXED E
28010 MADRID

INV. No.: A 1549
DUE DATE:
MADRID: 1/31/92

CLIENT CUBATABACO
ADDRESS O'Reilly 104
TOWN HAVANA, CUBA

Nat'l I.D. or Taxpayer I.D.

ITEM	AMOUNT
Amount corresponding to the manufacturing of 300 COHIBA cigar cutters, according to budget accepted by you.	
Amount in French francs 1,278.00	
Amount in pesetas	7,668,000.00

SUM	
12% VAT	
TOTAL	7,668,000.00

P8785

[LW741]

creactual S.A.

STMA. TRINIDAD 32, 2nd
Tel. 445 81 50 – 445 88 50 – 445 13 50
FAX 445 18 98 – TELEX 44535 AXED E
28010 MADRID

INV. No.: A 2096
DUE DATE:
MADRID: 9/30/93

CLIENT CUBATABACO
ADDRESS O'Reilly 104
TOWN HAVANA, CUBA

Nat'l I.D. or Taxpayer I.D.

ITEM	AMOUNT
For the purchase of 997 black cotton caps in COHIBA serigraphy	198,403.00

SUM	
12% VAT	
TOTAL	198,403.00

P8786

[LW742]

[truncated text]

STMA. TRINIDAD 32, 2nd
Tel. 445 81 50 – 445 88 50 – 445 13 50
FAX 445 18 98 – TELEX 44535 AXED E
28010 MADRID

[truncated text]
DUE DATE:
MADRID: 8/31/93

CLIENT CUBATABACO
ADDRESS O'Reilly 104
TOWN HAVANA, CUBA

Nat'l I.D. or Taxpayer I.D.

ITEM	AMOUNT
Amount corresponding to the makeup of 2,000 COHIBA bags, printed in offset, coated with film in relief, cotton cord handles dyed to match, reinforcement cardboard at the base and flaps, made by hand, 27 x 36 format at 270 per unit	540,000.00
Amount corresponding to the makeup of 2,000 HAVANAS bags, out of high-grade stuccoed paper, 180 sets printed in offset, coated with film in relief, cotton cord handles dyed to match, reinforcement cardboard at the base and flaps, made by hand, 27 x 36 format at 255.00 per unit	510,000.00

SUM	
12% VAT	
TOTAL	1,050,000.00

P8787

creactual S.A.

STMA. TRINIDAD 32, 2nd
Tel. 445 81 50 – 445 88 50 – 445 13 50
FAX 445 18 98 – TELEX 44535 AXED E
28010 MADRID

INV. No.: A 2098
DUE DATE:
MADRID: 9/30/93

CLIENT ROBERT SUTER COMMON FUND
ADDRESS Reuten Beek, 5
TOWN 3090 Overijse, BELGIUM

Nat'l I.D. or Taxpayer I.D.

ITEM	AMOUNT
Makeup of originals for COHIBA Catalogue (20 pages in DIN A-4 folded format), including makeup of dummy with fictitious photographs and texts, typesetting of texts in Spanish, lettering of texts for headings, photographic copies in black and white for reference, and montage of originals.	585,000.00
Makeup of eleven still lifes in 13 x 18 color slides of box, case and cigars of each and every one of the bands of the Traditional Line and Line 1492 of COHIBA, including makeup of 4 different slides (dummies) of the same theme, for choice of the line to be followed in these still lifes, production and photographic materials are included in these costs.	1,243,000.00
Makeup of eleven 13 x 18 color slides of all the COHIBA bands, including the making or choosing cigar by cigar, montage of each one of the bands, and photographic materials.	338,000.00
Makeup of two 20 x 25 color slides of still lifes with all of the boxes, cases and cigars of the Traditional Line and Line 1492 of COHIBA, for entry in the catalogue, including production and photographic materials.	338,000.00
For the typesetting of texts of said catalogue in three languages (French, English and German).	112,000.00
Makeup of 450 duplicates of 35 mm color slides (3 models x 150 copies) of COHIBA, including 150 covers of 3 units.	51,000.00

SUM
12% VAT
TOTAL

[LW744]

creactual S.A.

STMA. TRINIDAD 32, 2nd
Tel. 445 81 50 – 445 88 50 – 445 13 50
FAX 445 18 98 – TELEX 44535 AXED E
28010 MADRID

INV. No.: A 2098
DUE DATE:
MADRID: 9/30/93

CLIENT ROBERT SUTER
ADDRESS
TOWN

Nat'l I.D. or Taxpayer I.D.

ITEM	AMOUNT
Makeup of an original presentation folder for COHIBA, including photomechanical makeup of dummies in color, photographic copies, duplicates of slides and montage.	174,000.00
Makeup of originals for 4 press kits with corporate image on covers, including duplicates of slides and montage.	92,308.00
For the typesetting of texts for said kit in 4 languages.	230,769.00

SUM	
12% VAT	
TOTAL	3,164,077.00 Pesetas

P8789

5-3-97

coiba

Informe sobre el Mercado Español 1.991

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D57

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VIII - ACTIVIDAD PUBLICITARIA Y PROMOCIONAL

8.1. Publicidad

Como en años anteriores, desde finales de 1990 se sostuvieron unas reuniones de trabajo entre Cubatabaco, Creactual y Coiba, para definir las líneas de campañas a desarrollar teniendo en cuenta los suministros planificados, la situación económica española, las campañas anti-tabaco y los intereses generales de Cubatabaco para la utilización de imágenes uniformes en todos los mercados.

Para garantizar los objetivos de la Empresa en 1991, se determinó en reunión conjunta en París en el mes de Octubre de 1990, desarrollar cinco campañas publicitarias que, unido a las realizaciones y las Acciones Especiales de Publicidad y Promoción, tendrían un costo de 205 millones de pesetas, distribuídos en las siguientes líneas:

CAMPAÑA GENERICA INSTITUCIONAL	33.000.000 Ptas.
CAMPAÑA GENERICA REGALO	34.900.000 "
CAMPAÑA COHIBA	15.400.000 "
CAMPAÑA MONTECRISTO	42.600.000 "
CAMPAÑA OTRAS MARCAS	20.000.000 "
ACCIONES ESPECIALES DE PUBLICIDAD	15.000.000 "
ACCIONES ESPECIALES DE PROMOCION	40.000.000 "
REALIZACIONES	5.000.000 "
TOTAL	205.900.000 Ptas.

La ejecución de la Publicidad durante el año 1991, fue más crítica que las campañas 89/90, pues en realidad, la falta de suministro, siguió siendo la tónica del año, llegando sólo a ejecutar 72.9 millones de pesetas, de los cuales el 91 % fue en Acciones Especiales de Publicidad, por lo que podemos decir, que en el año 91, prácticamente no se hizo Publicidad.

Por otra parte, de nuestros ingresos siponibles para la Publicidad, fue necesario realizar pagos de fletes aéreos para garantizar algunos suministros de vitolas deficitarias en el mercado, y liquidar 8.5 millones de pesetas de los filetes de Montecristo que se hicieron en España.

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creactual SA
STMA. TRINIDAD, 32, 2º
Tels. 445 81 50 - 445 88 50
445 18 98 - 445 13 50
TELEX: 44535 AXED E
28010 MADRID

CLIENTE
PRODUCTO
N.I.F.
DIRECCION

NUM. FRA.: A
VENCIMIENTO:
MADRID:

I.F.A. - 28917714 Sociedad inscrita en el Registro Mercantil de Madrid Tomo 249 General 235 Seccion 3 del Libro de Sociedades. Folio 52. Hoja 62748 inscripcion 1ª

CONCEPTO	IMPORTE NETO	I.V.A. APLICADO %	IMPORTE A COBRAR
Duplicados de la diapositiva del emblema de la marca, de un horizonte marino con puesta de sol, del Morro de La Habana y de la estatua de la Libertad en New York, sometidos a tratamiento computerizado de ordenador de alta definición Paint Box. Copia fotográfica de la imagen resultante y duplicado del logo Puros Habanos. MONTECRISTO. Diapositiva del cruce de dos espadas, especialmente fabricadas para la fotografía, con el que se reproduce el cruce de las espadas del logo MONTECRISTO. Copia fotográfica de esta imagen y duplicados del nombre y logo Montecristo, y del logo Puros Habanos. Duplicados del nombre y logo Montecristo y de una habilitación de la marca, sometidos a tratamiento computerizado de ordenador de alta definición Paint Box. Copia fotográfica de la imagen resultante y duplicado del logo Puros Habanos. Diapositiva del emblema y el nombre de la marca con relieve especial, sobre recorte de papel con color de la marca, atrezzado con habilitación de la marca. Copia fotográfica de esta imagen, rotulación de las vitolas de la marca y duplicado del logo Puros Habanos. Diapositiva del emblema y el nombre de la marca con relieve especial, sobre papel con el color de la marca encuadrado en orlas con tono amarillo más intenso y atrezzado con una tira de las habilitaciones de la marca. Copia fotográfica de esta imagen y duplicado del logo Puros Habanos.			
TOTALES			

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creactual SA
STMA. TRINIDAD, 32, 2º
Tels. 445 81 50 - 445 88 50
445 18 98 - 445 13 50
TELEX: 44535 AXED E
28010 MADRID

CLIENTE
PRODUCTO
N.I.F.
DIRECCION

NUM. FRA.: A
VENCIMIENTO:
MADRID:

CONCEPTO	IMPORTE NETO	I.V.A. APLICADO %	IMPORTE A COBRAR
- Quince bocetos de imágenes institucionales de diferentes marcas de Puros Habanos, presentados a CUBATABACO en La Habana, en los que intervienen los siguientes factores: FLOR DE RAFAEL GONZALEZ MARQUEZ. Duplicados de diapositiva de hojas de tabaco y del hierro de la marca, sometidos a tratamiento computerizado de ordenador de alta definición Paint Box. Copia fotográfica de la imagen resultante y duplicado del logotipo Puros Habanos. Diapositiva, sobre fondo blanco, del texto en tipografía antigua que aparece en los envases, atrezzado con bloques cristalinos, más dobleimpresión dorada del hierro de la marca. Copia fotográfica y duplicado del logo Puros Habanos. FLOR DE CANO. Diapositiva del emblema de la marca sobre fondo blanco con pintura verde y tela roja. Copia fotográfica de esta imagen y duplicado del logo Puros Habanos. Duplicado de diapositiva del emblema de la marca e ilustración de humo sometidos a tratamiento computerizado de ordenador de alta definición Paint Box. Copia fotográfica de la imagen resultante y duplicado del logo Puros Habanos. FONSECA. Diapositiva de la ilustración del personaje emblemático de la marca. Montaje de passe-partout y habilitación. Copia fotográfica de esta imagen y duplicados del nombre Fonseca y del logo Puros Habanos.			
TOTALES			

F.A.: 28017714 Sociedad inscrita en el Registro Mercantil de Madrid Tomo 249 General 235 Seccion 3 del Libro de Sociedades, Folio 52 Hoja 82748 inscripcion 1ª

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creactual SA
STMA. TRINIDAD, 32, 2º
Tels. 445 81 50 - 445 88 50
445 18 98 - 445 13 50
TELEX: 44535 AXED E
28010 MADRID

CLIENTE CUBATABACO
PRODUCTO
N.I.F.
DIRECCION O' Reilly, 104 LA HABANA CUBA

NUM. FRA.: A 1341
VENCIMIENTO:
MADRID: 31.3.91

CONCEPTO	IMPORTE NETO	I.V.A. APLICADO %	IMPORTE A COBRAR
Importe correspondiente a la REALIZACION de los materiales publicitarios que se indican a contiuación, para el producto PUROS HABANOS:			
- Pruebas de fotomecánica y fotocopias color de las páginas institucionales para la confección del dossier sobre la campaña EUROPA'90....	58.235.-		
- Nueva composición de textos en cuatro idiomas (español, inglés, francés y alemán), para la ETIQUETA INTERIOR cajas de Puros Habanos...	16.250.-		
- Diapositiva color formato 13 x 18 de los envases de Puros Habanos enviados por CUBATABACO para aparecer en el folleto 500 AÑOS.....	52.500.-		
- Originales nuevos para etiquetas de la marca COHIBA en tres tamaños: Grande, para Lanceros, Coronas Especiales y Espléndidos; mediano, para Exquisitos y Panetelas, y pequeño, para Robustos. Incluye rotulaciones, copias a línea y montajes.....	85.000.-		
- Copia en cinta de video VHS de la película "Únicos desde 1492" en alemán, y gastos de envío a Austria (Sr. Zimel) de dicha copia.....	16.000.-		
TOTALES			

I.F.A. - 28917714 Sociedad inscrita en el Registro Mercantil de Madrid Tomo 249 General 235 Seccion 3 del Libro de Sociedades Folio 52 Hoja 82748 inscripción 1ª

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STMA. TRINIDAD, 32, 2º
Tels.: 445 81 50 - 445 88 50 - 445 13 50
FAX: 445 18 98 TELEX: 44535 AXED E
28010 MADRID

NUM. FRA.: A 1535
VENCIMIENTO:
MADRID: 30.12.91

CLIENTE CUBATABACO
DIRECCION O' Reilly, 104
POBLACION LA HABANA CUBA

D.N.I. o C.I.F.

CONCEPTO	IMPORTE
- Realización de un original para la decoración de ENCENDEDOR y CORTAPUROS Dupont con diseño COHIBA, incluyendo bocetos, copias de logotipos, montaje de arte final y gastos de envío del mismo a París.....	38.250.-

SUMA .....
I.V.A. 12% .....
TOTAL.....

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STMA. TRINIDAD, 32, 2º
Tels.: 445 81 50 - 445 88 50 - 445 13 50
FAX: 445 18 98 TELEX: 44535 AXED E
28010 MADRID

NUM. FRA.: A 1535
VENCIMIENTO:
MADRID:

CLIENTE
DIRECCION
POBLACION

D.N.I. o C.I.F.

CONCEPTO	IMPORTE
- Realización de materiales preparatorios de original para la impresión del Catálogo Institucional: una diapositiva del cigarro Robustos de COHIBA (para la sustitución del que aparecía con celofán) y tres diapositivas de los logotipos Montecristo, J. Cano y Diplomáticos, para su aparición en las portadas de los respectivos cuadernillos de estas marcas.....	53.400.-

Inscripción 1ª

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creactual SA
STMA. TRINIDAD, 32, 2º
Tels 445 81 50-445 86 50
445 18 98-445 13 50
TELEX: 44533 AXED E
28010 MADRID

CLIENTE
PRODUCTO
N.I.F.
DIRECCION

NUM. FRA.: A 649
VENCIMIENTO:
MADRID:

CONCEPTO	IMPORTE NETO	I.V.A. APLICADO %	IMPOR A COBR
c) Campaña COHIBA UN ORIGINAL para la revista Nuestra Comunidad, incluyendo un duplicado de diapositiva color 18x24 del bodegón y otra 9x12 del logotipo Puros Habanos, copias fotográficas a línea y montaje de arte final. IG.2657/88	17.750.-	/	

creactual S.A.
STMA. TRINIDAD, 32, 2º
Tels.: 445 81 50 - 445 88 50 - 445 13 50
FAX: 445 18 98 TELEX: 44535 AXED E
28010 MADRID

NUM. FRA.: A 1496
VENCIMIENTO:
MADRID: 30.10.91

CLIENTE CUBATABACO
DIRECCION O' Reilly, 104
POBLACION LA HABANA CUBA
D.N.I. o C.I.F.

CONCEPTO	IMPORTE
Realización de diez copias en idioma inglés y español, respectivamente, del video "Unicos desde 1.492".....	360.000.-
Realización de originales para el catálogo Montecristo, incluyendo realización de bocetos, copias fotográficas color, duplicados y diapositiva 9x12 composición de textos, rectificación rotulaciones fotográficas y fotomecánica.....	895.000.-
SUMA	2.952.000.-
I.V.A. 12%	
TOTAL.....	2.952.000.-

IFA - 28917714. Sociedad inscrita en el Registro Mercantil de Madrid. Tomo 248. General 235. Sección 3ª del Libro de Sociedades. Folio 52. Hoja 62748. Inscripción 1ª

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STMA. TRINIDAD, 32, 2º
Tels.: 445 81 50 - 445 88 50 - 445 13 50
FAX: 445 18 98 TELEX: 44535 AXED E
28010 MADRID

NUM. FRA.: A 1496
VENCIMIENTO:
MADRID: 31.10.91

CLIENTE CUBATABACO
DIRECCION O' Reilly, 104
POBLACION LA HABANA CUBA

D.N.I. o C.I.F.

CONCEPTO	IMPORTE
Realización y diseño de la marca Quai Dorsay, prueba a linea, fotocomposición, diapositiva y duplicados fotográficos.....	260.000.-
Realización de tres nuevos bocetos de expositor genérico para la campaña Institucional de Puros Habanos, en Europa Occidental, con imágenes de marcas intercambiables.....	252.000.-
Elaboración de tres imágenes corporeas, en cartoncillo, de los bocetos antes reseñados.....	225.000.-
Realización de un prototipo en Metacrilato con grabados, en relieve de humo y bloque institucional del Puro Habano.....	125.000.-
Realización de dos prototipos de bolsas plasticas con imagen instucional del Puro Habano.....	114.000.-
Realización de dos prototipos, para bolsas de papel plastificadas y asas de algodón, con la imagen de la marca Cohiba. Incluyendo realización de bocetos raff, duplicados de diapositivas a color de dibujo a línea del logo Cohiba. Composición de textos, copias fotográficas a linea y montaje.....	225.000.-
Importe correspondiente a la realización de cuatro originales, en formatos página a color para listas de precios de las tiendas de libre impuestos de Qatar, Jordania, Chipre y Libano: Incluyendo bocetos a linea,duplicados de diapositivas y originales con logos Havana Cigars, composición de textos, copias a linea, montaje artes finales y realización de cuatro fotomecánicas.....	496.000.-
SUMA	
I.V.A. 12%	
TOTAL.....	

IFA - 28917714 Sociedad inscrita en el Registro Mercantil de Madrid. Tomo 248, General 235, Seccion 3.ª del Libro de Sociedades, Folio 52, Hoja 82748, Inscripción 1.ª

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8.1.1. Campaña 1991. Distribución por línea de Campaña, medios utilizados y sus resultados

1) Campaña Genérica: Esta campaña fue la misma del 89/90 y con los mismos mensajes, compuesta por tres originales "HUMO", "REGALO" y "LOS TRES SELLOS" para revistas, con una inversión planificada de 67.9 millones de pesetas, ejecutándose 1.520.000 con sesis inserciones.

2) Campaña COHIBA: Para esta campaña se planificó una inversión de 15.400.000 pesetas, de las que se ejecutaron 1.155.000 con cuatro inserciones en los meses de Marzo, Abril, Mayo y Julio.

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P8784

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creactual S.A.
STMA. TRINIDAD, 32, 2º
Tels. 445 81 50 - 445 88 50
445 18 98 - 445 13 50
TELEX: 44535 AXED E
28010 MADRID

CLIENTE CUBATABACO
PRODUCTO
N.I.F.
DIRECCION O' Reilly, 104 LA HABANA CUBA

NUM. FRA.: A 1350
VENCIMIENTO:
MADRID: 31.5.91

CONCEPTO	IMPORTE NETO	I.V.A. APLICADO %	IMPORTE A COBRAR
Importe correspondiente a los siguientes trabajos realizados para PUROS HABANOS:			
- Realización de 5.000.000 de etiquetas adhesivas para precintos a 270 los 5.000	1.350.000.-		
- Realización de etiquetas stampadas de los siguientes modelos:			
✓ ESPLENDIDOS 25.600 a 21,63	553.728.-		
✓ CORONAS ESPECIALES 35.600 a 21,63	770.028.-		
✓ LANGEROS 30.600 a 21,63	661.878.-		
✓ EXQUISITOS 25.200 a 13,50	340.200.-		
✓ PANETELAS 20.200 a 13,50 (1)	272.700.-		
✓ ROBUSTOS 26.000 a 5,00	130.000.-		
(1) Se entregan 25.200.- los 5.000 de diferencia son SIN CARGO.			
TOTALES	4.078.534.-		4.078.534.-

I.F.A. - 28913714 Sociedad inscrita en el Registro Mercantil de Madrid. Tomo 249 General 235. Seccion 3 del Libro de Sociedades. Folio 52. Hoja 82748 inscripción 1ª

creactual S.A.
STMA. TRINIDAD, 32, 2º
Tels.: 445 81 50 - 445 88 50 - 445 13 50
FAX: 445 18 98 TELEX: 44535 AXED E
28010 MADRID

NUM. FRA.: A 1549

VENCIMIENTO:

MADRID: 31.1.92

CLIENTE CUBATABACO

DIRECCION O' Reilly, 104

POBLACION LA HABANA CUBA

D.N.I. o C.I.F.

CONCEPTO	IMPORTE
Importe correspondiente a la fabricación de 300 cortapuros de COHIBA, según presupuesto aceptado por Vds.	
Importe en Francos Franceses 1.278.-	7.668.000.-
Importe en Pesetas	
SUMA	
I.V.A. 12%	
TOTAL.....	7.668.000.-

IFA - 28917714. Sociedad inscrita en el Registro Mercantil de Madrid Tomo 249, General 235, Sección 3.ª del Libro de Sociedades, Folio 52, Hoja 82748, Inscripción 1.ª

CONFIDENTIAL UNDER
PROTECTIVE ORDER

creactual S.A.

STMA. TRINIDAD, 32, 2º
Tels.: 445 81 50 - 445 88 50 - 445 13 50
FAX: 445 18 98 TELEX: 44535 AXED E
28010 MADRID

NUM. FRA.: A 2096
VENCIMIENTO:
MADRID: 30.9.93

CLIENTE CUBATABACO
DIRECCION O'Reilly, 104
POBLACION LA HABANA CUBA

D.N.I. o C.I.F.

CONCEPTO	IMPORTE
Por la compra de 997 gorras negra de algodón en serigrafía de COHIBA.....	198.403.-
SUMA	
I.V.A. 12%	
TOTAL.....	198.403.- Pts

IFA - 28917714. Sociedad inscrita en el Registro Mercantil de Madrid. Tomo 248, General 225. Sección 3.ª del Libro de Sociedades. Folio 52. Hoja 82748. Inscripción 1.ª

CONFIDENTIAL UNDER
PROTECTIVE ORDER

STMA. TRINIDAD, 32, 2º
Tels.: 445 81 50 - 445 88 50 - 445 13 50
FAX: 445 18 98 TELEX: 44535 AXED E
28010 MADRID

VENCIMIENTO:

MADRID: 31.8.93

CLIENTE CUBATABACO

DIRECCION O' Reilly, 104

POBLACION LA HABANA CUBA

D.N.I. o C.I.F.

CONCEPTO	IMPORTE
Importe correspondiente a la realización de 2.000 bolsas de COHIBA, impresas en offset, peliculkados con relieve, cuerdas de algodón tintadas al tono, cartones de refuerzo en base y solapa, confeccionadas a mano, formato 27x36 a 270 ptas unidad.....	540.000.-
Importe correspondiente a la realización de 2.000 bolsas de HABANOS , de papel estucado superior 180 gramos impresas en offset, peliculadas con relieve, cuerdas de algodón, tintadas al tono, cartones de refuerzo en base y solapa, confeccionadas a mano, formato 27x36 a 255.- ptas unidad.....	510.000.-
SUMA	
I.V.A. 12%	
TOTAL.....	1.050.000.- Pts

IFA - 28917714. Sociedad Inscrita en el Registro Mercantil de Madrid. Tomo 249. General 225. Sección 3.ª del Libro de Sociedades. Folio 52. Hoja 62748. Inscripción 1.ª

CONFIDENTIAL UNDER
PROTECTIVE ORDER

creactual S.A.
STMA. TRINIDAD, 32, 2º
Tels.: 445 81 50 - 445 88 50 - 445 13 50
FAX: 445 18 98 TELEX: 44535 AXED E
28010 MADRID

NUM. FRA.: A 2098
VENCIMIENTO:
MADRID: 30.9.93

CLIENTE ROBERT SULLER COMMUN FUND
DIRECCION Reuten Beek, 5
POBLACION 3090 Overijse BELGICA D.N.I. o C.I.F.

CONCEPTO	IMPORTE
Realización de originales para Catálogo COHIBA (20 páginas en formato DIN A-4 plegado, incluyendo realización de boceto con fotográfias y textos ficticios cmposición de textos en castellano, rotulación de textos para cabeceras copias fotográficas blanco y negro de referencia y montaje de originales.	585.000.-
Realización de once bodegones en diapositivas 13x18 color de caja, petacas y cigarros de todas y cada una de las vitolas de la Linea tradicional y Linea 1492, de COHIBA, incluyendo realización de 4 diferentes diapositivas (boceto) del mismo tema para elección de la linea a seguir en estos bodegones, en estos gastos se incluyen producción y material fotográfico.	1.243.000.
Realización de once diapositivas 13x18 color de todo el vitolario COHIBA, incluyendo la elaboración de seleccionar cigarro a cigarro, montaje de cada una de las vitolas, y material fotográfico.	338.000.
Realización de dos diapositivas 20x25 color de bodegones con el total de las cajas, petacas y cigarros de la Linea tradicional y Linea 1492 de COHIBA, para la entrada en el catálogo, incluyendo producción y material fotográfico.	338.000.
Por la composición de textos de dicho catálogo en tres idiomas (Francés, Inglés y Alemán).	112.000.-
Realización de 450 duplicados de diapositivas 35 mm color (3 modelos x 150 copias) COHIBA incluyendo 150 fundas de 3 unidades.	51.000.-
SUMA	
I.V.A. 12%	
TOTAL.....	

IFA - 2861714. Sociedad inscrita en el Registro Mercantil de Madrid. Tomo 248. General 235. Sección 3ª del Libro de Sociedades. Folio 32. Hoja 67748. Inscripción 1ª

CONFIDENTIAL UNDER
PROTECTIVE ORDER

creactual S.A.
STMA. TRINIDAD, 32, 2º
Tels.: 445 81 50 - 445 88 50 - 445 13 50
FAX: 445 18 98 - TELEX: 44535 AXED E
28010 MADRID

NUM. FRA.: A 2098
VENCIMIENTO:
MADRID: 30-9.-93

CLIENTE ROBERT SUTER
DIRECCION
POBLACION

D.N.I. o C.I.F.

CONCEPTO	IMPORTE
Realización de un original para carpeta presentación COHIBA, incluyendo fotomecánica realización de bocetos a color, copias fotográficas, duplicados de diapositivas y montaje.	174.000.-
Realización de originales para 4 dossier prensa con imagen institucional en portadas, incluyendo duplicados de diapositivas y montaje.	92.308.-
Por la composición de textos de dicho dossier en 4 idiomas.	230.769.-
SUMA	
I.V.A. 12%	
TOTAL.....	3.164.077.- Pts

IFA - 28017714. Sociedad inscrita en el Registro Mercantil de Madrid. Tomo 248. General 226. Sección 3.ª del Libro de Sociedades. Folio 52. Hoja 62748. Inscripción 1.ª

CONFIDENTIAL UNDER
PROTECTIVE ORDER

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defendant's Exhibit 58

WEEKLY POLL

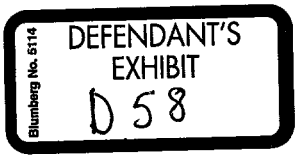
Week 159 Results

How were you introduced to cigars?

Friends	46%
Family	22%
Media	10%
Myself	7%
Work	5%
Party	3%
A Celebration	2%
Significant other	2%
Other	3%

Return to the Weekly Poll Archive

This Week's Poll



CONFIDENTIAL:
UNDER PROTECTIVE ORDER
GC 021443

WEEKLY POLL

Week 158 Results

How much do you usually spend on cigars per week? (This question has been asked previously. A side-by-side comparison of past and present results is shown.)

	Last Week	April 12, 1999
Under $25	67%	62%
$26 to $50	24%	28%
$51 to $100	6%	7%
$101 - $300	2%	2%
$300 or More	1%	1%

Return to the Weekly Poll Archive

This Week's Poll

CONFIDENTIAL:
UNDER PROTECTIVE ORDER
GC 021444

WEEKLY POLL

Week 157 Results

1. To your knowledge, have you ever purchased a cigar that you believed was genuine but later discovered was counterfeit? (This question has been asked previously. A side-by-side comparison of past and present results is shown.)

	Last Week	July 27, 1998
Yes	39%	40%
No	61%	60%

2. If so, where did you purchase the cigar?

	Last Week	July 27, 1998
From a tobacconist/ smoke shop	31%	41%
From a friend/ personal collection	25%	32%
At a store (other than a smoke shop)	14%	6%
Mail order/Internet	10%	5%
On the street	9%	6%
At a restaurant/ cigar bar	7%	7%
Other	4%	3%

Return to the Weekly Poll Archive

This Week's Poll

CONFIDENTIAL: UNDER PROTECTIVE ORDER
GC 021445

WEEKLY POLL

Week 156 Results

1. Do you usually buy your cigars at a cigar store or over the Internet, mail order or telephone?

Cigar store	55%
Internet	26%
Mail order	11%
Telephone	8%

2. If you answered Internet, mail order, or telephone to question 1, which of the following is your primary reason for choosing to shop that way? (This question has been asked previously. A side-by-side comparison of past and present results is shown.)

	Last Week	March 15, 1999
Price	66%	69%
Convenience	15%	12%
Selection	11%	11%
Other	8%	8%

Return to the Weekly Poll Archive

This Week's Poll

CONFIDENTIAL:
UNDER PROTECTIVE ORDER
GC 021446

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defendant's Exhibit 59

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----------x

EMPRESA CUBANA DEL TABACO d/b/a CUBATABACO,	:	
	:	Civil Action No. 97 Civ. 8399 (RWS)
Plaintiff,	:	
- against -	:	
CULBRO CORPORATION and GENERAL CIGAR CO., INC.,	:	**STIPULATION**
Defendants.	:	**CONFIDENTIAL UNDER PROTECTIVE ORDER**

----------x

Plaintiff Empresa Cubana Del Tabaco D/b/a Cubatabaco, defendants Culbro Corporation and General Cigar Co., Inc., and non-parties Laura Zandi, an employee of M. Shanken Communications Inc. (hereafter "Shanken Communications" or the "Company") and Mel Mannion, an officer of Shanken Communications, wishing to simplify the discovery and trial process in this action, stipulate and agree as follows, by and through their undersigned counsel:

1. Laura Zandi, the Vice President of Circulation of Shanken Communications, having knowledge of the business records and practices of the Company has examined the records of the Company and states that they indicate the following with respect to paragraphs 1(a) - 1(k), and further states that she would testify as follows if called as a witness in the trial of this action:

(a) The United States circulation of the premier issue of *Cigar Aficionado* was 115,000 copies, of which 73, 000 represented paid subscriptions; 32, 000 newsstands (inclusive of cigar retail stores, street newsstands and bookstores); and 10,000 were promotional;

(b) The non-United States circulation of the premier issue of *Cigar Aficionado* was 25,000, of which 2,500 was foreign subscription and 22,500 was foreign newsstand (inclusive of cigar retail stores, street newsstands and bookstores);

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 59

(c) The United States circulation of the second issue of *Cigar Aficionado* was 125,665 copies, of which 49,883 represented paid subscriptions; 71,707 newsstands (inclusive of cigar retail stores, street newsstands and bookstores); and 4,075 were promotional;

(d) The average paid circulation of issues of *Cigar Aficionado* published in 1993 was 80,000 copies, including circulation within the United States as well as foreign circulation believed to be less than 4 percent of that total, of which 48,000 represented paid subscriptions and 32,000 newsstands (inclusive of cigar retail stores, street newsstands and bookstores);

(e) The average paid circulation of issues of *Cigar Aficionado* published in 1994 was 112,000, including circulation within the United States as well as foreign circulation believed to be less than 5 percent of that total, of which 54,000 represented paid subscriptions and 58,000 newsstands (inclusive of cigar retail stores, street newsstands and bookstores);

(f) The information set forth in the semi-annual Magazine Publisher's Statements submitted by Shanken Communications to the Audit Bureau of Circulation, for the period commencing January 1, 1995 and ending June 2000; and set forth in the Magazine Initial Audit Reports of the Audit Bureau of Circulations for period commencing January 1, 1995 and ending June 2000, which Statements and Reports are attached hereto, as Exhibits 1 and 2, are in accord with the business records of the Company;

(g) The "Single Copy Sales" set forth in the aforesaid Magazine Publisher Statements and Magazine Initial Audit Reports include sales at cigar retail stores, street newsstands and bookstores;

(h) Shanken Communications distributed the premier issue of *Cigar Aficionado* to approximately 453 cigar retail outlets in the United States for display and/or sale to customers, and distributed the second issue of *Cigar Aficionado* to approximately 553 cigar retail outlets in the United States for display and/or sale to customers;

(i) The business records indicate that Shanken Communications thereafter distributed issues of *Cigar Aficionado* to approximately 2097 cigar retail outlets in the United States on average per issue through the year 2000 for display and/or sale to consumers;

(j) The business records indicate that promotional copies of the premier and the second issue were distributed by *Cigar Aficionado* as set forth on the attached Exhibit 3 in the numbers indicated thereon. Shanken Communications continues its practice of distributing promotional copies to the categories of events set forth in Exhibit 3; and

(k) The business records indicate that August 27, 1992 was the date of the breakfast held by Shanken Communications at the annual convention of the Retail Tobacco Dealers of America, Inc. (RTDA) to launch *Cigar Aficionado.* The premier issue was mailed to subscribers on or about September 1, 1992. The premier issue was distributed to newsstands (inclusive of cigar retail outlets, bookstores and public newsstands) on or about September 1, 1992 and was available to them for display or sale at any time thereafter.

2. Mel Mannion, the Executive Vice-President of Shanken Communications, having knowledge of the business records and practices of the Company has examined the records of the Company and states that they indicate the following with respect to paragraphs 2(a) - 2(c), and further states that she would testify as follows if called as a witness in the trial of this action:

(a) The business records indicate that Shanken Communications established a *Cigar Aficionado* web site which became accessible to the public on or about January 19, 1997 and that it has maintained it continuously since then. On a weekly average, there were 49,508 visitors to the web site in 1997, there were 63,600 visitors to the web site in 1998, 109,000 visitors to the web site in 1999, and 110,000 visitors to the web site in 2000. As used in the foregoing paragraph, "visitor" means a unique user session, *i.e.*, each time an individual person clicks on or enters the web site;

(b) The Counterfeit Gallery section of the *Cigar Aficionado* web site was initiated on or about mid-1998 and has been maintained continuously since then. Specifically, at the time that it first became available to the public, and continuously thereafter until the early

part of 2000, the material concerning the Counterfeit Gallery that appeared on the home page, included what appeared or purported to be a Cuban COHIBA cigar band and no other cigar was pictured. On or about January 2000, the material concerning the Counterfeit Gallery moved from the home page and is now rotated throughout the web site. In addition, the Cuban COHIBA cigar band that first appeared on the web site at the end of 1998, is now substituted on occasion with an Opus X cigar band. At the time that the Counterfeit Gallery first became available to the public, it featured COHIBA cigars as well as other cigars. A true and correct copy of the current Cigar Aficionado web site home page and linked Counterfeit Gallery is annexed hereto as Exhibit 4; and

(c) In promotional material distributed by the Company in 1999, the Company reported that a Mendelsohn Affluent Survey (conducted by a market research company) in which the Company had participated reported "an average issue audience" of 764,000 for *Cigar Aficionado*. An "average issue audience" represents the number of persons who are believed to read the magazine, including persons who read but do not buy the magazines themselves. In the same year, in promotional material distributed by the Company, the Company also reported that a survey conducted by Tabline Data Services, another market research company, in which the Company had participated reported that there were 2.01 number of readers per copy of *Cigar Aficionado*. In promotional material distributed by the Company in 1998, the Company reported that a Mendelsohn Affluent Survey in which the Company had participated reported "an average issue audience" of 1,031,000 for *Cigar Aficionado* and that there were 3.16 number of readers per copy. This stipulation may not be used for the purposes of asserting the truth or accuracy of the results of the Mendelsohn Affluent Survey, but only for the purposes of showing that the Company reported on the results of the survey in its advertising and promotional materials.

3. Neither plaintiff nor defendants will contest the above representations and statements set forth above in paragraphs 1 and 2 and the subparts thereto, unless such party should come into possession of evidence that demonstrates that the information contained in these representations is factually incorrect.

4. The instant stipulation may be offered into evidence in the above-captioned action by plaintiff or by defendants and it shall have the same force and effect as if Laura Zandi testified at trial as set forth in paragraph 1 and as if Mel Mannion testified at trial as set forth in paragraph 2 and produced the documents upon which their testimony was based.

5. It is agreed by the parties hereto that this Stipulation may be signed in counterpart and that it is to be treated as Confidential under the Protective Order dated April 4, 2000 herein.

[Signature Page Follows]

Dated: December 21, 2001

Laura Zandi
Vice President of Circulation,
M. Shanken Communications Inc.

Notary Public

ROSEMARIE T. GUZZARDO
Notary Public, State of New York
No. 01GU4986466
Qualified in New York County
Commission Expires 7/16/02

Dated: December 21, 2001

Mel Mannion
Executive Vice-President,
M. Shanken Communications, Inc.

Notary Public

ROSEMARIE T. GUZZARDO
Notary Public, State of New York
No. 01GU4986466
Qualified in New York County
Commission Expires 7/16/02

Dated: 12/21, 2001

John B. Webb (JW-9624)
HALL DICKLER KENT GOLDSTEIN AND
WOOD LLP
909 Third Avenue
New York, New York 10022-9998
(212) 339-5400

Attorneys for Non-Parties
LAURA ZANDI and MEL MANNION
M. SHANKEN COMMUNICATIONS, INC.

NY:617993.3

Dated: 12/21, 2001

Steven J. Young (SY-3567)
WINSTON & STRAWN
200 Park Avenue
New York, New York 10166
(212) 294-6700

Attorneys for Plaintiff
EMPRESA CUBANA DEL TOBACO
d/b/a CUBATABACO

Dated: _____, 2001

_____
Dickerson M. Downing (DD-4120)
MORGAN & FINNEGAN, L.L.P.
345 Park Avenue
New York, New York 10154
(212) 758-4800

Attorneys for Defendants
GENERAL CIGAR HOLDINGS, INC.,
THE SURVIVOR OF CULBRO
CORPORATION, AND GENERAL
CIGAR CO., INC.

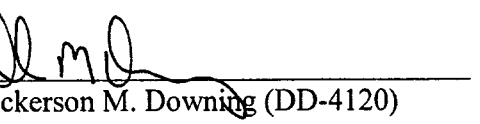
Dated: _____, 2001

_____

Steven J. Young (SY-3567)
WINSTON & STRAWN
200 Park Avenue
New York, New York 10166
(212) 294-6700

Attorneys for Plaintiff
EMPRESA CUBANA DEL TOBACO
d/b/a CUBATABACO

Dated: December 20, 2001



Dickerson M. Downing (DD-4120)
MORGAN & FINNEGAN, L.L.P.
345 Park Avenue
New York, New York 10154
(212) 758-4800

Attorneys for Defendants
GENERAL CIGAR HOLDINGS, INC.,
THE SURVIVOR OF CULBRO
CORPORATION, AND GENERAL
CIGAR CO., INC.

Audit Bureau of Circulations
900 N. Meacham Road
Schaumburg, IL 60173-4968
(847) 605-0909
FAX: (847) 605-0483

MAGAZINE PUBLISHER'S STATEMENT

For 6 months ended December 31, 1995

Subject to Audit

Exhibit A

Analyzed Paid Circulation

CIGAR AFICIONADO

PLAINTIFF'S DEPOSITION EXHIBIT
Shanken -5
4/24/01 AA

NEW YORK, NEW YORK 10016

Field Served: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION

Total Average Paid Circulation:	217,398	
Advertising Rate Base/Circulation Guarantee:	None Claimed	
% Above/Below Rate Base (+/–)		
Total Average Non-Analyzed Non-Paid Circulation:	17,528	
		% of Total
Subscriptions: Individual	112,607	51.8
Single Copy Sales:	104,791	48.2
		100.0

1a. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions

None

2. PAID CIRCULATION by Issues

Issue	Subscriptions	Single Copy Sales	Total Paid	Issue	Subscriptions	Single Copy Sales	Total Paid
Autumn	103,239	90,256	193,495	Winter	121,975	119,326	241,301

CIGAR AFICIONADO

Magazine Publisher's Statement

For 6 months ended December 31, 1995

Member Number
04-0196-5

CIGAR AFICIONADO

ANALYSIS OF TOTAL NEW AND RENEWAL SUBSCRIPTIONS

Gross subscriptions sold during 6 month period ended December 31, 1995

3. AUTHORIZED PRICES:		%
(a) Basic Prices: Single Copy: $4.95. Subscriptions: U.S., 1 yr. $16.95; 2 yrs. $31.95; 3 yrs. $44.95. Canada, 1 yr. $20.95. International, 1 yr. $26.95	32,388	40.5
(b) Higher than basic prices:	None	
(c) Lower than basic prices: 1 yr. $14.95; 5 issues $12.95, $14.95, $16.95; 2 yrs. $24.95; 3 yrs. $34.95	47,598	59.5
(d) Association subscription prices:	None	
Total Subscriptions Sold in Period	79,986	100.0

4. DURATION OF SUBSCRIPTIONS SOLD:		
(a) One to six months (1 to 2 issues)	17	0.0
(b) Seven to eleven months (3 issues)	41	0.1
(c) Twelve months (4 issues)	44,975	56.2
(d) Thirteen to twenty-four months	29,101	36.4
(e) Twenty-five months and more	5,852	7.3
Total Subscriptions Sold in Period	79,986	100.0

5. CHANNELS OF SUBSCRIPTION SALES:		
(a) Ordered by mail and/or direct request (may include direct mail, renewal mail, insert cards, television and direct mail agents, etc.)	79,917	99.9
(b) Ordered through salespeople:		
1. Catalog agencies and individual agents - includes institutional and library subscriptions	69	0.1
2. Publisher's own and independent salespeople - includes sales through both direct personal contact and telemarketing efforts for consumer, trade and public place subscriptions	None	
3. Members of schools, churches, fraternal and similar organizations - includes fund raising programs directed to individuals	None	
(c) Association members	None	
Total Subscriptions Sold in Period	79,986	100.0

6. USE OF PREMIUMS:		
(a) Ordered without premium	79,986	100.0
(b) Ordered with material reprinted from this publication	None	
(c) Ordered with other premiums	None	
Total Subscriptions Sold in Period	79,986	100.0

ADDITIONAL CIRCULATION INFORMATION

7. POST EXPIRATION COPIES INCLUDED IN PAID CIRCULATION (PAR. 1):		%
(a) Average number of copies served on subscriptions not more than three months after expiration, See Par. 11	4,162	3.7

8. VARIANCE REPORT:

Latest Released Audit Report Issued for 6 months ended June 30, 1995

Variation from Publisher's Statements

Audit Period Ended	Rate Base	Audit Report	Publisher's Statements	Difference	Percentage of Difference
06-30-95	None Claimed	167,560	*		

*Initial Audit for 6 months ended June 30, 1995 - Publisher's Statement not required for this period.

9. U.S. PAID CIRCULATION BY ABCD COUNTY SIZE

Magazines of less than 500,000 total average paid circulation not required to answer this paragraph.

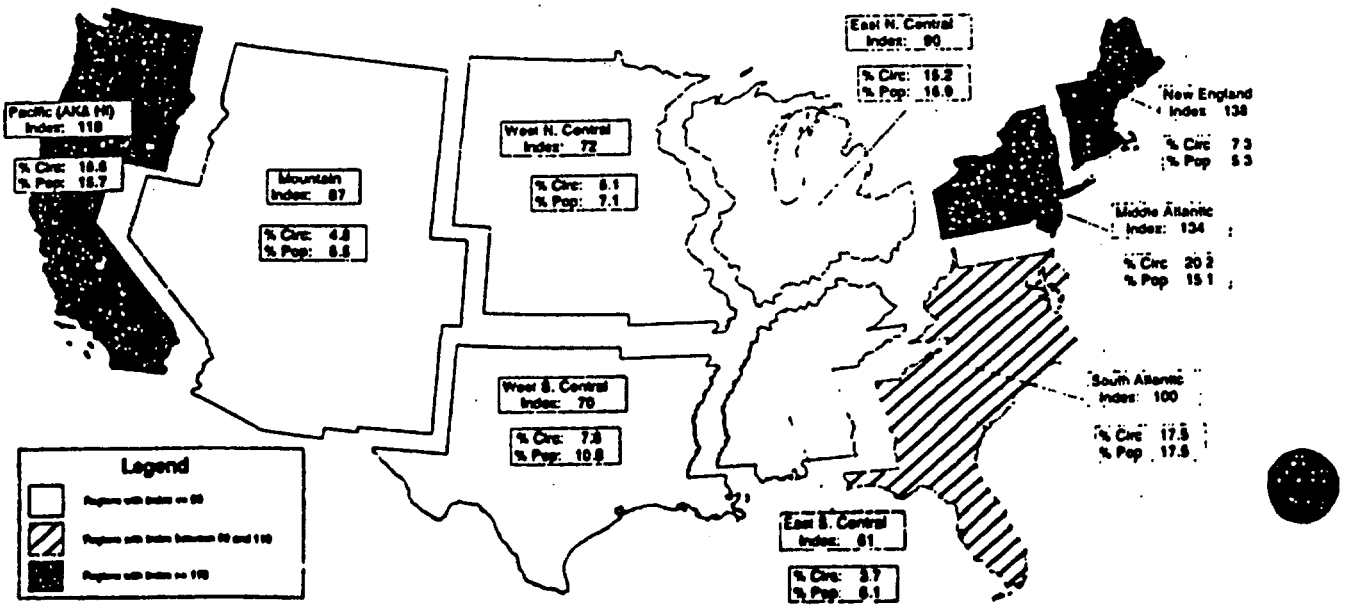
10. GEOGRAPHIC ANALYSIS OF TOTAL PAID CIRCULATION for the Winter, 1995 Issue

Paid circulation of this issue was 11.0% greater than the total average paid circulation.

STATE	Subs.	Single Copy Sales	TOTAL	% of Circ.
Maine	316	611	927	
New Hampshire	535	599	1,134	
Vermont	242	178	420	
Massachusetts	3,746	3,221	6,967	
Rhode Island	654	275	929	
Connecticut	3,066	2,867	5,933	
NEW ENGLAND	8,559	7,751	16,310	7.3
New York	12,784	10,028	22,812	
New Jersey	6,409	5,829	12,238	
Pennsylvania	6,037	4,397	10,434	
MIDDLE ATLANTIC	25,230	20,254	45,484	20.2
Ohio	3,862	3,107	6,969	
Indiana	1,735	1,577	3,312	
Illinois	6,803	6,500	13,303	
Michigan	3,169	3,817	6,986	
Wisconsin	1,835	1,669	3,504	
EAST N. CENTRAL	17,404	16,670	34,074	15.2
Minnesota	1,816	1,624	3,440	
Iowa	687	449	1,136	
Missouri	1,758	2,120	3,878	
North Dakota	107	128	235	
South Dakota	124	175	299	
Nebraska	441	380	821	
Kansas	877	670	1,547	
WEST N. CENTRAL	5,810	5,546	11,356	5.1
Delaware	282	471	753	
Maryland	2,413	1,958	4,371	
District of Columbia	667	832	1,499	
Virginia	3,135	2,300	5,435	
West Virginia	299	320	619	
North Carolina	2,188	2,418	4,606	
South Carolina	882	804	1,686	
Georgia	2,909	2,621	5,530	
Florida	7,255	7,583	14,838	
SOUTH ATLANTIC	20,030	19,307	39,337	17.5

STATE	Subs.	Single Copy Sales	TOTAL	% of Circ.
Kentucky	849	833	1,682	
Tennessee	1,484	1,961	3,445	
Alabama	781	2,021	2,802	
Mississippi	376	115	491	
EAST S. CENTRAL	3,490	4,930	8,420	3.7
Arkansas	481	460	941	
Louisiana	1,264	946	2,210	
Oklahoma	763	492	1,255	
Texas	6,218	6,489	12,707	
WEST S. CENTRAL	8,726	8,387	17,113	7.6
Montana	189	111	300	
Idaho	252	188	440	
Wyoming	99	75	174	
Colorado	1,540	1,755	3,295	
New Mexico	456	651	1,107	
Arizona	1,607	1,592	3,199	
Utah	214	330	544	
Nevada	729	1,050	1,779	
MOUNTAIN	5,086	5,752	10,838	4.8
Alaska	220	125	345	
Washington	2,004	1,531	3,535	
Oregon	1,085	1,155	2,240	
California	18,152	16,297	34,449	
Hawaii	649	459	1,108	
PACIFIC	22,110	19,567	41,677	18.6
Miscellaneous				
U.S. Unclassified				
UNITED STATES	116,445	108,164	224,609	100.0
U.S. Circ. Percent of Grand Total				93.1
Poss. & Other Areas	379	214	593	0.[illegible]
U.S. & POSS., etc.	116,824	108,378	225,202	93.4
Canada	1,559	4,028	5,587	2.3
International	3,291	6,920	10,211	4.2
Other Unclassified				
Military or Civilian Personnel Overseas	301		301	0.1
GRAND TOTAL	121,975	119,326	241,301	100.0

Index = Geographic Distribution of % Circulation ÷ % Population

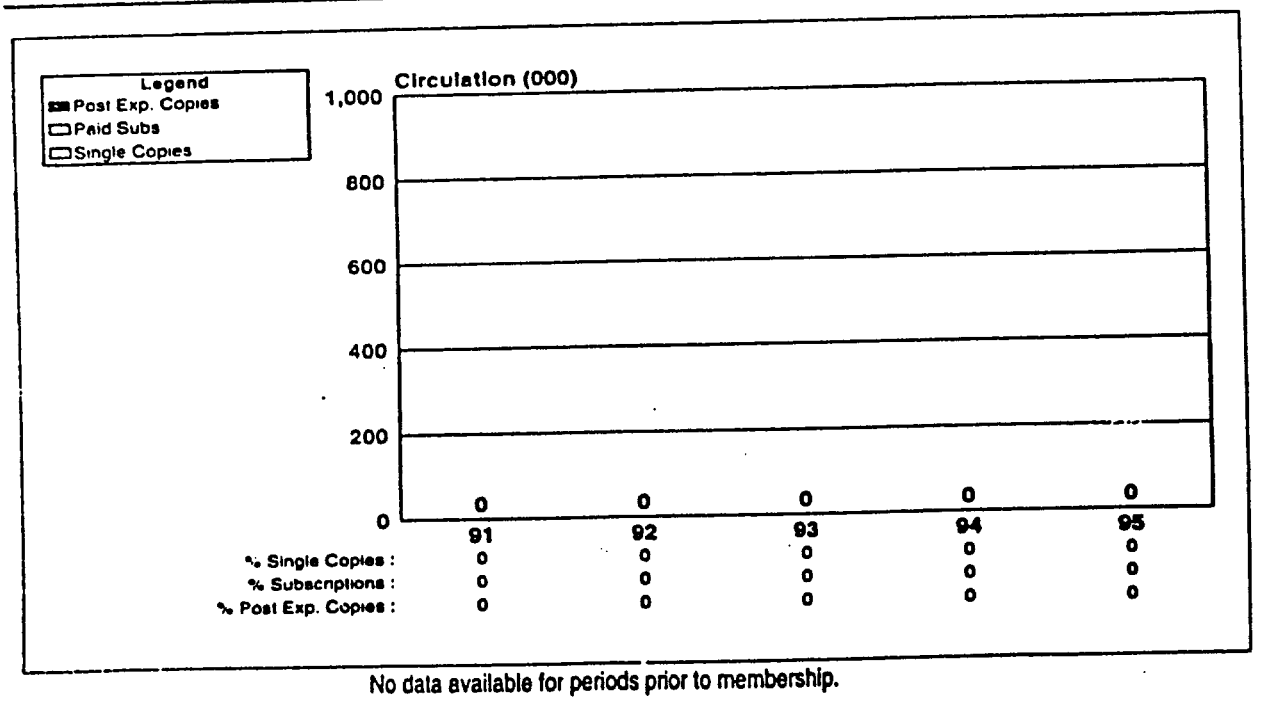


11. EXPLANATORY:

Post Expiration Copies - Under ABC Rules, copies served to paid subscribers may be reported as paid circulation, provided the issues served are consecutive within three months of expiration.

ABC Publisher's Statement - This report has not been audited but has been compiled by the publisher in a format approved by ABC. An audit of the publisher's records will be issued by ABC reflecting differences, if any, from the Publisher's Statement.

12. FIVE YEAR ANNUAL TRENDS: Total average paid circulation as reported in June and December Publisher's Statements



No data available for periods prior to membership.

We certify that to the best of our knowledge all data set forth in this Publisher's Statement are true and report circulation in accordance with Audit Bureau of Circulations' Bylaws and Rules. 04-0196-5

CIGAR AFICIONADO, published by M. Shanken Communications, Inc., 387 Park Avenue South, New York, NY 10016

LAURA ZANDI
Vice President, Circulation

MARVIN R. SHANKEN
Publisher

Signed, April 11, 1996

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Audit Bureau of Circulations
900 N. Meacham Road
Schaumburg, IL 60173-4968
(847) 605-0909
FAX: (847) 605-0483

MAGAZINE PUBLISHER'S STATEMENT

For 6 months ended December 31, 1996

Subject to Audit

Exhibit C

Analyzed Paid Circulation

CIGAR AFICIONADO

NEW YORK, NEW YORK 10016

Field Served: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION

Total Average Paid Circulation:	372,169	
Advertising Rate Base/Circulation Guarantee:	None Claimed	
% Above/Below Rate Base (+/–)		
Total Average Non-Analyzed Non-Paid Circulation:	22,035	
		% of Total
Subscriptions: Individual	169,822	45.6
Single Copy Sales:	202,347	54.4
		100.0

1a. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions

None

2. PAID CIRCULATION by Issues

Issue	Subscriptions	Single Copy Sales	Total Paid	Issue	Subscriptions	Single Copy Sales	Total Paid
Autumn	147,479	183,823	331,302	Winter	192,165	220,871	413,036

CIGAR AFICIONADO

Magazine Publisher's Statement

For 6 months ended December 31, 1996

Member Number

CIGAR AFICIONADO

ANALYSIS OF TOTAL NEW AND RENEWAL SUBSCRIPTIONS

Gross subscriptions sold during 6 month period ended December 31, 1996

3. AUTHORIZED PRICES:

		%
(a) Basic Prices: Single Copy: $4.95. Subscriptions: See Par. 11(a)	92,250	74.3
(b) Higher than basic prices:	None	
(c) Lower than basic prices: 5 issues $16.95	31,961	25.7
(d) Association subscription prices:	None	
Total Subscriptions Sold in Period	124,211	100.0

4. DURATION OF SUBSCRIPTIONS SOLD:

(a) One to six months (1 to 2 issues)	21	0.0
(b) Seven to eleven months (3 issues)	47	0.0
(c) Twelve months (6 issues)	51,403	41.4
(d) Thirteen to twenty-four months	66,138	53.3
(e) Twenty-five months and more	6,602	5.3
Total Subscriptions Sold in Period	124,211	100.0

5. CHANNELS OF SUBSCRIPTION SALES:

(a) Ordered by mail and/or direct request (may include direct mail, renewal mail, insert cards, television and direct mail agents, etc.)	124,093	99.9
(b) Ordered through salespeople:		
1. Catalog agencies and individual agents - includes institutional and library subscriptions	118	0.1
2. Publisher's own and independent salespeople - includes sales through both direct personal contact and telemarketing efforts for consumer, trade and public place subscriptions	None	
3. Members of schools, churches, fraternal and similar organizations - includes fund raising programs directed to individuals	None	
(c) Association members	None	
Total Subscriptions Sold in Period	124,211	100.0

6. USE OF PREMIUMS:

(a) Ordered without premium	124,211	100.0
(b) Ordered with material reprinted from this publication	None	
(c) Ordered with other premiums	None	
Total Subscriptions Sold in Period	124,211	100.0

ADDITIONAL CIRCULATION INFORMATION

7. POST EXPIRATION COPIES INCLUDED IN PAID CIRCULATION (PAR. 1):

		%
(a) Average number of copies served on subscriptions not more than three months after expiration, See Par. 11	7,203	4.2

8. VARIANCE REPORT:

Latest Released Audit Report Issued for 6 months ended June 30, 1995

Variation from Publisher's Statements

Audit Period Ended	Rate Base	Audit Report	Publisher's Statements	Difference	Percentage of Difference
06-30-95	None Claimed	167,580	*		

*Initial Audit for 6 months ended June 30, 1995 - Publisher's Statement not required for this period.

9. U.S. PAID CIRCULATION BY ABCD COUNTY SIZE

Magazines of less than 500,000 total average paid circulation not required to answer this paragraph.

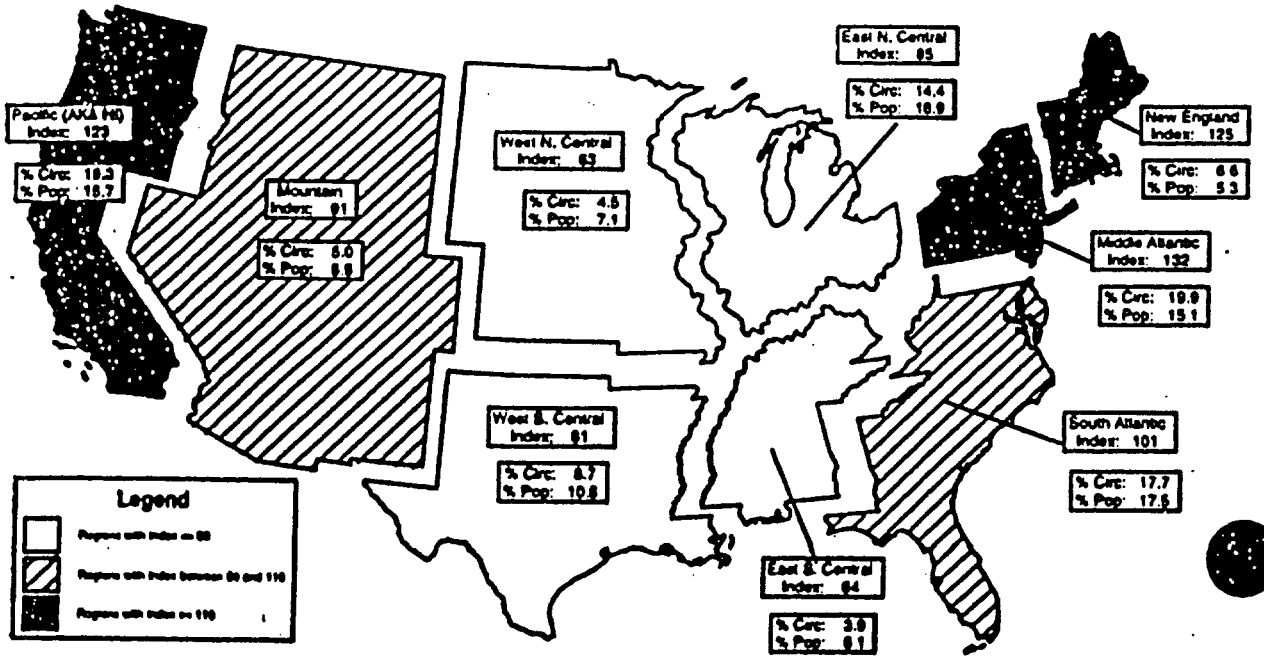
10. GEOGRAPHIC ANALYSIS OF TOTAL PAID CIRCULATION for the Winter, 1996 Issue

Paid circulation of this issue was 11.0% greater than the total average paid circulation.

STATE	Subs.	Single Copy Sales	TOTAL	% of Circ.
Maine	482	701	1,183	
New Hampshire	845	879	1,724	
Vermont	332	336	668	
Massachusetts	5,595	5,568	11,163	
Rhode Island	1,058	598	1,656	
Connecticut	4,381	4,418	8,799	
NEW ENGLAND	12,693	12,500	25,193	6.6
New York	18,313	17,131	35,444	
New Jersey	9,904	12,228	22,132	
Pennsylvania	8,958	9,158	18,116	
MIDDLE ATLANTIC	37,175	38,517	75,692	19.9
Ohio	6,103	5,622	11,725	
Indiana	2,850	2,828	5,678	
Illinois	10,695	10,813	21,508	
Michigan	5,117	5,298	10,415	
Wisconsin	2,872	2,640	5,512	
EAST N. CENTRAL	27,637	27,201	54,838	14.4
Minnesota	2,631	2,408	5,039	
Iowa	1,075	722	1,797	
Missouri	2,747	2,784	5,531	
North Dakota	178	217	395	
South Dakota	232	248	480	
Nebraska	647	596	1,243	
Kansas	1,470	1,184	2,654	
WEST N. CENTRAL	8,980	8,159	17,139	4.5
Delaware	465	706	1,171	
Maryland	3,816	3,643	7,459	
District of Columbia	825	872	1,697	
Virginia	4,910	3,747	8,657	
West Virginia	492	417	909	
North Carolina	3,704	4,032	7,736	
South Carolina	1,538	1,648	3,186	
Georgia	4,933	3,471	8,404	
Florida	12,209	16,118	28,327	
SOUTH ATLANTIC	32,892	34,654	67,546	17.7

STATE	Subs.	Single Copy Sales	TOTAL	% of Circ.
Kentucky	1,425	1,419	2,844	
Tennessee	2,450	3,165	5,615	
Alabama	1,335	4,232	5,567	
Mississippi	650	274	924	
EAST S. CENTRAL	5,860	9,090	14,950	3.9
Arkansas	765	3,117	3,882	
Louisiana	1,991	1,835	3,826	
Oklahoma	1,234	1,127	2,361	
Texas	10,286	12,636	22,922	
WEST S. CENTRAL	14,276	18,715	32,991	8.7
Montana	327	271	598	
Idaho	428	385	813	
Wyoming	172	61	233	
Colorado	2,643	3,087	5,730	
New Mexico	725	753	1,478	
Arizona	2,804	2,924	5,728	
Utah	401	522	923	
Nevada	1,299	2,164	3,463	
MOUNTAIN	8,799	10,167	18,966	5.0
Alaska	338	342	680	
Washington	3,342	3,495	6,837	
Oregon	1,812	1,950	3,762	
California	29,036	31,069	60,105	
Hawaii	989	1,003	1,992	
PACIFIC	35,517	37,859	73,376	19.3
Miscellaneous				
U.S. Unclassified				
UNITED STATES	183,829	196,862	380,691	100.0
U.S. Circ. Percent of Grand Total				
Poss. & Other Areas	551	535	1,086	
U.S. & POSS., etc.	184,380	197,397	381,777	92.5
Canada	2,698	14,832	17,530	4.2
International	4,498	8,640	13,138	3.2
Other Unclassified				
Military or Civilian Personnel Overseas	589	2	591	0.1
GRAND TOTAL	192,165	220,871	413,038	100.0

Index = Geographic Distribution of % Circulation ÷ % Population



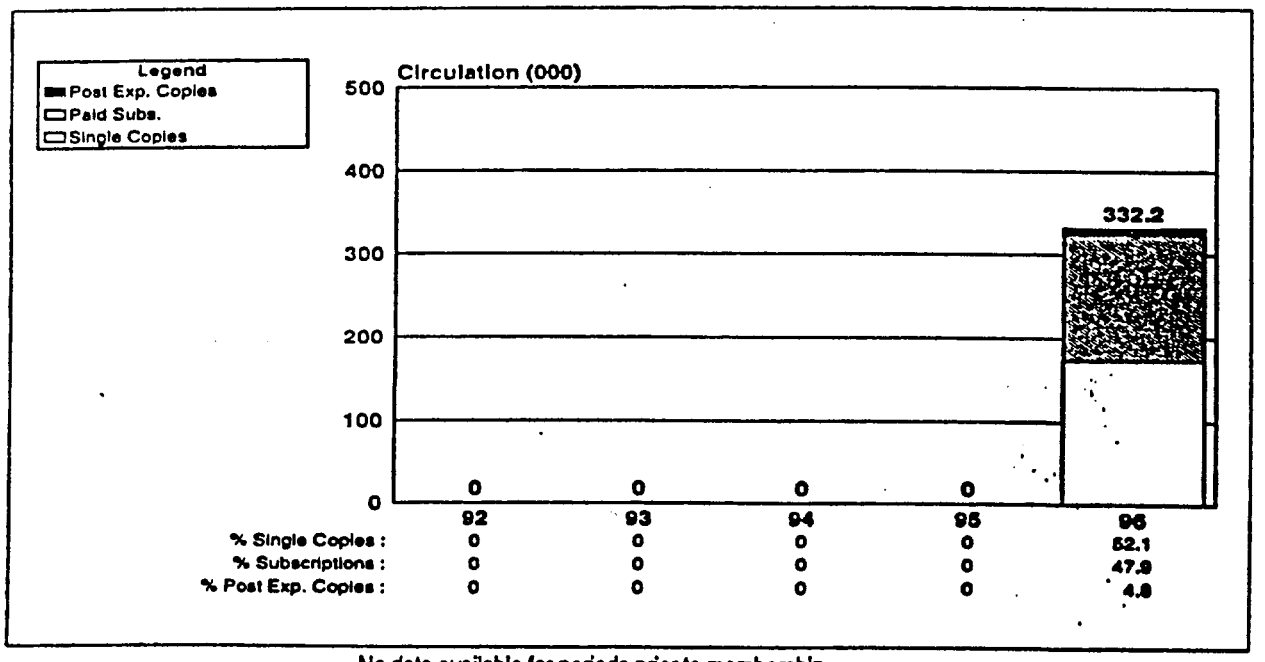
11. EXPLANATORY:

(a) Par. 3(a): Basic Prices: Subscriptions: To 11/01/96, U.S., 1 yr. (4 issues) $16.95, 2 yrs. $31.95; 3 yrs. $44.95; Canada, 1 yr. (4 issues) $20.95; International, 1 yr. (4 issues) $26.95; since 11/01/96, U.S., 1 yr. (6 issues) $19.95, 2 yrs. $35.95, 3 yrs. $48.95; Canada, 1 yr. (6 issues) $25.95; International, 1 yr. (6 issues) $36.95.

Post Expiration Copies - Under ABC Rules, copies served to paid subscribers may be reported as paid circulation, provided the issues served are consecutive within three months of expiration.

ABC Publisher's Statement - This report has not been audited but has been compiled by the publisher in a format approved by ABC. An audit of the publisher's records will be issued by ABC reflecting differences, if any, from the Publisher's Statement.

12. FIVE YEAR ANNUAL TRENDS: Total average paid circulation as reported in June and December Publisher's Statements



	92	93	94	95	96
% Single Copies :	0	0	0	0	52.1
% Subscriptions :	0	0	0	0	47.9
% Post Exp. Copies :	0	0	0	0	4.8

No data available for periods prior to membership.

We certify that to the best of our knowledge all data set forth in this Publisher's Statement are true and report circulation in accordance with Audit Bureau of Circulations' Bylaws and Rules.

04-0196-5

CIGAR AFICIONADO, published by M. Shanken Communications, Inc., 387 Park Avenue South, New York, NY 10016

LAURA ZANDI
Vice President, Circulation

MARVIN R. SHANKEN
Publisher

Date Signed, January 30, 1997

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Audit Bureau of Circulations
900 N. Meacham Road
Schaumburg, IL 60173-4968
(847) 605-0909
FAX: (847) 605-0483

MAGAZINE PUBLISHER'S STATEMENT

For 6 months ended June 30, 1997

Subject to Audit

Exhibit D

Analyzed Paid Circulation

CIGAR AFICIONADO

NEW YORK, NEW YORK 10016

Field Served: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION

Total Average Paid Circulation:	**400,115**	
Advertising Rate Base/Circulation Guarantee:	None Claimed	
% Above/Below Rate Base (+/–)		
Total Average Non-Analyzed Non-Paid Circulation:	28,926	
		% of Total
Subscriptions: Individual	196,119	49.0
Single Copy Sales:	203,996	51.0
		100.0

1a. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions

None

2. PAID CIRCULATION by Issues

Issue	Subscriptions	Single Copy Sales	Total Paid	Issue	Subscriptions	Single Copy Sales	Total Paid
Mar./Apr.	196,745	207,771	404,516	May/June	195,493	200,220	395,713

CIGAR AFICIONADO

Magazine Publisher's Statement

For 6 months ended June 30, 1997

Member Number

CIGAR AFICIONADO

ANALYSIS OF TOTAL NEW AND RENEWAL SUBSCRIPTIONS

Gross subscriptions sold during 6 month period ended June 30, 1997

			%
3.	AUTHORIZED PRICES:		
	(a) Basic Prices: Single Copy: $4.95. Subscriptions: See Pars. 11(a) & (b)	106,133	81.7
	(b) Higher than basic prices: 4 issues $16.95; 8 issues $31.95; 12 issues $44.95	8,639	6.7
	(c) Lower than basic prices: 6 issues $16.95; 12 issues $31.95	15,070	11.6
	(d) Association subscription prices:	None	
	Total Subscriptions Sold in Period	129,842	100.0
4.	DURATION OF SUBSCRIPTIONS SOLD:		
	(a) One to six months (1 to 3 issues)	106	0.1
	(b) Seven to eleven months (4 to 5 issues)	7,132	5.5
	(c) Twelve months (6 issues)	101,026	77.8
	(d) Thirteen to twenty-four months	14,748	11.3
	(e) Twenty-five months and more	6,830	5.3
	Total Subscriptions Sold in Period	129,842	100.0
5.	CHANNELS OF SUBSCRIPTION SALES:		
	(a) Ordered by mail and/or direct request (may include direct mail, renewal mail, insert cards, television and direct mail agents, etc.)	129,651	99.9
	(b) Ordered through salespeople:		
	1. Catalog agencies and individual agents - includes institutional and library subscriptions	191	0.1
	2. Publisher's own and independent salespeople - includes sales through both direct personal contact and telemarketing efforts for consumer, trade and public place subscriptions	None	
	3. Members of schools, churches, fraternal and similar organizations - includes fund raising programs directed to individuals	None	
	(c) Association members	None	
	Total Subscriptions Sold in Period	129,842	100.0
6.	USE OF PREMIUMS:		
	(a) Ordered without premium	129,842	100.0
	(b) Ordered with material reprinted from this publication	None	
	(c) Ordered with other premiums	None	
	Total Subscriptions Sold in Period	129,842	100.0

ADDITIONAL CIRCULATION INFORMATION

			%
7.	POST EXPIRATION COPIES INCLUDED IN PAID CIRCULATION (PAR. 1):		
	(a) Average number of copies served on subscriptions not more than three months after expiration, See Par. 11	14,467	7.4

8. VARIANCE REPORT:

Latest Released Audit Report Issued for 6 months ended June 30, 1996

Variation from Publisher's Statements

Audit Period Ended	Rate Base	Audit Report	Publisher's Statements	Difference	Percentage of Difference
06-30-96	None Claimed	253,726	254,839	-1,113	-0.4
06-30-95	None Claimed	167,560	*		

*Initial Audit for 6 months ended June 30, 1995 - Publisher's Statement not required for this period.

9. U.S. PAID CIRCULATION BY ABCD COUNTY SIZE

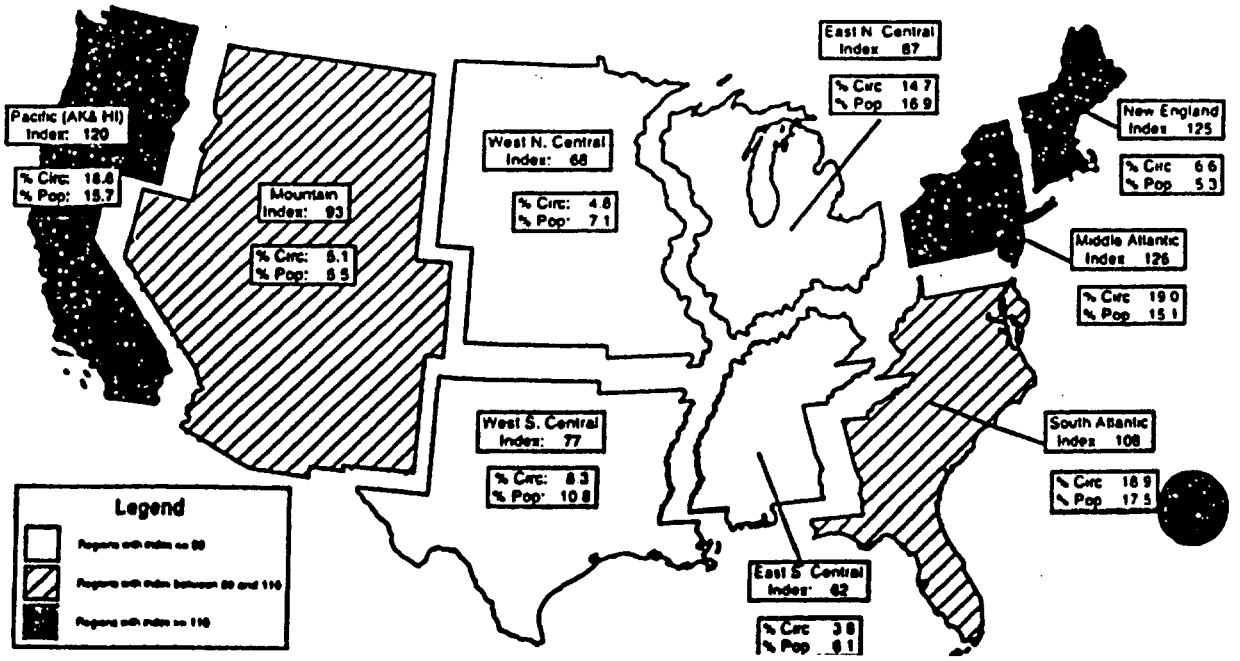
Magazines of less than 500,000 total average paid circulation not required to answer this paragraph.

10. GEOGRAPHIC ANALYSIS OF TOTAL PAID CIRCULATION for the May/June, 1997 Issue

Paid circulation of this issue was 1.1% less than the total average paid circulation.

STATE	Subs.	Single Copy Sales	TOTAL	% of Circ.
Maine	438	579	1,017	
New Hampshire	872	877	1,749	
Vermont	330	281	611	
Massachusetts	5,627	4,862	10,489	
Rhode Island	1,023	524	1,547	
Connecticut	4,377	3,870	8,247	
NEW ENGLAND	12,667	10,993	23,660	6.6
New York	17,925	14,010	31,935	
New Jersey	10,399	9,922	20,321	
Pennsylvania	8,933	6,681	15,614	
MIDDLE ATLANTIC	37,257	30,613	67,870	19.0
Ohio	6,277	5,429	11,706	
Indiana	2,862	2,503	5,365	
Illinois	10,433	9,881	20,314	
Michigan	5,231	4,757	9,988	
Wisconsin	2,898	2,314	5,212	
EAST N. CENTRAL	27,701	24,884	52,585	14.7
Minnesota	2,557	2,545	5,102	
Iowa	1,077	845	1,922	
Missouri	2,784	2,678	5,462	
North Dakota	175	208	383	
South Dakota	225	223	448	
Nebraska	637	624	1,261	
Kansas	1,450	1,144	2,594	
WEST N. CENTRAL	8,905	8,267	17,172	4.8
Delaware	479	605	1,084	
Maryland	4,011	3,465	7,476	
District of Columbia	811	799	1,610	
Virginia	5,179	3,364	8,543	
West Virginia	511	409	920	
North Carolina	3,938	3,795	7,733	
South Carolina	1,613	1,610	3,223	
Georgia	4,907	3,709	8,616	
Florida	12,701	15,752	28,453	
SOUTH ATLANTIC	34,150	33,508	67,658	18.9
Kentucky	1,419	1,274	2,693	
Tennessee	2,558	2,871	5,429	
Alabama	1,391	3,095	4,486	
Mississippi	683	339	1,022	
EAST S. CENTRAL	6,051	7,579	13,630	3.8
Arkansas	772	952	1,724	
Louisiana	1,974	1,560	3,534	
Oklahoma	1,192	991	2,183	
Texas	11,002	11,132	22,134	
WEST S. CENTRAL	14,940	14,635	29,575	8.3
Montana	291	227	518	
Idaho	387	282	669	
Wyoming	174	85	259	
Colorado	2,641	2,523	5,164	
New Mexico	748	806	1,554	
Arizona	2,855	2,983	5,838	
Utah	395	475	870	
Nevada	1,345	2,068	3,413	
MOUNTAIN	8,836	9,449	18,285	5.1
Alaska	344	311	655	
Washington	3,573	2,922	6,495	
Oregon	1,903	1,662	3,565	
California	28,761	25,605	54,366	
Hawaii	992	940	1,932	
PACIFIC	35,573	31,440	67,013	18.8
Miscellaneous				
U.S Unclassified				
UNITED STATES	186,080	171,368	357,448	100.0
U.S. Circ. Percent of Grand Total				
Poss. & Other Areas	653	495	1,148	0.3
U.S. & POSS., etc.	186,733	171,863	358,596	90.6
Canada	2,987	19,476	22,463	5.7
International	5,086	8,881	13,967	3.5
Other Unclassified				
Military or Civilian Personnel Overseas	687		687	0.2
GRAND TOTAL	195,493	200,220	395,713	100.0

Index = Geographic Distribution of % Circulation ÷ % Population



11. EXPLANATORY:

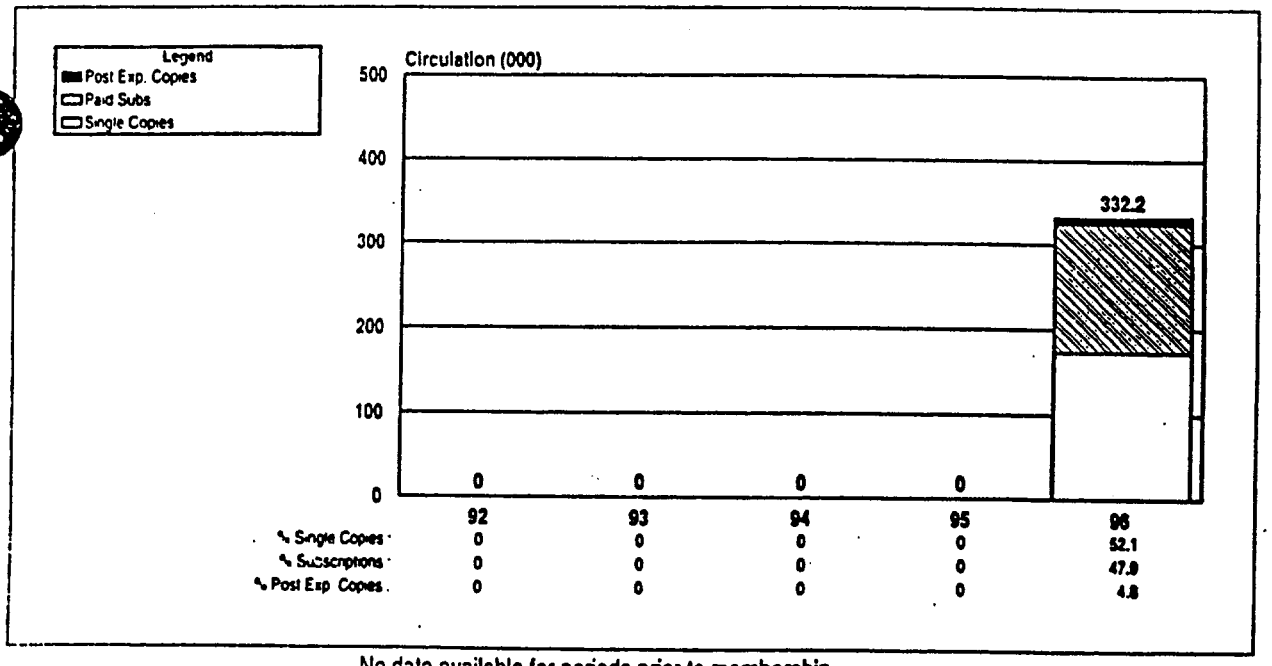
(a) Par. 3(a): Basic Prices: Subscriptions: To 06/01/97, U.S., 1 yr. (6 issues) $19.95, 2 yrs. $35.95, 3 yrs. $48.95; Canada, 1 yr. $25.95; International, 1 yr. $36.95; since 06/01/97, U.S., 1 yr. (6 issues) $19.95, 2 yrs. $35.95, 3 yrs. $48.95; Canada, 1 yr. $25.95; International, 1 yr. $48.00.

(b) Par. 3(a): Included in Par. 3(a) are 483 subscriptions that were sold since April 1, 1997 at 6 issues for $20.00 in exchange for the redemption of airline Frequent Flyer Miles at the rate of 2¢ per mile, as provided for under an ABC Board of Directors' approved test program.

Post Expiration Copies - Under ABC Rules, copies served to paid subscribers may be reported as paid circulation, provided the issues served are consecutive within three months of expiration.

ABC Publisher's Statement - This report has not been audited but has been compiled by the publisher in a format approved by ABC. An audit of the publisher's records will be issued by ABC reflecting differences, if any, from the Publisher's Statement.

12. **FIVE YEAR ANNUAL TRENDS:** Total average paid circulation as reported in June and December Publisher's Statements



	92	93	94	95	96
% Single Copies	0	0	0	0	52.1
% Subscriptions	0	0	0	0	47.9
% Post Exp Copies	0	0	0	0	4.8

No data available for periods prior to membership.

We certify that to the best of our knowledge all data set forth in this Publisher's Statement are true and report circulation in accordance with Audit Bureau of Circulations' Bylaws and Rules.

04-0196-5

CIGAR AFICIONADO, published by M. Shanken Communications, Inc., 387 Park Avenue South, New York, NY 10016

LAURA ZANDI
Vice President, Circulation

MARVIN R. SHANKEN
Publisher

Dated, July 30, 1997

Audit Bureau of Circulations
900 N. Meacham Road
Schaumburg, IL 60173-4968
(847) 605-0909
FAX: (847) 605-0483
URL http://www.accessabc.com

MAGAZINE PUBLISHER'S STATEMENT

For 6 months ended December 31, 1997

Subject to Audit

Exhibit E

Analyzed Paid Circulation

CIGAR AFICIONADO

NEW YORK, NEW YORK 10016

Field Served: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION

Total Average Paid Circulation:	373,192	
Advertising Rate Base/Circulation Guarantee:	None Claimed	
% Above/Below Rate Base (+/–)		
Total Average Non-Analyzed Non-Paid Circulation:	20,022	
		% of Total
Subscriptions: Individual	203,270	54.5
Single Copy Sales:	169,922	45.5
		100.0

1a. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions

None

2. PAID CIRCULATION by Issues

Issue	Subscriptions	Single Copy Sales	Total Paid	Issue	Subscriptions	Single Copy Sales	Total Paid
July/Aug.	194,361	161,059	355,420	Nov./Dec.	211,455	190,507	401,962
Sept./Oct.	203,994	158,200	362,194				

Member Number

CIGAR AFICIONADO

ANALYSIS OF TOTAL NEW AND RENEWAL SUBSCRIPTIONS

Gross subscriptions sold during 6 month period ended December 31, 1997

3. AUTHORIZED PRICES:		%
(a) Basic Prices: Single Copy: $4.95. Subscriptions: See Pars. 11(a) & (b)	115,884	92.8
(b) Higher than basic prices: 4 issues $16.95; 8 issues $31.95	281	0.2
(c) Lower than basic prices: 1 yr. $10.00, $16.95	8,739	7.0
(d) Association subscription prices:	None	
Total Subscriptions Sold in Period	124,904	100.0

4. DURATION OF SUBSCRIPTIONS SOLD:		
(a) One to six months (1 to 3 issues)	43	0.0
(b) Seven to eleven months (4 to 5 issues)	293	0.2
(c) Twelve months (6 issues)	110,232	88.3
(d) Thirteen to twenty-four months	9,616	7.7
(e) Twenty-five months and more	4,720	3.8
Total Subscriptions Sold in Period	124,904	100.0

5. CHANNELS OF SUBSCRIPTION SALES:		
(a) Ordered by mail and/or direct request (may include direct mail, renewal mail, insert cards, television and direct mail agents, etc.)	124,727	99.9
(b) Ordered through salespeople:		
1. Catalog agencies and individual agents - includes institutional and library subscriptions	177	0.1
2. Publisher's own and independent salespeople - includes sales through both direct personal contact and telemarketing efforts for consumer, trade and public place subscriptions	None	
3. Members of schools, churches, fraternal and similar organizations - includes fund raising programs directed to individuals	None	
(c) Association members	None	
Total Subscriptions Sold in Period	124,904	100.0

6. USE OF PREMIUMS:		
(a) Ordered without premium	124,904	100.0
(b) Ordered with material reprinted from this publication	None	
(c) Ordered with other premiums	None	
Total Subscriptions Sold in Period	124,904	100.0

ADDITIONAL CIRCULATION INFORMATION

7. POST EXPIRATION COPIES INCLUDED IN PAID CIRCULATION (PAR. 1):		%
(a) Average number of copies served on subscriptions not more than three months after expiration, See Par. 11	10,094	5.0

8. VARIANCE REPORT:

Latest Released Audit Report Issued for 12 months ended June 30, 1996

Variation from Publisher's Statements

Audit Period Ended	Rate Base	Audit Report	Publisher's Statements	Difference	Percentage of Difference
06-30-96	None Claimed	253,726	254,839	-1,113	-0.4
06-30-95	None Claimed	167,560	*		

*Initial Audit for 6 months ended June 30, 1995 - Publisher's Statement not required for this period.

9. U.S. PAID CIRCULATION BY ABCD COUNTY SIZE

Magazines of less than 500,000 total average paid circulation not required to answer this paragraph.

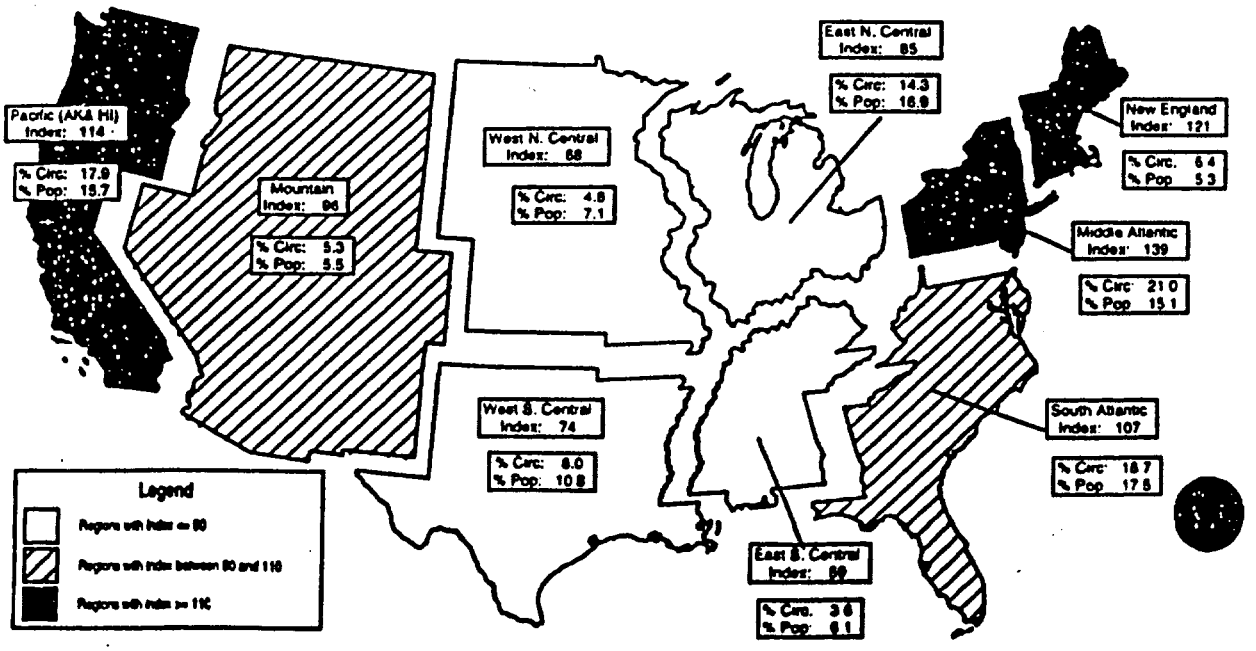
10. GEOGRAPHIC ANALYSIS OF TOTAL PAID CIRCULATION for the November/December, 1997 Issue

Paid circulation of this issue was 7.7% greater than the total average paid circulation.

STATE	Subs.	Single Copy Sales	TOTAL	% of Circ.
Maine	469	456	925	
New Hampshire	837	735	1,572	
Vermont	337	244	581	
Massachusetts	5,655	4,964	10,619	
Rhode Island	1,023	487	1,510	
Connecticut	4,505	3,207	7,712	
NEW ENGLAND	12,826	10,093	22,919	6.4
New York	24,538	13,649	38,187	
New Jersey	11,165	9,844	21,009	
Pennsylvania	9,523	6,730	16,253	
MIDDLE ATLANTIC	45,226	30,223	75,449	21.0
Ohio	6,575	4,688	11,263	
Indiana	3,066	1,732	4,798	
Illinois	10,983	8,887	19,870	
Michigan	5,515	4,390	9,905	
Wisconsin	3,081	2,352	5,433	
EAST N. CENTRAL	29,220	22,049	51,269	14.3
Minnesota	2,638	2,482	5,120	
Iowa	1,124	913	2,037	
Missouri	2,978	2,304	5,282	
North Dakota	201	215	416	
South Dakota	238	222	460	
Nebraska	645	481	1,126	
Kansas	1,496	1,168	2,664	
WEST N. CENTRAL	9,320	7,785	17,105	4.8
Delaware	532	361	893	
Maryland	4,289	4,172	8,461	
District of Columbia	772	828	1,600	
Virginia	5,422	3,159	8,581	
West Virginia	509	389	898	
North Carolina	4,170	3,357	7,527	
South Carolina	1,661	1,496	3,157	
Georgia	5,221	2,990	8,211	
Florida	13,676	14,087	27,763	
SOUTH ATLANTIC	36,252	30,839	67,091	18.7

STATE	Subs.	Single Copy Sales	TOTAL	% of Circ.
Kentucky	1,505	1,077	2,582	
Tennessee	2,684	2,145	4,829	
Alabama	1,458	3,104	4,562	
Mississippi	725	306	1,031	
EAST S. CENTRAL	6,372	6,632	13,004	3.6
Arkansas	828	583	1,411	
Louisiana	2,039	1,272	3,311	
Oklahoma	1,195	889	2,084	
Texas	11,424	10,549	21,973	
WEST S. CENTRAL	15,486	13,293	28,779	8.0
Montana	296	452	748	
Idaho	417	282	699	
Wyoming	154	87	241	
Colorado	2,795	2,700	5,495	
New Mexico	784	811	1,595	
Arizona	3,021	2,856	5,877	
Utah	414	698	1,112	
Nevada	1,457	1,731	3,188	
MOUNTAIN	9,338	9,617	18,955	5.3
Alaska	350	344	694	
Washington	3,878	2,928	6,806	
Oregon	2,071	1,688	3,759	
California	29,211	22,074	51,285	
Hawaii	1,054	847	1,901	
PACIFIC	36,564	27,881	64,445	17.9
Miscellaneous				
U.S. Unclassified				
UNITED STATES	200,604	158,412	359,016	100.0
U.S. Circ. Percent of Grand Total				
Poss. & Other Areas	800	1,048	1,848	
U.S. & POSS., etc.	201,404	159,460	360,864	[illegible]
Canada	3,308	16,952	20,260	5.0
International	5,936	14,095	20,031	5.0
Other Unclassified				
Military or Civilian Personnel Overseas	807		807	0.2
GRAND TOTAL	211,455	190,507	401,962	100.0

Index = Geographic Distribution of % Circulation ÷ % Population



11. EXPLANATORY:

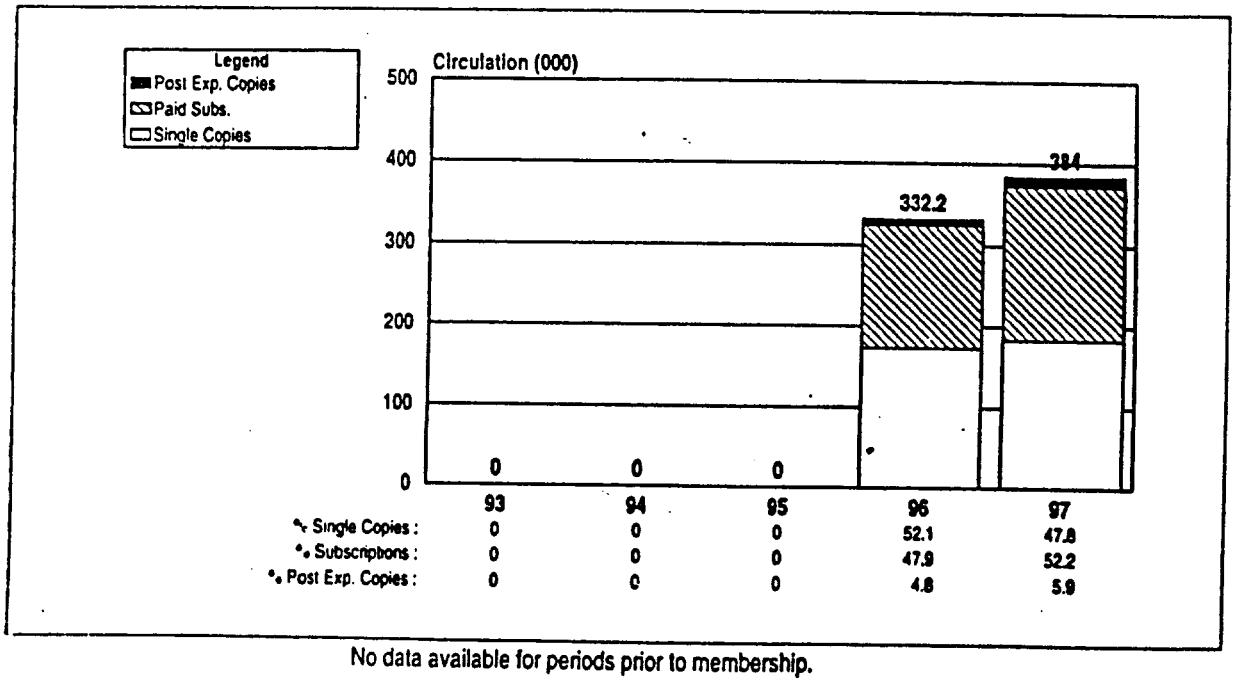
(a) Par. 3(a): Basic Prices: Subscriptions: U.S., 1 yr. (6 issues) $19.95; 2 yrs. $35.95; 3 yrs. $48.95. Canada, 1 yr. $25.95. International, 1 yr. $48.00.

(b) Par. 3(a): Basic Prices: Subscriptions: Included in Par. 3(a) are 699 subscriptions that were sold at 1 yr. for $20.00 in exchange for the redemption of airline Frequent Flyer Miles at the rate of 2c per mile, as provided for under an ABC Board of Directors' approved test program.

Post Expiration Copies - Under ABC Rules, copies served to paid subscribers may be reported as paid circulation, provided the issues served are consecutive within three months of expiration.

ABC Publisher's Statement - This report has not been audited but has been compiled by the publisher in a format approved by ABC. An audit of the publisher's records will be issued by ABC reflecting differences, if any, from the Publisher's Statement.

12. FIVE YEAR ANNUAL TRENDS: Total average paid circulation as reported in June and December Publisher's Statements



	93	94	95	96	97
% Single Copies:	0	0	0	52.1	47.8
% Subscriptions:	0	0	0	47.9	52.2
% Post Exp. Copies:	0	0	0	4.8	5.9

No data available for periods prior to membership.

We certify that to the best of our knowledge all data set forth in this Publisher's Statement are true and report circulation in accordance with Audit Bureau of Circulations' Bylaws and Rules.

04-0196-5

CIGAR AFICIONADO, published by M. Shanken Communications, Inc., 387 Park Avenue South, New York, NY 10016

LAURA ZANDI
Vice President, Circulation

MARVIN R. SHANKEN
Publisher

Date Signed, February 10, 1998

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Audit Bureau of Circulations
900 N. Meacham Road
Schaumburg, IL 60173-4968
(847) 605-0909
FAX: (847) 605-0483
URL http://www.accessabc.com

MAGAZINE PUBLISHER'S STATEMENT

For 6 months ended June 30, 1998

Subject to Audit

Exhibit F

Analyzed Paid Circulation

CIGAR AFICIONADO

NEW YORK, NEW YORK 10016

Field Served: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION

Total Average Paid Circulation:	344,660	
Advertising Rate Base/Circulation Guarantee:	None Claimed	
% Above/Below Rate Base (+/–)		
Total Average Non-Analyzed Non-Paid Circulation:	18,098	
		% of Total
Subscriptions: Individual	211,384	61.3
Single Copy Sales:	133,276	38.7
		100.0

1a. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions

None

2. PAID CIRCULATION by Issues

Issue	Subscriptions	Single Copy Sales	Total Paid	Issue	Subscriptions	Single Copy Sales	Total Paid
Jan./Feb.	212,074	144,579	356,653	May/June	205,683	133,474	339,157
Mar./Apr.	216,395	121,775	338,170				

CIGAR AFICIONADO

Magazine Publisher's Statement

For 6 months ended June 30, 1998

Member Number

CIGAR AFICIONADO

ANALYSIS OF TOTAL NEW AND RENEWAL SUBSCRIPTIONS

Gross subscriptions sold during 6 month period ended June 30, 1998

3. AUTHORIZED PRICES:

		%
(a) Basic Prices: Single Copy: $4.95. Subscriptions: See Para. 11(a) & (b)	85,722	99.0
(b) Higher than basic prices: 4 issues $16.95	70	0.1
(c) Lower than basic prices: 1 yr. $16.95	788	0.9
(d) Association subscription prices:	None	
Total Subscriptions Sold In Period	86,580	100.0

4. DURATION OF SUBSCRIPTIONS SOLD:

(a) One to six months (1 to 3 issues)	72	0.1
(b) Seven to eleven months (4 to 5 issues)	108	0.1
(c) Twelve months (6 issues)	74,565	86.1
(d) Thirteen to twenty-four months	7,786	9.0
(e) Twenty-five months and more	4,049	4.7
Total Subscriptions Sold in Period	86,580	100.0

5. CHANNELS OF SUBSCRIPTION SALES:

(a) Ordered by mail and/or direct request (may include direct mail, renewal mail, insert cards, television and direct mail agents, etc.)	86,420	99.8
(b) Ordered through salespeople:		
1. Catalog agencies and individual agents - includes institutional and library subscriptions	160	0.2
2. Publisher's own and independent salespeople - includes sales through both direct personal contact and telemarketing efforts for consumer, trade and public place subscriptions	None	
3. Members of schools, churches, fraternal and similar organizations - includes fund raising programs directed to individuals	None	
(c) Association members	None	
Total Subscriptions Sold in Period	86,580	100.0

6. USE OF PREMIUMS:

(a) Ordered without premium	86,580	100.0
(b) Ordered with material reprinted from this publication	None	
(c) Ordered with other premiums	None	
Total Subscriptions Sold in Period	86,580	100.0

ADDITIONAL CIRCULATION INFORMATION

7. POST EXPIRATION COPIES INCLUDED IN PAID CIRCULATION (PAR. 1):

		%
(a) Average number of copies served on subscriptions not more than three months after expiration, See Par. 11	13,473	6.4

8. VARIANCE REPORT:

Latest Released Audit Report Issued for 12 months ended June 30, 1996

Variation from Publisher's Statements

Audit Period Ended	Rate Base	Audit Report	Publisher's Statements	Difference	Percentage of Difference
06-30-96	None Claimed	253,726	254,839	-1,113	-0.4
06-30-95	None Claimed	167,560	*		

*Initial Audit for 6 months ended June 30, 1995 - Publisher's Statement not required for this period.

9. U.S. PAID CIRCULATION BY ABCD COUNTY SIZE

Magazines of less than 500,000 total average paid circulation not required to answer this paragraph.

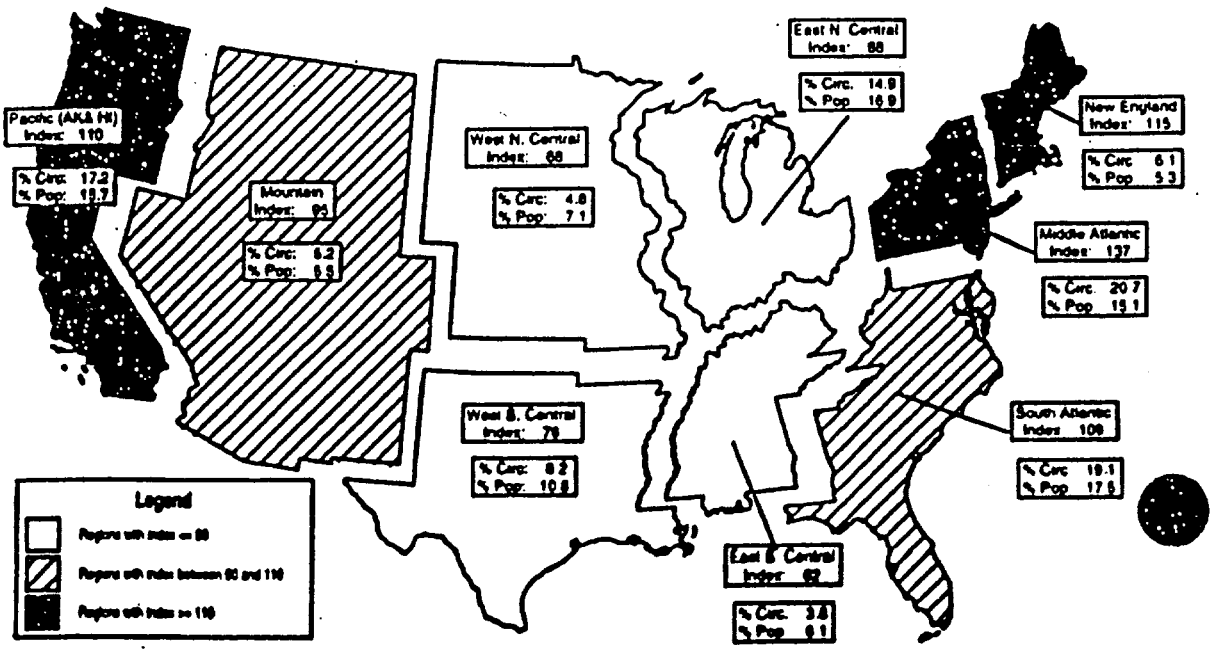
10. GEOGRAPHIC ANALYSIS OF TOTAL PAID CIRCULATION for the May/June, 1998 Issue

Paid circulation of this issue was 1.6% less than the total average paid circulation.

STATE	Subs.	Single Copy Sales	TOTAL	% of Circ.
Maine	428	301	729	
New Hampshire	824	435	1,259	
Vermont	312	180	492	
Massachusetts	3,468	2,979	6,447	
Rhode Island	1,003	299	1,302	
Connecticut	4,453	1,704	6,157	
NEW ENGLAND	12,488	5,898	18,386	6.1
New York	23,682	8,117	31,799	
New Jersey	10,956	6,120	17,076	
Pennsylvania	9,337	4,563	13,900	
MIDDLE ATLANTIC	43,975	18,800	62,775	20.7
Ohio	6,607	3,564	10,171	
Indiana	3,004	1,215	4,219	
Illinois	10,617	6,556	17,173	
Michigan	5,450	3,805	9,255	
Wisconsin	2,917	1,581	4,498	
EAST N. CENTRAL	28,595	16,721	45,316	14.9
Minnesota	2,567	1,757	4,324	
Iowa	1,127	630	1,757	
Missouri	2,854	1,656	4,510	
North Dakota	170	170	340	
South Dakota	199	150	349	
Nebraska	620	441	1,061	
Kansas	1,397	798	2,195	
WEST N. CENTRAL	8,934	5,602	14,536	4.9
Delaware	532	228	760	
Maryland	4,227	3,230	7,457	
District of Columbia	750	590	1,340	
Virginia	5,363	2,087	7,450	
West Virginia	495	286	781	
North Carolina	4,169	2,632	6,801	
South Carolina	1,674	918	2,592	
Georgia	5,056	2,674	7,730	
Florida	13,236	9,553	22,789	
SOUTH ATLANTIC	35,502	22,198	57,700	19.1

STATE	Subs.	Single Copy Sales	TOTAL	% of Circ.
Kentucky	1,465	805	2,270	
Tennessee	2,645	2,239	4,884	
Alabama	1,369	2,235	3,604	
Mississippi	703	180	883	
EAST S. CENTRAL	6,182	5,459	11,641	3.8
Arkansas	767	421	1,188	
Louisiana	1,931	1,001	2,932	
Oklahoma	1,183	604	1,787	
Texas	11,537	7,365	18,902	
WEST S. CENTRAL	15,418	9,391	24,809	8.2
Montana	254	351	605	
Idaho	364	184	548	
Wyoming	140	80	220	
Colorado	2,779	1,884	4,663	
New Mexico	735	530	1,265	
Arizona	3,053	1,919	4,972	
Utah	435	530	965	
Nevada	1,432	1,058	2,490	
MOUNTAIN	9,192	6,536	15,728	5.2
Alaska	329	209	538	
Washington	3,829	2,112	5,941	
Oregon	2,027	1,347	3,374	
California	26,984	13,681	40,665	
Hawaii	928	507	1,435	
PACIFIC	34,097	17,856	51,953	17.2
Miscellaneous				
U.S. Unclassified				
UNITED STATES	194,383	108,461	302,844	100.0
U.S. Circ. Percent of Grand Total				
Poss. & Other Areas	830	991	1,821	
U.S. & POSS., etc.	195,213	109,452	304,665	[illegible]
Canada	3,515	12,544	16,059	4.7
International	6,163	11,478	17,641	5.2
Other Unclassified				
Military or Civilian Personnel Overseas	792		792	0.3
GRAND TOTAL	205,683	133,474	339,157	100.0

Index = Geographic Distribution of % Circulation ÷ % Population



11. EXPLANATORY:

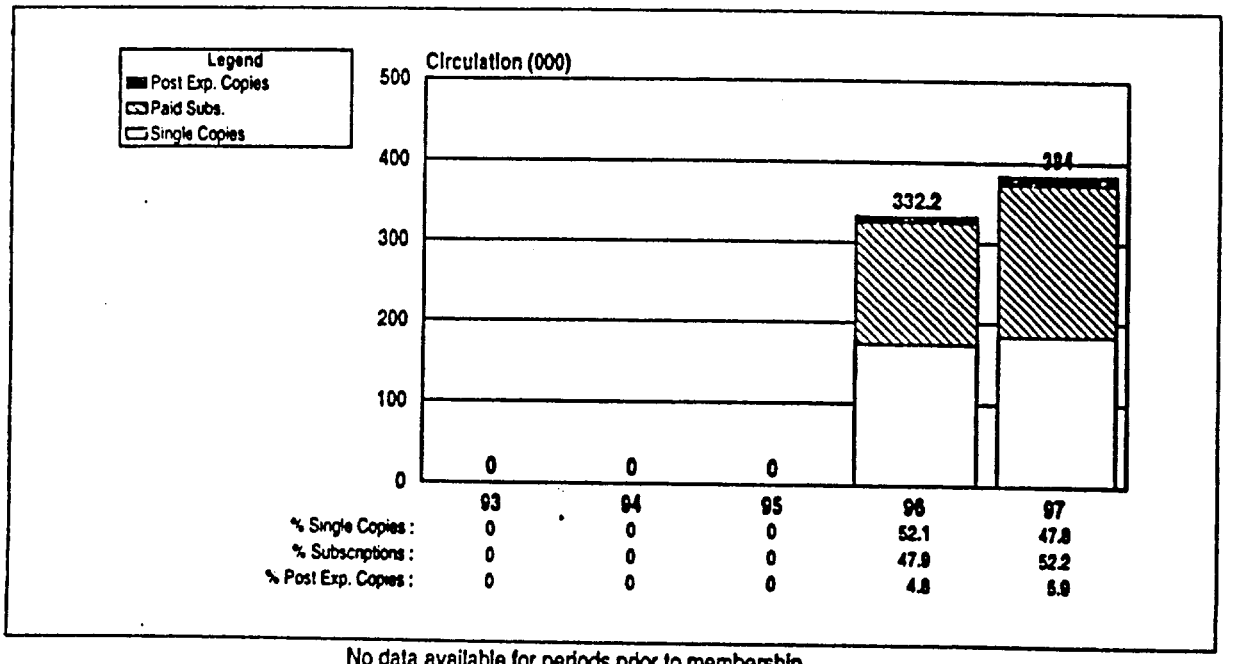
(a) Par. 3(a): Basic Prices: Subscriptions: U.S., 1 yr. (6 issues) $19.95; 2 yrs. $35.95; 3 yrs. $48.95. Canada, 1 yr. $25.95. International, 1 yr. $48.00.

(b) Par. 3(a): Basic Prices: Subscriptions: Included in Par. 3(a) are 3,451 subscriptions that were sold at 1 yr. for $20.00 in exchange for the redemption of airline Frequent Flyer Miles at the rate of 2¢ per mile, as provided for under an ABC Board of Directors' approved test program.

Post Expiration Copies - Under ABC Rules, copies served to paid subscribers may be reported as paid circulation, provided the issues served are consecutive within three months of expiration.

ABC Publisher's Statement - This report has not been audited but has been compiled by the publisher in a format approved by ABC. An audit of the publisher's records will be issued by ABC reflecting differences, if any, from the Publisher's Statement.

12. FIVE YEAR ANNUAL TRENDS: Total average paid circulation as reported in June and December Publisher's Statements



	93	94	95	96	97
% Single Copies :	0	0	0	52.1	47.8
% Subscriptions :	0	0	0	47.9	52.2
% Post Exp. Copies :	0	0	0	4.8	5.9

No data available for periods prior to membership.

We certify that to the best of our knowledge all data set forth in this Publisher's Statement are true and report circulation in accordance with Audit Bureau of Circulations' Bylaws and Rules.

04-0196-5

CIGAR AFICIONADO, published by M. Shanken Communications, Inc., 387 Park Avenue South, New York, NY 10016

LAURA ZANDI
Vice President, Circulation

MARVIN R. SHANKEN
Publisher

Date Signed, July 30, 1998

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Audit Bureau of Circulations
900 N. Meacham Road
Schaumburg, IL 60173-4968
(847) 605-0909
FAX: (847) 605-0483
URL http://www.accessabc.com

MAGAZINE PUBLISHER'S STATEMENT

For 6 months ended December 31, 1998

Subject to Audit

Exhibit G

Analyzed Paid Circulation

CIGAR AFICIONADO

NEW YORK, NEW YORK 10016

Field Served: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION

Total Average Paid Circulation:	**321,709**	
Advertising Rate Base/Circulation Guarantee:	None Claimed	
% Above/Below Rate Base (+/–)		
Total Average Non-Analyzed Non-Paid Circulation:	17,082	
		% of Total
Subscriptions: Individual	201,324	62.6
Single Copy Sales:	120,385	37.4
		100.0

1a. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions

None

2. PAID CIRCULATION by Issues

Issue	Subscriptions	Single Copy Sales	Total Paid	Issue	Subscriptions	Single Copy Sales	Total Paid
July/Aug.	200,115	117,557	317,672	Nov./Dec.	205,078	128,538	333,616
Sept./Oct.	198,779	115,061	313,840				

CIGAR AFICIONADO

Magazine Publisher's Statement

For 6 months ended December 31, 1998

Member Number
04-0196-5

CIGAR AFICIONADO

ANALYSIS OF TOTAL NEW AND RENEWAL SUBSCRIPTIONS

Gross subscriptions sold during 6 month period ended December 31, 1998

3. AUTHORIZED PRICES:

		%
(a) Basic Prices: Single Copy: $4.95. Subscriptions: See Par. 11(a)	88,130	91.0
(b) Higher than basic prices: 4 issues $16.95	351	0.4
(c) Lower than basic prices: 1 yr. $10.00	8,381	8.6
(d) Association subscription prices:	None	
Total Subscriptions Sold in Period	96,862	100.0

4. DURATION OF SUBSCRIPTIONS SOLD:

(a) One to six months (1 to 3 issues)	46	0.1
(b) Seven to eleven months (4 to 5 issues)	119	0.1
(c) Twelve months (6 issues)	81,418	84.1
(d) Thirteen to twenty-four months	9,340	9.6
(e) Twenty-five months and more	5,939	6.1
Total Subscriptions Sold in Period	96,862	100.0

5. CHANNELS OF SUBSCRIPTION SALES:

(a) Ordered by mail and/or direct request (may include direct mail, renewal mail, insert cards, television and direct mail agents, etc.)	96,564	99.7
(b) Ordered through salespeople:		
1. Catalog agencies and individual agents - includes institutional and library subscriptions	298	0.3
2. Publisher's own and independent salespeople - includes sales through both direct personal contact and telemarketing efforts for consumer, trade and public place subscriptions	None	
3. Members of schools, churches, fraternal and similar organizations - includes fund raising programs directed to individuals	None	
(c) Association members	None	
Total Subscriptions Sold in Period	96,862	100.0

6. USE OF PREMIUMS:

(a) Ordered without premium	96,862	100.0
(b) Ordered with material reprinted from this publication	None	
(c) Ordered with other premiums	None	
Total Subscriptions Sold in Period	96,862	100.0

ADDITIONAL CIRCULATION INFORMATION

7. POST EXPIRATION COPIES INCLUDED IN PAID CIRCULATION (PAR. 1):

		%
(a) Average number of copies served on subscriptions not more than three months after expiration, See Par. 11	12,148	6.0

8. VARIANCE REPORT:

Latest Released Audit Report Issued for 12 months ended June 30, 1997

Variation from Publisher's Statements

Audit Period Ended	Rate Base	Audit Report	Publisher's Statements	Difference	Percentage of Difference
06-30-97	None Claimed	374,636	386,142	-11,506	-3.0
06-30-96	None Claimed	253,726	254,839	-1,113	-0.4
06-30-95	None Claimed	167,560	*		

*Initial Audit for 6 months ended June 30, 1995 - Publisher's Statement not required for this period.

NOTE BY AUDIT BUREAU OF CIRCULATIONS

In accordance with Chapter B 3.8(d) of the Bureau Rules, the following is repeated from the Audit Report for the 12 months ended June 30, 1997:
"The difference shown in average paid circulation in comparing this report with the Publisher's Statements for the period audited is 11,506 copies per issue deduction."

9. U.S. PAID CIRCULATION BY ABCD COUNTY SIZE

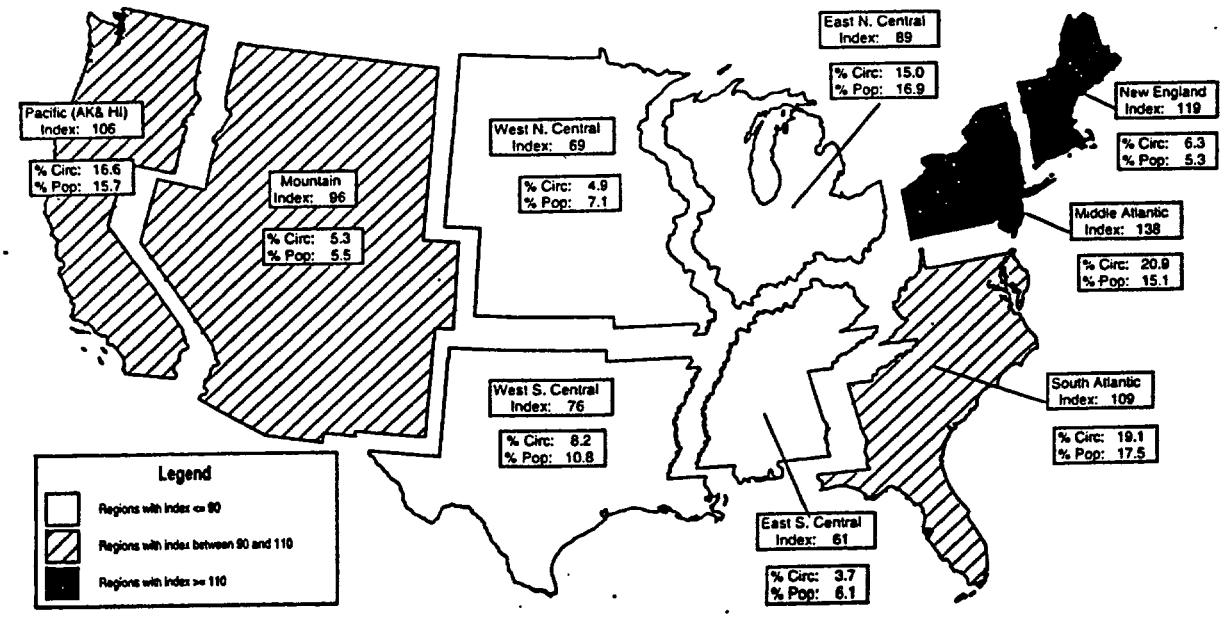
Magazines of less than 500,000 total average paid circulation not required to answer this paragraph.

10. GEOGRAPHIC ANALYSIS OF TOTAL PAID CIRCULATION for the November/December, 1998 Issue

Paid circulation of this issue was 3.7% greater than the total average paid circulation.

STATE	Subs.	Single Copy Sales	TOTAL	% of Circ.
Maine	431	334	765	
New Hampshire	872	477	1,349	
Vermont	322	169	491	
Massachusetts	5,430	3,006	8,436	
Rhode Island	970	293	1,263	
Connecticut	4,509	1,756	6,265	
NEW ENGLAND	12,534	6,035	18,569	6.3
New York	24,784	7,190	31,974	
New Jersey	11,023	5,613	16,636	
Pennsylvania	9,462	4,057	13,519	
MIDDLE ATLANTIC	45,269	16,860	62,129	20.9
Ohio	6,814	3,975	10,789	
Indiana	3,125	1,248	4,373	
Illinois	10,802	4,505	15,307	
Michigan	5,510	3,882	9,392	
Wisconsin	2,998	1,540	4,538	
EAST N. CENTRAL	29,249	15,150	44,399	15.0
Minnesota	2,478	1,405	3,883	
Iowa	1,114	940	2,054	
Missouri	3,020	1,685	4,705	
North Dakota	166	158	324	
South Dakota	204	145	349	
Nebraska	644	502	1,146	
Kansas	1,428	729	2,157	
WEST N. CENTRAL	9,054	5,564	14,618	4.9
Delaware	578	255	833	
Maryland	4,379	3,272	7,651	
District of Columbia	735	388	1,123	
Virginia	5,809	2,040	7,849	
West Virginia	484	279	763	
North Carolina	4,263	2,629	6,892	
South Carolina	1,605	933	2,538	
Georgia	5,020	2,372	7,392	
Florida	12,746	8,963	21,709	
SOUTH ATLANTIC	35,619	21,131	56,750	19.1
Kentucky	1,449	675	2,124	
Tennessee	2,614	1,943	4,557	
Alabama	1,377	2,024	3,401	
Mississippi	692	172	864	
EAST S. CENTRAL	6,132	4,814	10,946	3.7
Arkansas	734	354	1,088	
Louisiana	1,860	883	2,743	
Oklahoma	1,203	530	1,733	
Texas	11,326	7,447	18,773	
WEST S. CENTRAL	15,123	9,214	24,337	8.2
Montana	258	353	611	
Idaho	377	164	541	
Wyoming	146	80	226	
Colorado	2,644	1,801	4,445	
New Mexico	740	464	1,204	
Arizona	2,981	1,922	4,903	
Utah	465	486	951	
Nevada	1,452	1,237	2,689	
MOUNTAIN	9,063	6,507	15,570	5.3
Alaska	324	191	515	
Washington	3,777	1,883	5,660	
Oregon	1,957	1,625	3,582	
California	25,358	12,456	37,814	
Hawaii	977	551	1,528	
PACIFIC	32,393	16,706	49,099	16.6
Miscellaneous				
U.S. Unclassified				
UNITED STATES	194,436	101,981	296,417	100.0
U.S. Circ. Percent of Grand Total				88.8
Poss. & Other Areas	782	492	1,274	0.4
U.S. & POSS., etc.	195,218	102,473	297,691	89.2
Canada	3,316	13,136	16,452	4.9
International	5,828	12,555	18,383	5.5
Other Unclassified				
Military or Civilian Personnel Overseas	716	374	1,090	0.4
GRAND TOTAL	205,078	128,538	333,616	100.0

Index = Geographic Distribution of % Circulation ÷ % Population



11. EXPLANATORY:

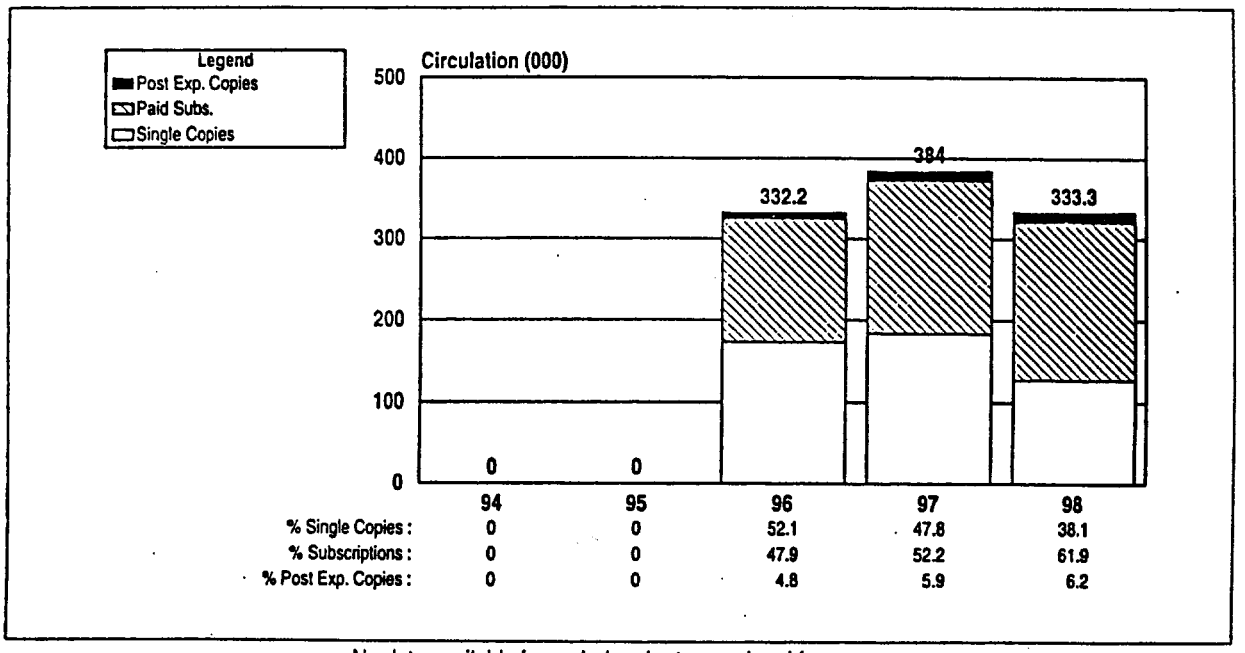
(a) Par. 3(a): Basic Prices: Subscriptions: U.S., 1 yr. (6 issues) $19.95; 2 yrs. $35.95; 3 yrs. $48.95. Canada, 1 yr. $25.95. International, 1 yr. $48.00.

Included in Par. 3(a) are 11,634 subscriptions that were sold at 1 yr. for $20.00 in exchange for the redemption of airline Frequent Flyer Miles at the rate of 2¢ per mile, as provided for under an ABC Board of Directors' approved test program.

Post Expiration Copies - Under ABC Rules, copies served to paid subscribers may be reported as paid circulation, provided the issues served are consecutive within three months of expiration.

ABC Publisher's Statement - This report has not been audited but has been compiled by the publisher in a format approved by ABC. An audit of the publisher's records will be issued by ABC reflecting differences, if any, from the Publisher's Statement.

12. FIVE YEAR ANNUAL TRENDS: Total average paid circulation as reported in June and December Publisher's Statements



	94	95	96	97	98
% Single Copies:	0	0	52.1	47.8	38.1
% Subscriptions:	0	0	47.9	52.2	61.9
% Post Exp. Copies:	0	0	4.8	5.9	6.2

No data available for periods prior to membership.

We certify that to the best of our knowledge all data set forth in this Publisher's Statement are true and report circulation in accordance with Audit Bureau of Circulations' Bylaws and Rules.

04-0196-5

CIGAR AFICIONADO, published by M. Shanken Communications, Inc., 387 Park Avenue South, New York, NY 10016

LAURA ZANDI
Vice President, Circulation

MARVIN R. SHANKEN
Publisher

Date Signed, February 18, 1999

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Audit Bureau of Circulations
900 N. Meacham Road
Schaumburg, IL 60173-4968
(847) 605-0909
: (847) 605-0483
..L http://www.accessabc.com

MAGAZINE PUBLISHER'S STATEMENT

For 6 months ended June 30, 1999

Exhibit H

Subject to Audit

Analyzed Paid Circulation

CIGAR AFICIONADO

NEW YORK, NEW YORK 10016

Field Served: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION

Total Average Paid Circulation:	**301,602**	
Advertising Rate Base/Circulation Guarantee:	None Claimed	
% Above/Below Rate Base (+/–)		
Total Average Non-Analyzed Non-Paid Circulation:	14,379	
		% of Total
Subscriptions: Individual	197,214	65.4
Single Copy Sales:	104,388	34.6
		100.0

1a. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions

None

2. PAID CIRCULATION by Issues

Issue	Subscriptions	Single Copy Sales	Total Paid	Issue	Subscriptions	Single Copy Sales	Total Paid
Jan./Feb.	204,879	106,125	311,004	May/June	190,361	115,813	306,174
Mar./Apr.	196,402	91,225	287,627				

Member Number
04-0196-5

CIGAR AFICIONADO

ANALYSIS OF TOTAL NEW AND RENEWAL SUBSCRIPTIONS

Gross subscriptions sold during 6 month period ended June 30, 1999

3. AUTHORIZED PRICES:

		%
(a) Basic Prices: Single Copy: $4.95. Subscriptions: See Par. 11(a)	90,010	91.1
(b) Higher than basic prices:	None	
(c) Lower than basic prices: 1 yr. $10.00	8,827	8.9
(d) Association subscription prices:	None	
Total Subscriptions Sold in Period	98,837	100.0

4. DURATION OF SUBSCRIPTIONS SOLD:

(a) One to six months (1 to 3 issues)	554	0.6
(b) Seven to eleven months (4 to 5 issues)	394	0.4
(c) Twelve months (6 issues)	85,850	86.9
(d) Thirteen to twenty-four months	7,730	7.8
(e) Twenty-five months and more	4,309	4.3
Total Subscriptions Sold in Period	98,837	100.0

5. CHANNELS OF SUBSCRIPTION SALES:

(a) Ordered by mail and/or direct request (may include direct mail, renewal mail, insert cards, television and direct mail agents, etc.)	98,707	99.9
(b) Ordered through salespeople:		
1. Catalog agencies and individual agents - includes institutional and library subscriptions	130	0.1
2. Publisher's own and independent salespeople - includes sales through both direct personal contact and telemarketing efforts for consumer, trade and public place subscriptions	None	
3. Members of schools, churches, fraternal and similar organizations - includes fund raising programs directed to individuals	None	
(c) Association members	None	
Total Subscriptions Sold in Period	98,837	100.0

6. USE OF PREMIUMS:

(a) Ordered without premium	98,837	100.0
(b) Ordered with material reprinted from this publication	None	
(c) Ordered with other premiums	None	
Total Subscriptions Sold in Period	98,837	100.0

ADDITIONAL CIRCULATION INFORMATION

7. POST EXPIRATION COPIES INCLUDED IN PAID CIRCULATION (PAR. 1):

		%
(a) Average number of copies served on subscriptions not more than three months after expiration, See Par. 11	15,480	7.8

8. VARIANCE REPORT:

Latest Released Audit Report Issued for 12 months ended June 30, 1997

Variation from Publisher's Statements

Audit Period Ended	Rate Base	Audit Report	Publisher's Statements	Difference	Percentage of Difference
06-30-97	None Claimed	374,636	386,142	-11,506	-3.0
06-30-96	None Claimed	253,726	254,839	-1,113	-0.4
06-30-95	None Claimed	167,560	*		

*Initial Audit for 6 months ended June 30, 1995 - Publisher's Statement not required for this period.

NOTE BY AUDIT BUREAU OF CIRCULATIONS

In accordance with Chapter B 3.8(d) of the Bureau Rules, the following is repeated from the Audit Report for the 12 months ended June 30, 1997:
"The difference shown in average paid circulation in comparing this report with the Publisher's Statements for the period audited is 11,506 copies per issue deduction."

9. U.S. PAID CIRCULATION BY ABCD COUNTY SIZE

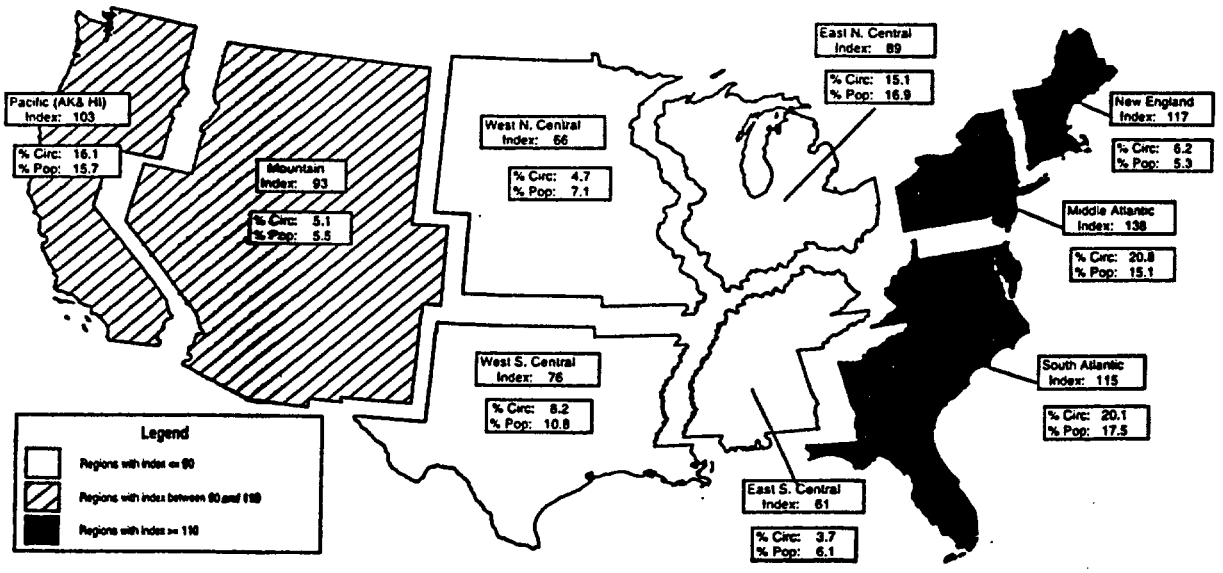
Magazines of less than 500,000 total average paid circulation not required to answer this paragraph.

10. GEOGRAPHIC ANALYSIS OF TOTAL PAID CIRCULATION for the May/June, 1999 Issue

Paid circulation of this issue was 1.5% greater than the total average paid circulation.

STATE	Subs.	Single Copy Sales	TOTAL	% of Circ.
Maine	444	280	724	
New Hampshire	841	449	1,290	
Vermont	309	110	419	
Massachusetts	5,041	2,157	7,198	
Rhode Island	863	345	1,208	
Connecticut	4,226	1,500	5,726	
NEW ENGLAND	11,724	4,841	16,565	6.2
New York	23,586	7,094	30,680	
New Jersey	10,316	3,436	13,752	
Pennsylvania	8,632	3,004	11,636	
MIDDLE ATLANTIC	42,534	13,534	56,068	20.8
Ohio	6,575	3,481	10,056	
Indiana	2,918	1,481	4,399	
Illinois	9,813	3,635	13,448	
Michigan	5,257	3,570	8,827	
Wisconsin	2,679	1,307	3,986	
EAST N. CENTRAL	27,242	13,474	40,716	15.1
Minnesota	2,251	1,072	3,323	
Iowa	1,075	515	1,590	
Missouri	2,814	1,144	3,958	
North Dakota	165	120	285	
South Dakota	180	116	296	
Nebraska	591	590	1,181	
Kansas	1,281	679	1,960	
WEST N. CENTRAL	8,357	4,236	12,593	4.7
Delaware	521	270	791	
Maryland	4,174	1,819	5,993	
District of Columbia	669	1,136	1,805	
Virginia	5,581	2,730	8,311	
West Virginia	451	235	686	
North Carolina	3,980	2,339	6,319	
South Carolina	1,448	888	2,336	
Georgia	4,795	2,446	7,241	
Florida	12,093	8,751	20,844	
SOUTH ATLANTIC	33,712	20,614	54,326	20.1
Kentucky	1,362	729	2,091	
Tennessee	2,404	1,683	4,087	
Alabama	1,309	1,568	2,877	
Mississippi	661	302	963	
EAST S. CENTRAL	5,736	4,282	10,018	3.7
Arkansas	708	374	1,082	
Louisiana	1,669	742	2,411	
Oklahoma	1,115	444	1,559	
Texas	10,342	6,633	16,975	
WEST S. CENTRAL	13,834	8,193	22,027	8.2
Montana	222	162	384	
Idaho	372	148	520	
Wyoming	145	117	262	
Colorado	2,447	1,506	3,953	
New Mexico	683	322	1,005	
Arizona	2,752	1,741	4,493	
Utah	420	325	745	
Nevada	1,404	1,056	2,460	
MOUNTAIN	8,445	5,377	13,822	5.1
Alaska	295	165	460	
Washington	3,489	2,383	5,872	
Oregon	1,830	1,039	2,869	
California	22,328	10,572	32,900	
Hawaii	895	498	1,393	
PACIFIC	28,837	14,657	43,494	16.1
Miscellaneous				
U.S. Unclassified				
UNITED STATES	180,421	89,208	269,629	100.0
U.S. Circ. Percent of Grand Total				88.1*
Poss. & Other Areas	752	1,642	2,394	0.8
U.S. & POSS., etc.	181,173	90,850	272,023	88.9
Canada	2,906	12,048	14,954	4.9
International	5,620	12,430	18,050	5.9
Other Unclassified				
Military or Civilian Personnel Overseas	662	485	1,147	0.3
GRAND TOTAL	190,361	115,813	306,174	100.0

Index = Geographic Distribution of % Circulation ÷ % Population



11. EXPLANATORY:

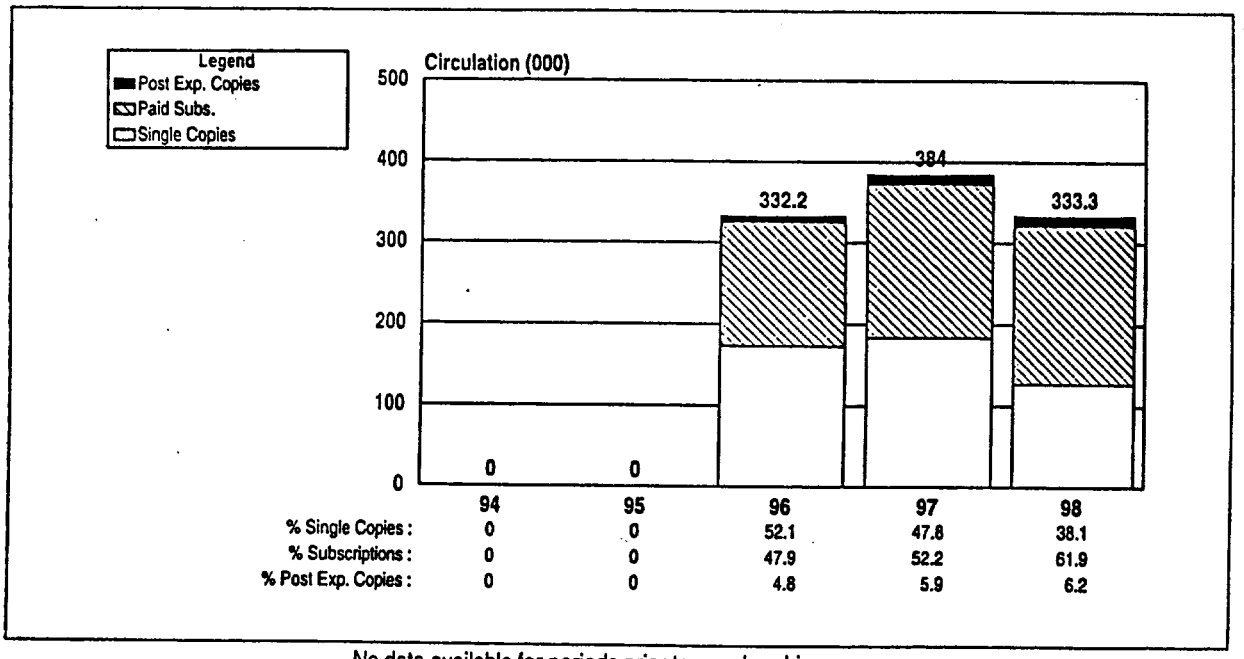
(a) Par. 3(a): Basic Prices: Subscriptions: U.S., 1 yr. (6 issues) $19.95; 2 yrs. $35.95; 3 yrs. $48.95. Canada, 1 yr. $25.95. International, 1 yr. $48.00.

Included in Par. 3(a) are 9,632 subscriptions that were sold at 1 yr. for $20.00 in exchange for the redemption of airline Frequent Flyer Miles at the rate of 2c per mile.

Post Expiration Copies - Under ABC Rules, copies served to paid subscribers may be reported as paid circulation, provided the issues served are consecutive within three months of expiration.

ABC Publisher's Statement - This report has not been audited but has been compiled by the publisher in a format approved by ABC. An audit of the publisher's records will be issued by ABC reflecting differences, if any, from the Publisher's Statement.

12. **FIVE YEAR ANNUAL TRENDS:** Total average paid circulation as reported in June and December Publisher's Statements



	94	95	96	97	98
% Single Copies :	0	0	52.1	47.8	38.1
% Subscriptions :	0	0	47.9	52.2	61.9
% Post Exp. Copies :	0	0	4.8	5.9	6.2

No data available for periods prior to membership.

We certify that to the best of our knowledge all data set forth in this Publisher's Statement are true and report circulation in accordance with Audit Bureau of Circulations' Bylaws and Rules.

04-0196-5

CIGAR AFICIONADO, published by M. Shanken Communications, Inc., 387 Park Avenue South, New York, NY 10016

LAURA ZANDI — Vice President, Circulation

MARVIN R. SHANKEN — Publisher

Date Signed, July 29, 1999

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Audit Bureau of Circulations
900 N. Meacham Road
Schaumburg, IL 60173-4968
(847) 605-0909
FAX: (847) 605-0483
URL http://www.accessabc.com

MAGAZINE PUBLISHER'S STATEMENT

For 6 months ended December 31, 1999

Subject to Audit

Exhibit I

CIGAR AFICIONADO

NEW YORK, NEW YORK 10016

Field Served: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION

Total Average Paid Circulation: 291,139

Paid Advertising Rate Base/Circulation Guarantee: None Claimed

% Above/Below Rate Base (+/–)

		% of Total
Subscriptions: Individual	185,166	63.6
Single Copy Sales:	105,973	36.4
Total Paid Circulation	291,139	100.0

1a. This publication does not report analyzed non-paid circulation.

1b. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions

None

1c. AVERAGE NON-ANALYZED NON-PAID CIRCULATION

Average non-analyzed non-paid circulation 10,044

Average non-analyzed non-paid circulation – Under ABC Rules, copies which were distributed but did not meet ABC rules for inclusion in paid (i.e. complimentary copies, staff and advertising copies and copies served on credit where no payment was ever received) are reported in this paragraph.

2. PAID CIRCULATION by Issues

Issue	Subscriptions	Single Copy Sales	Total Paid
July/Aug.	182,433	108,693	291,126
Sept./Oct.	182,239	94,786	277,025
Nov./Dec.	190,825	114,440	305,265

Member Number
04-0196-5

ANALYSIS OF TOTAL NEW AND RENEWAL SUBSCRIPTIONS

Gross subscriptions sold for inclusion in paid circulation, during 6 month period ended December 31, 1999

3. AUTHORIZED PRICES:

		%
(a) Basic Prices: Single Copy: $4.95. Subscriptions: See Par. 11(a)		
(b) Higher than basic prices:	65,875	99.1
(c) Lower than basic prices: 1 yr. $10.00	None	
(d) Association subscription prices:	604	0.9
	None	
Total Subscriptions Sold in Period	66,479	100.0

4. DURATION OF SUBSCRIPTIONS SOLD:

(a) One to six months (1 to 3 issues)	86	0.1
(b) Seven to eleven months (4 to 5 issues)	163	0.3
(c) Twelve months (6 issues)	56,238	84.6
(d) Thirteen to twenty-four months	6,595	9.9
(e) Twenty-five months and more	3,397	5.1
Total Subscriptions Sold in Period	66,479	100.0

5. CHANNELS OF SUBSCRIPTION SALES:

(a) Ordered by mail and/or direct request (may include direct mail, renewal mail, insert cards, television and direct mail agents, etc.)	66,363	99.8
(b) Ordered through salespeople:		
1. Catalog agencies and individual agents - includes institutional and library subscriptions	116	0.2
2. Publisher's own and independent salespeople - includes sales through both direct personal contact and telemarketing efforts for consumer, trade and public place subscriptions	None	
3. Members of schools, churches, fraternal and similar organizations - includes fund raising programs directed to individuals	None	
(c) Association members	None	
Total Subscriptions Sold in Period	66,479	100.0

6. USE OF PREMIUMS:

(a) Ordered without premium	66,479	100.0
(b) Ordered with material reprinted from this publication	None	
(c) Ordered with other premiums	None	
Total Subscriptions Sold in Period	66,479	100.0

ADDITIONAL CIRCULATION INFORMATION

7. POST EXPIRATION COPIES INCLUDED IN PAID CIRCULATION (PAR. 1):

		%
(a) Average number of copies served on subscriptions not more than three months after expiration, See Par. 11	14,140	7.6

8. ANALYSIS OF ANALYZED NON-PAID CIRCULATION

This publication does not report analyzed non-paid circulation.

9. U.S. PAID CIRCULATION BY ABCD COUNTY SIZE

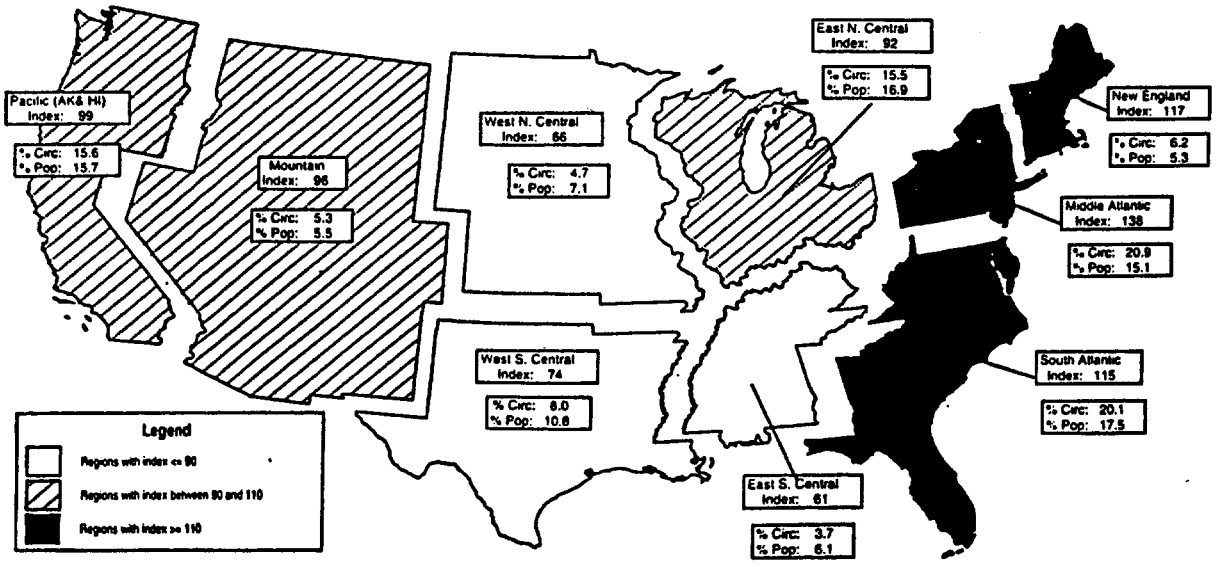
Magazines of less than 500,000 total average paid circulation not required to answer this paragraph.

10. GEOGRAPHIC ANALYSIS OF PAID CIRCULATION for the November/December, 1999 Issue

Paid circulation of this issue was 4.9% greater than the total average paid circulation.

STATE	SUB-SCRIPTIONS	SINGLE COPY SALES	TOTAL	% OF CIRC.
Maine	432	254	686	
New Hampshire	855	496	1,351	
Vermont	286	128	414	
Massachusetts	5,164	2,243	7,407	
Rhode Island	867	308	1,175	
Connecticut	4,197	1,557	5,754	
NEW ENGLAND	11,801	4,986	16,787	6.2
New York	23,610	7,255	30,865	
New Jersey	10,579	3,312	13,891	
Pennsylvania	8,700	3,155	11,855	
MIDDLE ATLANTIC	42,889	13,722	56,611	20.9
Ohio	6,788	4,017	10,805	
Indiana	2,980	1,459	4,439	
Illinois	9,693	4,499	14,192	
Michigan	5,433	3,118	8,551	
Wisconsin	2,691	1,500	4,191	
EAST N. CENTRAL	27,585	14,593	42,178	15.5
Minnesota	2,288	1,169	3,457	
Iowa	1,062	477	1,539	
Missouri	2,843	1,238	4,081	
North Dakota	147	130	277	
South Dakota	188	126	314	
Nebraska	587	424	1,011	
Kansas	1,282	748	2,030	
WEST N. CENTRAL	8,397	4,312	12,709	4.7
Delaware	576	271	847	
Maryland	4,250	1,624	5,874	
District of Columbia	672	625	1,297	
Virginia	5,614	3,151	8,765	
West Virginia	446	261	707	
North Carolina	4,031	2,677	6,708	
South Carolina	1,523	775	2,298	
Georgia	4,905	2,825	7,730	
Florida	12,178	8,087	20,265	
SOUTH ATLANTIC	34,195	20,296	54,491	20.1
Kentucky	1,374	893	2,267	
Tennessee	2,444	1,491	3,935	
Alabama	1,345	1,599	2,944	
Mississippi	671	237	908	
EAST S. CENTRAL	5,834	4,220	10,054	3.7
Arkansas	724	339	1,063	
Louisiana	1,576	671	2,247	
Oklahoma	1,130	471	1,601	
Texas	10,358	6,519	16,877	
WEST S. CENTRAL	13,788	8,000	21,788	8.0
Montana	211	153	364	
Idaho	382	185	567	
Wyoming	147	125	272	
Colorado	2,517	1,462	3,979	
New Mexico	681	406	1,087	
Arizona	2,805	1,801	4,606	
Utah	454	454	908	
Nevada	1,362	1,264	2,626	
MOUNTAIN	8,559	5,850	14,409	5.3
Alaska	279	174	453	
Washington	3,621	1,950	5,571	
Oregon	1,858	1,419	3,277	
California	21,768	9,830	31,598	
Hawaii	810	531	1,341	
PACIFIC	28,336	13,904	42,240	15.6
U.S. Unclassified				
UNITED STATES	181,384	89,883	271,267	100.0
U.S. Circ. Percent of Grand Total				88.9
Poss. & Other Areas	673	1,228	1,901	0.6
U.S. & POSS., etc.	182,057	91,111	273,168	89.5
Canada	2,685	10,777	13,462	4.4
International	5,476	12,124	17,600	5.8
Other Unclassified				
Military or Civilian Personnel Overseas	607	428	1,035	0.3
GRAND TOTAL	190,825	114,440	305,265	100.0

Index = Geographic Distribution of % Circulation ÷ % Population



11. EXPLANATORY:

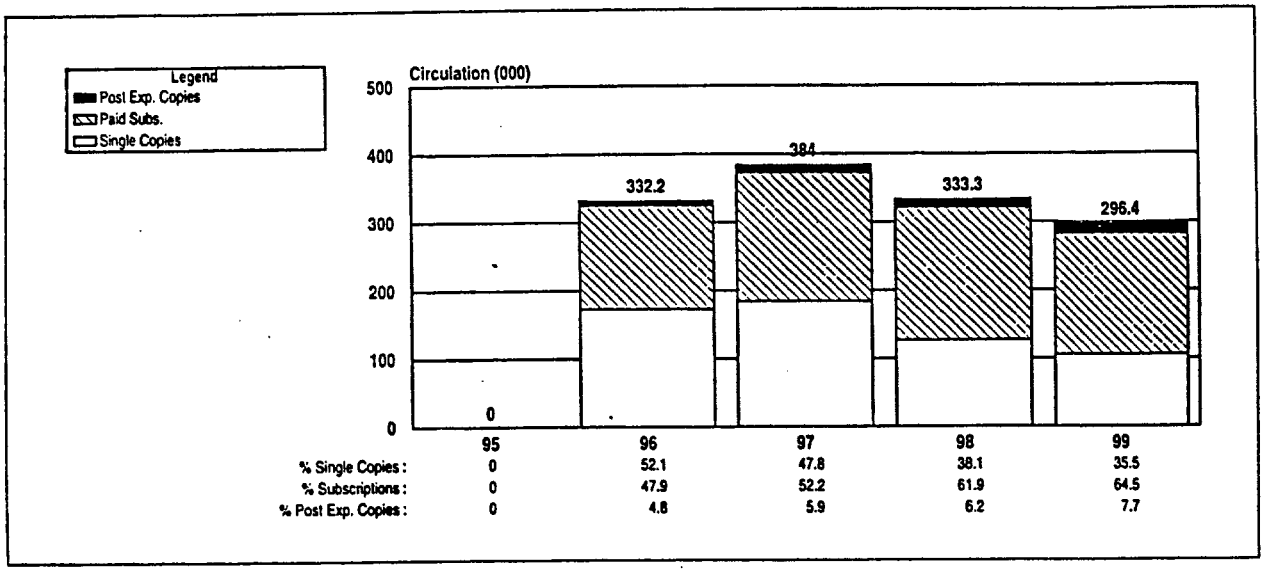
Post Expiration Copies - Under ABC Rules, copies served to paid subscribers may be reported as paid circulation, provided the issues served are consecutive within three months of expiration.

ABC Publisher's Statement - This report has not been audited but has been compiled by the publisher in a format approved by ABC. An audit of the publisher's records will be issued by ABC reflecting differences, if any, from the Publisher's Statement.

(a) Par. 3(a): Basic Prices: Subscriptions: U.S., 1 yr. (6 issues) $19.95; 2 yrs. $35.95; 3 yrs. $48.95. Canada, 1 yr. $25.95. International, 1 yr. $48.00.

Included in Par. 3(a) are 9,786 subscriptions that were sold at 1 yr. for $20.00 in exchange for the redemption of airline Frequent Flyer Miles at the rate of 2c per mile.

12. FIVE YEAR ANNUAL TRENDS: Total average paid circulation as reported in June and December Publisher's Statements



	95	96	97	98	99
% Single Copies:	0	52.1	47.8	38.1	35.5
% Subscriptions:	0	47.9	52.2	61.9	64.5
% Post Exp. Copies:	0	4.8	5.9	6.2	7.7

No data available for periods prior to membership.

13. VARIANCE REPORT:

Latest Released Audit Report Issued for 12 months ended June 30, 1998

Variation from Publisher's Statements

Audit Period Ended	Rate Base (Paid)	Audit Report (Paid)	Publisher's Statements (Paid)	Difference (Paid)	Percentage of Difference (Paid)
06-30-98	None Claimed	353,587	358,926	-5,339	-1.5
06-30-97	None Claimed	374,636	386,142	-11,506	-3.0
06-30-96	None Claimed	253,726	254,839	-1,113	-0.4
06-30-95	None Claimed	167,560	*		

*Initial Audit for 6 months ended June 30, 1995 - Publisher's Statement not required for this period.

We certify that to the best of our knowledge all data set forth in this Publisher's Statement are true and report circulation in accordance with Audit Bureau of Circulations' Bylaws and Rules. 04-0196-5

CIGAR AFICIONADO, published by M. Shanken Communications, Inc., 387 Park Avenue South, New York, NY 10016. Telephone: 212-684-4224

LAURA ZANDI — Vice President, Circulation

MARVIN R. SHANKEN — Publisher

Date Signed, February 17, 2000

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Audit Bureau of Circulations
900 N. Meacham Road
Schaumburg, IL 60173-4968
17) 605-0909
X: (847) 605-0483
URL http://www.accessabc.com

MAGAZINE PUBLISHER'S STATEMENT

For 6 months ended June 30, 2000

Exhibit J

Subject to Audit

CIGAR AFICIONADO

NEW YORK, NEW YORK 10016

Field Served: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION

Total Average Paid Circulation: 280,023

Paid Advertising Rate Base/Circulation Guarantee: None Claimed

% Above/Below Rate Base (+/–)

		% of Total
Subscriptions: Individual, See Par. 14(a)	181,085	64.7
Single Copy Sales:	98,938	35.3
Total Paid Circulation	280,023	100.0

1a. This publication does not report analyzed non-paid circulation.

1b. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions

None

1c. AVERAGE NON-ANALYZED NON-PAID CIRCULATION

Average non-analyzed non-paid circulation 18,147

Average non-analyzed non-paid circulation – Under ABC Rules, copies which were distributed but did not meet ABC rules for inclusion in paid (i.e. complimentary copies, staff and advertising copies and copies served on credit where no payment was ever received) are reported in this paragraph.

2. PAID CIRCULATION by Issues

Issue	Subscriptions	Single Copy Sales	Total Paid
Jan./Feb.	173,176	104,021	277,197
Mar./Apr.	186,374	99,867	286,241
May/June	183,704	92,927	276,631

CIGAR AFICIONADO

Magazine Publisher's Statement

For 6 months ended June 30, 2000

Member Number
04-0196-5

ANALYSIS OF TOTAL NEW AND RENEWAL SUBSCRIPTIONS

Gross subscriptions sold for inclusion in paid circulation, during 6 month period ended June 30, 2000

3. AUTHORIZED PRICES:

		%
(a) Basic Prices: Single Copy: $4.95. Subscriptions: See Par. 11(a)	75,977	97.8
(b) Higher than basic prices:	None	
(c) Lower than basic prices: 1 yr. $9.98; 2 yrs. $19.95	1,736	2.2
(d) Association subscription prices:	None	
Total Subscriptions Sold in Period	77,713	100.0

4. DURATION OF SUBSCRIPTIONS SOLD:

(a) One to six months (1 to 3 issues)	4,028	5.2
(b) Seven to eleven months (4 to 5 issues)	58	0.1
(c) Twelve months (6 issues)	64,226	82.6
(d) Thirteen to twenty-four months	6,388	8.2
(e) Twenty-five months and more	3,013	3.9
Total Subscriptions Sold in Period	77,713	100.0

5. CHANNELS OF SUBSCRIPTION SALES:

(a) Ordered by mail and/or direct request (may include direct mail, renewal mail, insert cards, television and direct mail agents, etc.)	77,628	99.9
(b) Ordered through salespeople:		
1. Catalog agencies and individual agents - includes institutional and library subscriptions	85	0.1
2. Publisher's own and independent salespeople - includes sales through both direct personal contact and telemarketing efforts for consumer, trade and public place subscriptions	None	
3. Members of schools, churches, fraternal and similar organizations - includes fund raising programs directed to individuals	None	
(c) Association members	None	
Total Subscriptions Sold in Period	77,713	100.0

6. USE OF PREMIUMS:

(a) Ordered without premium	77,713	100.0
(b) Ordered with material reprinted from this publication	None	
(c) Ordered with other premiums	None	
Total Subscriptions Sold in Period	77,713	100.0

ADDITIONAL CIRCULATION INFORMATION

7. POST EXPIRATION COPIES INCLUDED IN PAID CIRCULATION (PAR. 1):

		%
(a) Average number of copies served on subscriptions not more than three months after expiration, See Par. 11	12,058	6.7

8. ANALYSIS OF ANALYZED NON-PAID CIRCULATION

This publication does not report analyzed non-paid circulation.

9. U.S. PAID CIRCULATION BY ABCD COUNTY SIZE

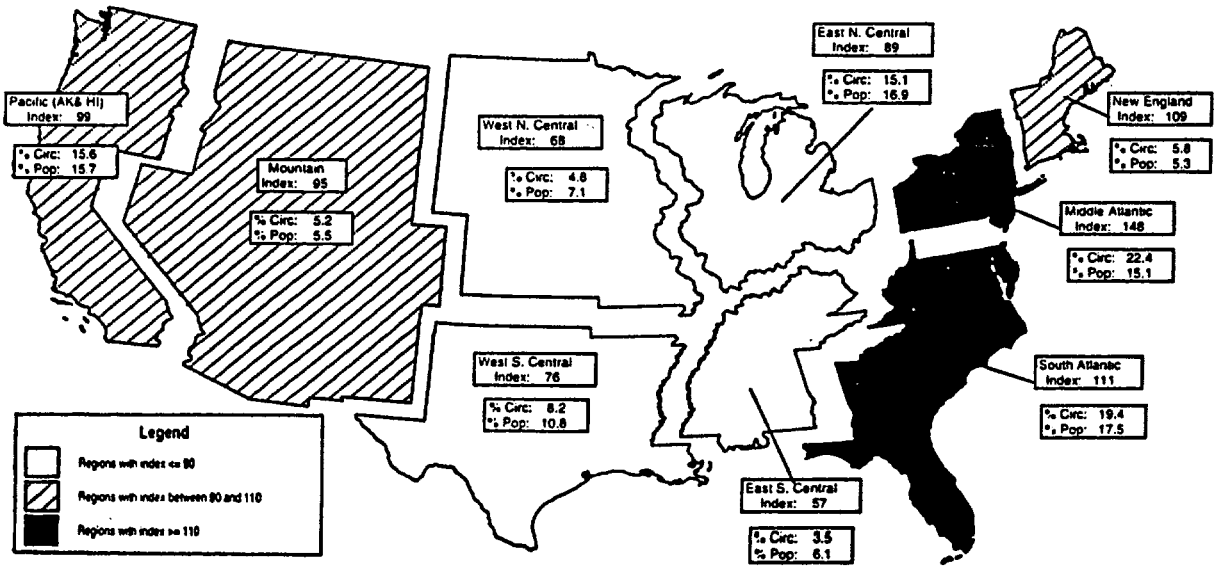
Magazines of less than 500,000 total average paid circulation not required to answer this paragraph.

10. GEOGRAPHIC ANALYSIS OF PAID CIRCULATION for the May/June, 2000 Issue

Paid circulation of this issue was 1.2% less than the total average paid circulation.

STATE	SUB-SCRIPTIONS	SINGLE COPY SALES	TOTAL	% OF CIRC.
Maine	322	189	511	
New Hampshire	745	343	1,088	
Vermont	230	94	324	
Massachusetts	4,676	2,013	6,689	
Rhode Island	810	187	997	
Connecticut	3,755	994	4,749	
NEW ENGLAND	10,538	3,820	14,358	5.8
New York	26,078	5,121	31,199	
New Jersey	9,750	3,502	13,252	
Pennsylvania	7,849	2,871	10,720	
MIDDLE ATLANTIC	43,677	11,494	55,171	22.4
Ohio	6,191	2,797	8,988	
Indiana	2,784	822	3,606	
Illinois	9,160	4,006	13,166	
Michigan	5,356	2,443	7,799	
Wisconsin	2,614	1,122	3,736	
EAST N. CENTRAL	26,105	11,190	37,295	15.1
Minnesota	2,234	901	3,135	
Iowa	1,006	513	1,519	
Missouri	2,819	1,042	3,861	
North Dakota	138	84	222	
South Dakota	161	114	275	
Nebraska	599	388	987	
Kansas	1,191	555	1,746	
WEST N. CENTRAL	8,148	3,597	11,745	4.8
Delaware	510	187	697	
Maryland	3,880	794	4,674	
District of Columbia	680	1,358	2,038	
Virginia	4,911	1,668	6,579	
West Virginia	399	202	601	
North Carolina	3,670	2,327	5,997	
South Carolina	1,510	445	1,955	
Georgia	4,618	2,887	7,505	
Florida	11,860	5,769	17,629	
SOUTH ATLANTIC	32,038	15,637	47,675	19.4
Kentucky	1,282	802	2,084	
Tennessee	2,249	1,170	3,419	
Alabama	1,259	1,079	2,338	
Mississippi	617	145	762	
EAST S. CENTRAL	5,407	3,196	8,603	3.5
Arkansas	678	237	915	
Louisiana	1,586	558	2,144	
Oklahoma	1,066	372	1,438	
Texas	10,250	5,320	15,570	
WEST S. CENTRAL	13,580	6,487	20,067	8.2
Montana	194	229	423	
Idaho	340	114	454	
Wyoming	125	61	186	
Colorado	2,590	1,013	3,603	
New Mexico	624	248	872	
Arizona	2,746	1,437	4,183	
Utah	475	412	887	
Nevada	1,321	911	2,232	
MOUNTAIN	8,415	4,425	12,840	5.2
Alaska	205	145	350	
Washington	3,477	2,120	5,597	
Oregon	1,693	535	2,228	
California	21,140	7,984	29,124	
Hawaii	626	470	1,096	
PACIFIC	27,141	11,254	38,395	15.6
U.S. Unclassified				
UNITED STATES	175,049	71,100	246,149	100.0
U.S. Circ. Percent of Grand Total				89.0
Poss. & Other Areas	584	294	878	0.3
U.S. & POSS., etc.	175,633	71,394	247,027	89.3
Canada	2,371	8,663	11,034	4.0
International	5,192	12,334	17,526	6.3
Other Unclassified				
Military or Civilian Personnel Overseas	508	536	1,044	0.4
GRAND TOTAL	183,704	92,927	276,631	100.0

Index = Geographic Distribution of % Circulation ÷ % Population



11. EXPLANATORY:

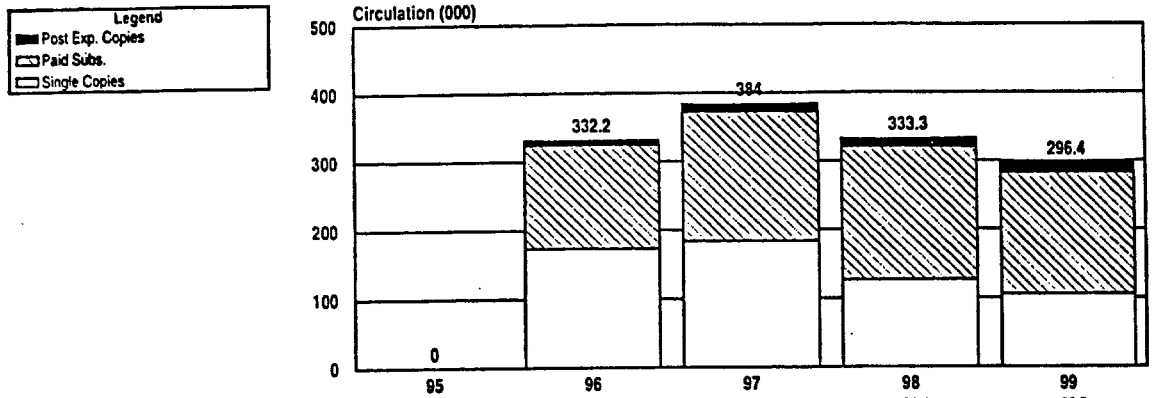
Post Expiration Copies - Under ABC Rules, copies served to paid subscribers may be reported as paid circulation, provided the issues served are consecutive within three months of expiration.

ABC Publisher's Statement - This report has not been audited but has been compiled by the publisher in a format approved by ABC. An audit of the publisher's records will be issued by ABC reflecting differences, if any, from the Publisher's Statement.

(a) Par. 3(a): Basic Prices: Subscriptions: U.S., 1 yr. (6 issues) $19.95; 2 yrs. $35.95; 3 yrs. $48.95. Canada, 1 yr. $25.95. International, 1 yr. $48.00.

Included in Par. 3(a) are 6,520 subscriptions that were sold at 1 yr. for $20.00 in exchange for the redemption of airline Frequent Flyer Miles at the rate of 2c per mile.

12. FIVE YEAR ANNUAL TRENDS: Total average paid circulation as reported in June and December Publisher's Statements



	95	96	97	98	99
% Single Copies :	0	52.1	47.8	38.1	35.5
% Subscriptions :	0	47.9	52.2	61.9	64.5
% Post Exp. Copies :	0	4.8	5.9	6.2	7.7

No data available for periods prior to membership.

13. VARIANCE REPORT:

Latest Released Audit Report Issued for 12 months ended June 30, 1998

Variation from Publisher's Statements

Audit Period Ended	Rate Base (Paid)	Audit Report (Paid)	Publisher's Statements (Paid)	Difference (Paid)	Percentage of Difference (Paid)
06-30-98	None Claimed	353,587	358,926	-5,339	-1.5
06-30-97	None Claimed	374,636	386,142	-11,506	-3.0
06-30-96	None Claimed	253,726	254,839	-1,113	-0.4
06-30-95	None Claimed	167,560	*		

*Initial Audit for 6 months ended June 30, 1995 - Publisher's Statement not required for this period.

14. PUBLIC PLACE/SPONSORED SALES EXPLANATORY:

Public Place/Sponsored Sales Subscriptions/Single Issue Sales - are copies sold to a single purchaser in quantities of 11 or more and paid for at a qualifying price.

(a) Par. 1: Included in individual subscriptions is an average of 10,735 copies per issue which were sold in quantities of 20 to 3,500 at basic prices or lower than basic prices. Copies were mailed in bulk to Airlines for redistribution.

We certify that to the best of our knowledge all data set forth in this Publisher's Statement are true and report circulation in accordance with Audit Bureau of Circulations' Bylaws and Rules. 04-0196-5

CIGAR AFICIONADO, published by M. Shanken Communications, Inc., 387 Park Avenue South, New York, NY 10016. Telephone: 212-684-4224

LAURA ZANDI
Vice President, Circulation

MARVIN R. SHANKEN
Publisher

Date Signed, August 18, 2000

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Audit Bureau of Circulations
900 N. Meacham Road
Schaumburg, IL 60173-4968
(847) 605-0909
FAX: (847) 605-0483
URL http://www.accessabc.com

MAGAZINE PUBLISHER'S STATEMENT

For 6 months ended December 31, 2000

Subject to Audit

Exhibit K

CIGAR AFICIONADO

NEW YORK, NEW YORK 10016

Field Served: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION

Total Average Paid Circulation: 271,045

Paid Advertising Rate Base/Circulation Guarantee: None Claimed

% Above/Below Rate Base (+/–)

		% of Total
Subscriptions: Individual, See Par. 14(a)	181,850	67.1
Single Copy Sales:	89,195	32.9
Total Paid Circulation	271,045	100.0

1a. This publication does not report analyzed non-paid circulation.

1b. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions

None

1c. AVERAGE NON-ANALYZED NON-PAID CIRCULATION

Average non-analyzed non-paid circulation 12,108

Average non-analyzed non-paid circulation – Under ABC Rules, copies which were distributed but did not meet ABC rules for inclusion in paid (i.e. complimentary copies, staff and advertising copies and copies served on credit where no payment was ever received) are reported in this paragraph.

2. PAID CIRCULATION by Issues

Issue	Subscriptions	Single Copy Sales	Total Paid
July/Aug.	175,346	80,173	255,519
Sept./Oct.	178,058	81,892	259,950
Nov./Dec.	192,146	105,521	297,667

CIGAR AFICIONADO

Magazine Publisher's Statement

For 6 months ended December 31, 2000

Member Number
04-0196-5

ANALYSIS OF TOTAL NEW AND RENEWAL SUBSCRIPTIONS

Gross subscriptions sold for inclusion in paid circulation, during 6 month period ended December 31, 2000

3. AUTHORIZED PRICES:

		%
(a) Basic Prices: Single Copy: $4.95.	91,877	76.3
Subscriptions: See Par. 11(a)	None	
(b) Higher than basic prices:	28,615	23.7
(c) Lower than basic prices: 1 yr. $9.98, $10.00, $14.95; 2 yrs. $19.95	None	
(d) Association subscription prices:		
Total Subscriptions Sold in Period	120,492	100.0

4. DURATION OF SUBSCRIPTIONS SOLD:

(a) One to six months (1 to 3 issues)	27	0.0
(b) Seven to eleven months (4 to 5 issues)	59	0.0
(c) Twelve months (6 issues)	112,271	93.2
(d) Thirteen to twenty-four months	5,247	4.4
(e) Twenty-five months and more	2,888	2.4
Total Subscriptions Sold in Period	120,492	100.0

5. CHANNELS OF SUBSCRIPTION SALES:

(a) Ordered by mail and/or direct request (may include direct mail, renewal mail, insert cards, television and direct mail agents, etc.)	120,352	99.9
(b) Ordered through salespeople:		
1. Catalog agencies and individual agents - includes institutional and library subscriptions	140	0.1
2. Publisher's own and independent salespeople - includes sales through both direct personal contact and telemarketing efforts for consumer, trade and public place subscriptions	None	
3. Members of schools, churches, fraternal and similar organizations - includes fund raising programs directed to individuals	None	
(c) Association members	None	
Total Subscriptions Sold in Period	120,492	100.0

6. USE OF PREMIUMS:

(a) Ordered without premium	112,108	93.0
(b) Ordered with material reprinted from this publication, See Par. 11(b)	8,384	7.0
(c) Ordered with other premiums	None	
Total Subscriptions Sold in Period	120,492	100.0

ADDITIONAL CIRCULATION INFORMATION

7. POST EXPIRATION COPIES INCLUDED IN PAID CIRCULATION (PAR. 1):

		%
(a) Average number of copies served on subscriptions not more than three months after expiration, See Par. 11	10,700	5.9

8. ANALYSIS OF ANALYZED NON-PAID CIRCULATION

This publication does not report analyzed non-paid circulation.

9. U.S. PAID CIRCULATION BY ABCD COUNTY SIZE

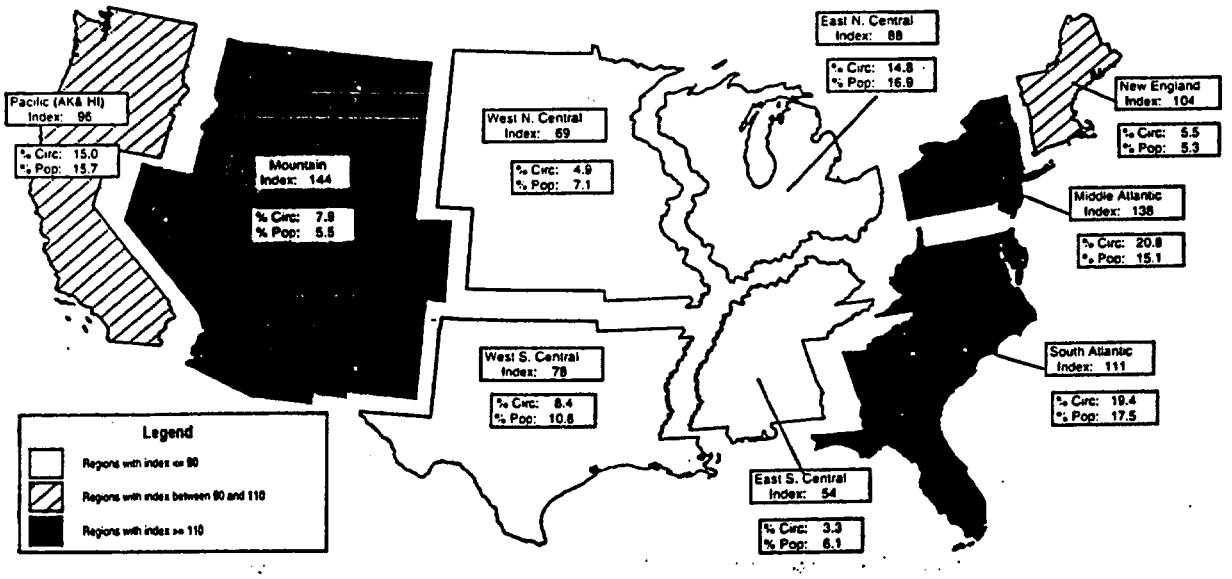
Magazines of less than 500,000 total average paid circulation not required to answer this paragraph.

10. GEOGRAPHIC ANALYSIS OF PAID CIRCULATION for the November/December, 2000 Issue

Paid circulation of this issue was 9.8% greater than the total average paid circulation.

STATE	SUB-SCRIPTIONS	SINGLE COPY SALES	TOTAL	% OF CIRC.
Maine	411	234	645	
New Hampshire	771	450	1,221	
Vermont	239	102	341	
Massachusetts	4,612	2,110	6,722	
Rhode Island	775	273	1,048	
Connecticut	3,577	1,219	4,796	
NEW ENGLAND	10,385	4,388	14,773	5.5
New York	25,680	6,752	32,432	
New Jersey	9,287	3,102	12,389	
Pennsylvania	7,898	3,021	10,919	
MIDDLE ATLANTIC	42,865	12,875	55,740	20.8
Ohio	6,319	3,717	10,036	
Indiana	2,953	1,283	4,236	
Illinois	8,985	4,209	13,194	
Michigan	5,513	2,469	7,982	
Wisconsin	2,613	1,469	4,082	
EAST N. CENTRAL	26,383	13,147	39,530	14.8
Minnesota	2,322	1,095	3,417	
Iowa	1,088	435	1,523	
Missouri	3,128	1,627	4,755	
North Dakota	169	89	258	
South Dakota	184	183	367	
Nebraska	629	362	991	
Kansas	1,228	477	1,705	
WEST N. CENTRAL	8,748	4,268	13,016	4.9
Delaware	508	256	764	
Maryland	3,787	1,329	5,116	
District of Columbia	698	651	1,349	
Virginia	4,846	2,352	7,198	
West Virginia	462	267	729	
North Carolina	3,851	2,554	6,405	
South Carolina	1,562	880	2,442	
Georgia	4,737	2,252	6,989	
Florida	11,678	9,212	20,890	
SOUTH ATLANTIC	32,129	19,753	51,882	19.4
Kentucky	1,424	622	2,046	
Tennessee	2,362	1,384	3,746	
Alabama	1,439	581	2,020	
Mississippi	718	255	973	
EAST S. CENTRAL	5,943	2,842	8,785	3.3
Arkansas	797	302	1,099	
Louisiana	1,630	743	2,373	
Oklahoma	1,256	458	1,714	
Texas	10,550	6,901	17,451	
WEST S. CENTRAL	14,233	8,404	22,637	8.4
Montana	252	271	523	
Idaho	412	212	624	
Wyoming	156	155	311	
Colorado	2,629	1,368	3,997	
New Mexico	715	341	1,056	
Arizona	2,796	1,652	4,448	
Utah	523	284	807	
Nevada	7,676	1,739	9,415	
MOUNTAIN	15,159	6,022	21,181	7.9
Alaska	269	225	494	
Washington	3,757	1,856	5,613	
Oregon	1,825	914	2,739	
California	21,134	9,021	30,155	
Hawaii	651	617	1,268	
PACIFIC	27,636	12,633	40,269	15.0
U.S. Unclassified				
UNITED STATES	183,481	84,332	267,813	100.0
U.S. Circ. Percent of Grand Total				90.0
Poss. & Other Areas	522	1,749	2,271	0.8
U.S. & POSS., etc.	184,003	86,081	270,084	90.8
Canada	3,015	9,891	12,906	4.3
International	4,643	8,771	13,414	4.5
Other Unclassified				
Military or Civilian Personnel Overseas	485	778	1,263	0.4
GRAND TOTAL	192,146	105,521	297,667	100.0

Index = Geographic Distribution of % Circulation ÷ % Population



11. EXPLANATORY:

Post Expiration Copies - Under ABC Rules, copies served to paid subscribers may be reported as paid circulation, provided the issues served are consecutive within three months of expiration.

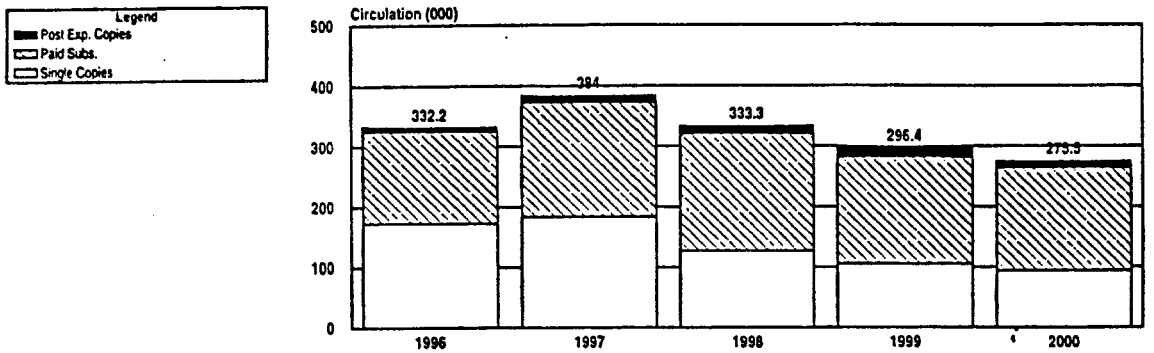
ABC Publisher's Statement - This report has not been audited but has been compiled by the publisher in a format approved by ABC. An audit of the publisher's records will be issued by ABC reflecting differences, if any, from the Publisher's Statement.

(a) Par. 3(a): Basic Prices: Subscriptions: U.S., 1 year (6 issues) $19.95; 2 years $35.95; 3 years $48.95. Canada, 1 year $25.95. International, 1 year $48.00.

Included in Par. 3(a) are 2,947 subscriptions that were sold at 1 year for $20.00 in exchange for the redemption of airline Frequent Flyer Miles at the rate of 2c per mile.

(b) Par. 6(b): A booklet entitled "CIGAR AFICIONADO's Favorite Hotels & Restaurants," with no advertised or stated value, was offered through direct request and sent upon receipt of orders at 1 year for $19.95 and upon receipt of payment of orders at 1 year for $19.95.

12. FIVE YEAR ANNUAL TRENDS: Total average paid circulation as reported in June and December Publisher's Statements



	1996	1997	1998	1999	2000
% Single Copies:	52.1	47.8	38.1	35.5	34.1
% Subscriptions:	47.9	52.2	61.9	64.5	65.9
% Post Exp. Copies:	4.8	5.9	6.2	7.7	6.3

13. VARIANCE REPORT:

Latest Released Audit Report Issued for 12 months ended June 30, 1999

Variation from Publisher's Statements

Audit Period Ended	Rate Base (Paid)	Audit Report (Paid)	Publisher's Statements (Paid)	Difference (Paid)	Percentage of Difference (Paid)
06-30-99	None Claimed	303,591	311,656	-8,065	-2.6
06-30-98	None Claimed	353,587	358,926	-5,339	-1.5
06-30-97	None Claimed	374,636	386,142	-11,506	-3.0
06-30-96	None Claimed	253,726	254,839	-1,113	-0.4
06-30-95	None Claimed	167,560	*		

*Initial Audit for 6 months ended June 30, 1995 - Publisher's Statement not required for this period.

NOTE BY AUDIT BUREAU OF CIRCULATIONS

In accordance with Chapter B 3.8(d) of the Bureau Rules, the following is repeated from the Audit Report for the 12 months ended June 30, 1999:
"The difference shown in average paid circulation in comparing this report with the Publisher's Statements for the period audited is 8,065 copies per issue deduction."

14. PUBLIC PLACE/SPONSORED SALES EXPLANATORY:

Public Place/Sponsored Sales Subscriptions/Single Issue Sales - are copies sold to a single purchaser in quantities of 11 or more and paid for at a qualifying price.

(a) Par. 1: Included in individual subscriptions is an average of 12,009 copies per issue which were sold in quantities of 20 to 4,000 at lower than basic prices. Copies were mailed in bulk to Airlines for redistribution.

We certify that to the best of our knowledge all data set forth in this Publisher's Statement are true and report circulation in accordance with Audit Bureau of Circulations' Bylaws and Rules. 04-0196-5

CIGAR AFICIONADO, published by M. Shanken Communications, Inc., 387 Park Avenue South, New York, NY 10016. Telephone: 212-684-4224

LAURA ZANDI
Vice President, Circulation

MARVIN R. SHANKEN
Publisher

Date Signed, February 14, 2001

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Audit Bureau of Circulations
900 N. Meacham Road
Schaumburg, IL 60173-4968
(847) 605-0909
FAX: (847) 605-0483

MAGAZINE INITIAL AUDIT REPORT

See Par. 11(a)

Exhibit L

For 6 months ended June 30, 1995

CIGAR AFICIONADO

Analyzed Paid Circulation

CIGAR AFICIONADO

PLAINTIFF'S DEPOSITION EXHIBIT
Shanken -6
4/24/01 AT

NEW YORK, NEW YORK 10016

Field Served: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION

Total Average Paid Circulation:	**167,560**	
Advertising Rate Base/Circulation Guarantee:	None Claimed	
% Above/Below Rate Base (+/–)		
Total Average Non-Analyzed Non-Paid Circulation:	16,755	
		% of Total
Subscriptions: Individual	91,643	54.7
Single Copy Sales:	75,917	45.3
		100.0

1a. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions

None of record

2. PAID CIRCULATION by Issues

Issue	Subscriptions	Single Copy Sales	Total Paid	Issue	Subscriptions	Single Copy Sales	Total Paid
Spring	84,076	70,246	154,322	Summer	99,209	81,588	180,797

AVERAGE PAID CIRCULATION BY QUARTERS for the period covered by this report:

Calendar Quarter Ended	1995
March 31	154,322
June 30	180,797

AUDIT STATEMENT

This is an Initial Audit covering the six month period ended June 30, 1995 and release of this report constitutes qualification and acceptance of membership.

Member Number
04-0196-5

Magazine
Initial Audit Report
For 6 months ended June 30, 1995

CIGAR AFICIONADO

ANALYSIS OF TOTAL NEW AND RENEWAL SUBSCRIPTIONS

Gross subscriptions sold during 6 month period ended June 30, 1995

3. AUTHORIZED PRICES:		%
(a) Basic Prices: Single Copy: $3.95. Subscriptions: U.S., 1 yr. $14.95; 2 yrs. $24.95; 3 yrs. $34.95. Canada, 1 yr. $18.95. International, 1 yr. $24.95	44,590	71.9
(b) Higher than basic prices: 1 yr. $16.95, $20.95, $26.95; 2 yrs. $31.95, $44.95	409	0.7
(c) Lower than basic prices: 1 yr. $12.95; 5 issues $12.95, $14.95; 2 yrs. $22.95; 3 yrs. $32.95	17,004	27.4
(d) Association subscription prices:	None of record	
Total Subscriptions Sold in Period	62,003	100.0

4. DURATION OF SUBSCRIPTIONS SOLD:		
(a) One to six months (1 to 2 issues)	45	0.1
(b) Seven to eleven months (3 issues)	48	0.1
(c) Twelve months (4 issues)	40,637	65.5
(d) Thirteen to twenty-four months	16,297	26.3
(e) Twenty-five months and more	4,976	8.0
Total Subscriptions Sold in Period	62,003	100.0

5. CHANNELS OF SUBSCRIPTION SALES:		
(a) Ordered by mail and/or direct request (may include direct mail, renewal mail, insert cards, television and direct mail agents, etc.)	61,952	99.9
(b) Ordered through salespeople:		
1. Catalog agencies and individual agents - includes institutional and library subscriptions	51	0.1
2. Publisher's own and independent salespeople - includes sales through both direct personal contact and telemarketing efforts for consumer, trade and public place subscriptions	None of record	
3. Members of schools, churches, fraternal and similar organizations - includes fund raising programs directed to individuals	None of record	
(c) Association members	None of record	
Total Subscriptions Sold in Period	62,003	100.0

6. USE OF PREMIUMS:		
(a) Ordered without premium	62,003	100.0
(b) Ordered with material reprinted from this publication	None of record	
(c) Ordered with other premiums	None of record	
Total Subscriptions Sold in Period	62,003	100.0

ADDITIONAL CIRCULATION INFORMATION

7. POST EXPIRATION COPIES INCLUDED IN PAID CIRCULATION (PAR. 1):		%
(a) Average number of copies served on subscriptions not more than three months after expiration, See Par. 11	4,114	4.5

8. VARIANCE REPORT:

Not applicable.

9. U.S. PAID CIRCULATION BY ABCD COUNTY SIZE

Magazines of less than 500,000 total average paid circulation not required to answer this paragraph.

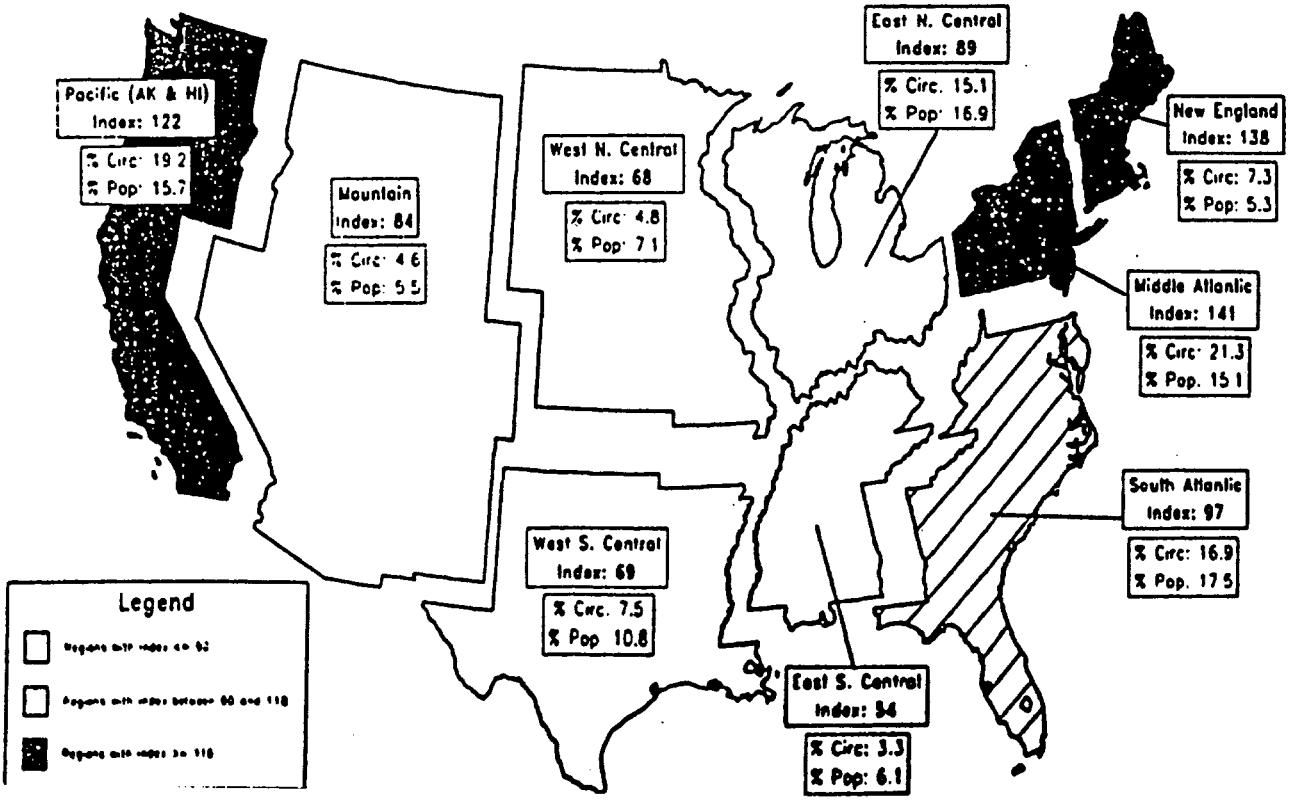
10. GEOGRAPHIC ANALYSIS OF TOTAL PAID CIRCULATION for the Summer, 1995 Issue

Paid circulation of this issue was 7.9% greater than the total average paid circulation.

STATE	Subs.	Single Copy Sales	TOTAL	% of Circ.
Maine	272	250	522	
New Hampshire	437	305	742	
Vermont	225	126	351	
Massachusetts	3,182	2,274	5,456	
Rhode Island	547	245	792	
Connecticut	2,573	1,969	4,542	
NEW ENGLAND	7,236	5,169	12,405	7.3
New York	10,846	7,898	18,744	
New Jersey	5,146	4,141	9,287	
Pennsylvania	4,818	3,299	8,117	
MIDDLE ATLANTIC	20,810	15,338	36,148	21.3
Ohio	3,192	2,324	5,516	
Indiana	1,386	1,085	2,471	
Illinois	5,390	4,835	10,225	
Michigan	2,548	2,326	4,874	
Wisconsin	1,573	1,013	2,586	
EAST N. CENTRAL	14,089	11,583	25,672	15.1
Minnesota	1,474	1,337	2,811	
Iowa	561	342	903	
Missouri	1,333	1,254	2,587	
North Dakota	75	56	131	
South Dakota	102	104	206	
Nebraska	357	211	568	
Kansas	661	293	954	
WEST N. CENTRAL	4,563	3,597	8,160	4.8
Delaware	207	305	512	
Maryland	1,929	1,200	3,129	
District of Columbia	553	699	1,252	
Virginia	2,701	1,739	4,440	
West Virginia	256	209	465	
North Carolina	1,776	1,700	3,476	
South Carolina	686	524	1,210	
Georgia	2,245	1,729	3,974	
Florida	5,532	4,741	10,273	
SOUTH ATLANTIC	15,885	12,846	28,731	16.9

STATE	Subs.	Single Copy Sales	TOTAL	% of Circ.
Kentucky	647	500	1,147	
Tennessee	1,165	1,176	2,341	
Alabama	600	1,024	1,624	
Mississippi	291	104	395	
EAST S. CENTRAL	2,703	2,804	5,507	3.3
Arkansas	390	254	644	
Louisiana	1,009	624	1,633	
Oklahoma	630	357	987	
Texas	5,062	4,425	9,487	
WEST S. CENTRAL	7,091	5,660	12,751	7.5
Montana	171	102	273	
Idaho	206	155	361	
Wyoming	78	61	139	
Colorado	1,227	1,175	2,402	
New Mexico	362	287	649	
Arizona	1,210	1,123	2,333	
Utah	177	205	382	
Nevada	575	700	1,275	
MOUNTAIN	4,006	3,808	7,814	4.6
Alaska	184	111	295	
Washington	1,660	1,149	2,809	
Oregon	963	918	1,881	
California	14,527	12,033	26,560	
Hawaii	557	583	1,140	
PACIFIC	17,891	14,794	32,685	19.2
Miscellaneous				
U.S. Unclassified				
UNITED STATES	94,274	75,599	169,873	100.0
U.S. Circ. Percent of Grand Total				94.0
Poss. & Other Areas	339	47	386	0.2
U.S. & POSS., etc.	94,613	75,646	170,259	94.2
Canada	1,356	3,488	4,844	2.7
International	2,980	2,454	5,434	3.0
Other Unclassified				
Military or Civilian Personnel Overseas	260		260	0.1
GRAND TOTAL	99,209	81,588	180,797	100.0

Index = Geographic Distribution of % Circulation ÷ % Population



11. EXPLANATORY:

(a) This is an Initial Audit covering the six month period ended June 30, 1995 and release of this report constitutes qualification and acceptance of membership.

Post Expiration Copies - Under ABC Rules, copies served to paid subscribers may be reported as paid circulation, provided the issues served are consecutive within three months of expiration.

To Members of the Audit Bureau of Circulations:

We have examined the circulation records and other data presented by this publication for the period covered by this report. Our examinations were made in accordance with the Bureau's Bylaws and Rules, and included such tests and other audit procedures as we considered necessary under the circumstances.

In our opinion, the total average paid circulation for the period shown is fairly stated in this report, and the other data contained in this report are fairly stated in all respects material to average paid circulation.

Audit Bureau of Circulations

CIGAR AFICIONADO, published quarterly by M. Shanken Communications, Inc., 387 Park Avenue South, New York, NY 10016

(Cigar Aficionado, New York, NY - #165959 - 262 - 381)

March, 1996

04-0196-5

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Audit Bureau of Circulations

PRINTED AND RELEASED BY ABC JUNE, 1997

Exhibit M

AUDIT REPORT: Magazine

ANALYZED PAID CIRCULATION

CIGAR AFICIONADO

New York, New York 10016

FIELD SERVED: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION FOR 12 MONTHS ENDED JUNE 30, 1996:

Total Average Paid Circulation:	**253,726**	
Advertising Rate Base/Circulation Guarantee:	None Claimed	
% Above/Below Rate Base (+/–)		
Total Average Non-Analyzed Non-Paid Circulation:	18,366	
		% of Total
Subscriptions: Individual	130,385	51.4
Single Copy Sales:	123,341	48.6
		100.0

1a. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions:

None of record

2. PAID CIRCULATION BY ISSUES:

1995 Issue	Subscriptions	Single Copy Sales	Total Paid	1996 Issue	Subscriptions	Single Copy Sales	Total Paid
Autumn	103,239	86,893	190,132	Spring	140,915	129,260	270,175
Winter	121,975	114,872	236,847	Summer	155,409	162,342	317,751

AVERAGE PAID CIRCULATION BY QUARTERS for the previous audit and period covered by this report:

Calendar Quarter Ended	1995	1996
March 31	154,322	270,175
June 30	180,797	317,751
September 30	190,132	
December 31	236,847	

AUDIT STATEMENT

The difference shown in average paid circulation in comparing this report with the Publisher's Statements for the period audited is 1,113 copies per issue deduction.

To Members of the Audit Bureau of Circulations:

We have examined the circulation records and other data presented by this publication for the period covered by this report. Our examination was made in accordance with the Bureau's Bylaws and Rules, and included such tests and other audit procedures as we considered necessary under the circumstances.

In our opinion, the total average paid circulation for the period shown is fairly stated in this report, and the other data contained in this report are fairly stated in all respects material to average paid circulation.

June, 1997

Audit Bureau of Circulations

(04-0196-5 - #169614 - 262 - 532)

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Exhibit N

Audit Bureau of Circulations

PRINTED AND RELEASED BY ABC DECEMBER, 1998

AUDIT REPORT: Magazine

ANALYZED PAID CIRCULATION

CIGAR AFICIONADO

New York, New York 10016

FIELD SERVED: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION FOR 12 MONTHS ENDED JUNE 30, 1997:

Total Average Paid Circulation:	**374,636**	
Advertising Rate Base/Circulation Guarantee:	None Claimed	
% Above/Below Rate Base (+/–)		
Total Average Non-Analyzed Non-Paid Circulation:	24,462	
		% of Total
Subscriptions: Individual	183,989	49.1
Single Copy Sales:	190,647	50.9
		100.0

1a. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions:

None of record

2. PAID CIRCULATION BY ISSUES:

1996 Issue	Subscriptions	Single Copy Sales	Total Paid	1997 Issue	Subscriptions	Single Copy Sales	Total Paid
Autumn	147,479	185,414	332,893	Mar./Apr.	198,099	193,948	392,047
Winter	192,165	214,266	406,431	May/June	198,209	168,961	367,170

AVERAGE PAID CIRCULATION BY QUARTERS for the previous audits and period covered by this report:

Calendar Quarter Ended	1995	1996	1997
March 31	154,322	270,175	392,047
June 30	180,797	317,751	367,170
September 30	190,132	332,893	
December 31	236,847	406,431	

AUDIT STATEMENT

The difference shown in average paid circulation in comparing this report with the Publisher's Statements for the period audited is 11,506 copies per issue deduction.

To Members of the Audit Bureau of Circulations:

We have examined the circulation records and other data presented by this publication for the period covered by this report. Our examination was made in accordance with the Bureau's Bylaws and Rules, and included such tests and other audit procedures as we considered necessary under the circumstances.

In our opinion, the total average paid circulation for the period shown is fairly stated in this report, and the other data contained in this report are fairly stated in all respects material to average paid circulation.

December, 1998

Audit Bureau of Circulations

(04-0196-5 - #174714 - 265 - 050)

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Exhibit O

Audit Bureau
of Circulations
900 N. Meacham Road
Schaumburg, IL 60173-4968

AUDIT REPORT: Magazine

ANALYZED PAID CIRCULATION

CIGAR AFICIONADO

New York, New York 10016

FIELD SERVED: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION FOR 12 MONTHS ENDED JUNE 30, 1998:

Total Average Paid Circulation:	**353,587**	
Advertising Rate Base/Circulation Guarantee:	None Claimed	
% Above/Below Rate Base (+/–)		
Total Average Non-Analyzed Non-Paid Circulation:	9,830	
		% of Total
Subscriptions: Individual	211,763	59.9
Single Copy Sales:	141,824	40.1
		100.0

1a. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions:

None of record

2. PAID CIRCULATION BY ISSUES:

1997 Issue	Subscriptions	Single Copy Sales	Total Paid	1998 Issue	Subscriptions	Single Copy Sales	Total Paid
July/Aug.	194,419	159,434	353,853	Jan./Feb.	213,734	146,378	360,112
Sept./Oct.	212,020	153,463	365,483	Mar./Apr.	224,037	123,066	347,103
Nov./Dec.	209,777	157,032	366,809	May/June	216,593	111,568	328,161

AVERAGE PAID CIRCULATION BY QUARTERS for the previous audits and period covered by this report:

Calendar Quarter Ended	1995	1996	1997	1998
March 31	154,322	270,175	392,047	353,608
June 30	180,797	317,751	367,170	328,161
September 30	190,132	332,893	359,668	
December 31	236,847	406,431	366,809	

AUDIT STATEMENT

The difference shown in average paid circulation in comparing this report with the Publisher's Statements for the period audited is 5,339 copies per issue deduction.

To Members of the Audit Bureau of Circulations:

We have examined the circulation records and other data presented by this publication for the period covered by this report. Our examination was made in accordance with the Bureau's Bylaws and Rules, and included such tests and other audit procedures as we considered necessary under the circumstances.

In our opinion, the total average paid circulation for the period shown is fairly stated in this report, and the other data contained in this report are fairly stated in all respects material to average paid circulation.

January, 2000

Audit Bureau of Circulations

(04-0196-5 - #180025 - 085 - 500)

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Exhibit P

Audit Bureau
of Circulations
900 N. Meacham Road
Schaumburg, IL 60173-4968

AUDIT REPORT: Magazine

ANALYZED PAID CIRCULATION

CIGAR AFICIONADO

New York, New York 10016

FIELD SERVED: A men's lifestyle magazine devoted to consumers who wish to expand their knowledge of premium cigars. Includes ratings and tasting notes, how-to articles and reviews of cigar friendly hotels and restaurants around the world. Other subjects on the good life include travel to great resorts, sophisticated collectibles, wine and spirits, gambling, fashion, sports and profiles of celebrated personalities.

1. AVERAGE PAID CIRCULATION FOR 12 MONTHS ENDED JUNE 30, 1999:

Total Average Paid Circulation:	**303,591**	
Advertising Rate Base/Circulation Guarantee:	None Claimed	
% Above/Below Rate Base (+/–)		
Total Average Non-Analyzed Non-Paid Circulation:	27,347	
		% of Total
Subscriptions: Individual	199,269	65.6
Single Copy Sales:	104,322	34.4
		100.0

1a. AVERAGE PAID CIRCULATION of Regional, Metro and Demographic Editions:

None of record

2. PAID CIRCULATION BY ISSUES:

1998 Issue	Subscriptions	Single Copy Sales	Total Paid	1999 Issue	Subscriptions	Single Copy Sales	Total Paid
July/Aug.	200,115	108,705	308,820	Jan./Feb.	204,879	101,791	306,670
Sept./Oct.	198,779	109,317	308,096	Mar./Apr.	196,402	84,552	280,954
Nov./Dec.	205,078	115,530	320,608	May/June	190,361	106,038	296,399

AVERAGE PAID CIRCULATION BY QUARTERS for the previous audits and period covered by this report:

Calendar Quarter Ended	1995	1996	1997	1998	1999
March 31	154,322	270,175	392,047	353,608	293,812
June 30	180,797	317,751	367,170	328,161	296,399
September 30	190,132	332,893	359,668	308,458	
December 31	236,847	406,431	366,809	320,608	

AUDIT STATEMENT

The difference shown in average paid circulation in comparing this report with the Publisher's Statements for the period audited is 8,065 copies per issue deduction.

To Members of the Audit Bureau of Circulations:

We have examined the circulation records and other data presented by this publication for the period covered by this report. Our examination was made in accordance with the Bureau's Bylaws and Rules, and included such tests and other audit procedures as we considered necessary under the circumstances.

In our opinion, the total average paid circulation for the period shown is fairly stated in this report, and the other data contained in this report are fairly stated in all respects material to average paid circulation.

November, 2000

Audit Bureau of Circulations

(04-0196-5 - #183499 - 362 - 175)

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Cigar Aficionado Distribution at Events

Event	Date	Nature	Quantity
Premier Issue Fall 1992			
RTDA	August 26, 1992	trade show	500
RTDA- breakfast	August 26, 1992	event at trade show	1000
Duty Free Convention	October 1, 1992	trade show	200
California Wine Experience	October 19, 1992	Wine Spectator event	2000
Independent Tobacco Symposium	September, 1992	trade show	300
Princess Grace Foundation benefit	November 1, 1992	charity event	700
Cigar Aficionado's Launch party	September 9, 1992	event	300
Second Issue Winter 1992			
Waterclub Cigar Dinner	November 19, 1992	cigar dinner	75
Ritz Carlton Cigar Dinner	November 19, 1992	cigar dinner	250
Kips Bay Boys Club	December 1, 1992	charity event	400
American Red Cross Auction	December 3, 1992	charity event	500
Mont Royal Club Dinner	December 8, 1992	charity event	75
Florida Int'l Wine Festival	January 19, 1993	wine event	150
The Guardsman Dinner	January 26, 1993	cigar dinner	200
Edwards Pipe and Tobacco Dinner	December 2, 1992	cigar dinner	70
Café L'Europa Dinner--Flordia	December 18, 1992	cigar dinner	50
Windows on the World	January 15, 1993	cigar dinner	120
RTDA Dinner	February 11, 1993	trade event	100

YOU CAN STILL HOLD HER HAND

COUNTERFEIT GALLERY

How many counterfeit cigars find their way into the humidors of unwitting smokers each year? It's impossible to say for sure, but many experts put the number at more than three million--in the United States alone. The streets of Havana teem with black-market smokes, most of them counterfeit, and even European markets are reporting an influx of fakes. To help you spot a counterfeit, we introduce Cigar Aficionado Online's Counterfeit Gallery.

Click the links below to view a large version of each band. The thumbnail graphic tagged "Genuine" is the authentic band; subsequent text links are counterfeits. Locations listed indicate where the cigar was purchased, not made. Each large band, real and fake, is accompanied by a brief description.

If you think you've been had, we encourage you to mail the band in question, along with all the information you have about its origin, to **Counterfeit Gallery, Cigar Aficionado Online, 387 Park Avenue South, New York, NY 10016.** Please do not email bands. We need the originals to ensure that the distinguishing markings are clearly represented. However, with the enormous amount of bands that we receive, we cannot respond directly to all inquiries, nor can we return the bands to their original owners.

For larger images, click the bands below.

Bolivar - Cuba

GENUINE ARTICLE

- Counterfeit purchased in Scottsdale, AZ
- Counterfeit of unknown origin

Cohiba - Cuba

GENUINE ARTICLE

- Counterfeit purchased in Doylestown, PA
- Counterfeit purchased in Cuba

- Counterfeit of unknown origin
- Counterfeit purchased in S. Plainfield, NJ
- Counterfeit purchased in Cuba
- Counterfeit purchased in San Jose, Costa Rica
- Counterfeit purchased in Ocho Rios, Jamaica
- Counterfeit purchased in St. Johns, Antigua
- Counterfeit of unknown origin
- Counterfeit of unknown origin
- Counterfeit purchased in Prescot, Canada
- Counterfeit of unknown origin
- Counterfeit purchased in Moscow
- Counterfeit purchased in French St. Martin
- Counterfeit of unknown origin
- Counterfeit purchased in Cuba
- Counterfeit purchased in Texas

Cohiba - Dominican Republic

- Counterfeit purchased in Dominican Republic

Davidoff - Dominican Republic

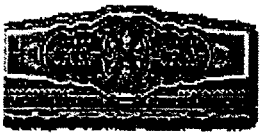
- Counterfeit purchased in St. Croix

Diplomaticos Habana

- Counterfeit of Unknown

Origin

Fuente Fuente OpusX - Dominican Republic



GENUINE ARTICLE

- Counterfeit purchased in Detroit, Michigan
- Counterfeit purchased in Texas
- Counterfeit of unknown origin

H. Upmann - Cuba

GENUINE ARTICLE

- Counterfeit purchased in Jamaica
- Counterfeit purchased in Seoul, South Korea
- Counterfeit purchased in Mexico

Hoyo de Monterrey - Cuba

GENUINE ARTICLE

- Counterfeit purchased in Memphis, TN
- Counterfeit purchased in Paris
- Counterfeit purchased in Tijuana, Mexico
- Counterfeit purchased in Jakarta, Indonesia
- Counterfeit of unknown origin
- Counterfeit of unknown origin
- Counterfeit purchased in Miami

La Gloria Cubana - Cuba

GENUINE ARTICLE

- Counterfeit purchased in Seoul, South Korea

Montecristo - Cuba

GENUINE ARTICLE

- Counterfeit purchased in Windsor, Ontario
- Counterfeit purchased in Chicago
- Counterfeit of unknown origin
- Counterfeit purchased in Santo Domingo, Dominican Republic
- Counterfeit purchased in Texas
- Counterfeit of unknown origin

Padrón 1964 Anniversary Series - Nicaragua

GENUINE ARTICLE

- Counterfeit of unknown origin
- Counterfeit purchased in Nicaragua

Partagas - Cuba

GENUINE ARTICLE

- Counterfeit of unknown origin
- Counterfeit purchased in Toronto
- Counterfeit purchased in North Carolina

Partagas Serie D No. 4 - Cuba

GENUINE ARTICLE

- Counterfeit purchased in Amsterdam
- Counterfeit purchased in Southern California
- Counterfeit purchased in Spain
- Counterfeit purchased in Tel Aviv

Punch - Cuba

GENUINE ARTICLE

- Counterfeit purchased in Nassau, Bahamas
- Counterfeit purchased in Helensburgh, Scotland
- Counterfeit purchased in Panama City
- Counterfeit purchased in Seoul, South Korea
- Counterfeit purchased in Canada
- Counterfeit purchased in Northern California
- Counterfeit purchased in Vancouver, BC

Ramon Allones - Cuba

GENUINE ARTICLE

- Counterfeit purchased in Bahamas
- Counterfeit purchased in Texas

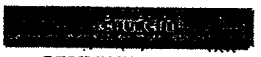
Romeo y Julieta - Cuba

GENUINE ARTICLE

- Counterfeit purchased in Panama
- Counterfeit purchased in Massachusetts
- Counterfeit purchased in

Miami

Romeo y Julieta Churchill- Cuba



GENUINE ARTICLE

- Counterfeit purchased in Wheaton, Ill.
- Counterfeit of unknown origin
- Counterfeit purchased in Las Vegas
- Counterfeit purchased in North Carolina
- Counterfeit purchased in Arizona
- Counterfeit purchased in Spain
- Counterfeit purchased in California
- Counterfeit purchased in Montreal

Trinidad - Cuba

GENUINE ARTICLE

- Counterfeit of unknown origin

Vegas Robaina - Cuba

GENUINE ARTICLE

- An authentic purchased in Australia

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defendant's Exhibit 61

Logos Revised

16-18 Hurlingham Business Park
Sulivan Road
London SW6 3DU

Tel: 071-736 8533
Fax: 071-371 0374
Telex: 8811125

Incorporating Knight Brothers Cigar Shippers

Importers of Fine Cigars

FAX MESSAGE

To: .....

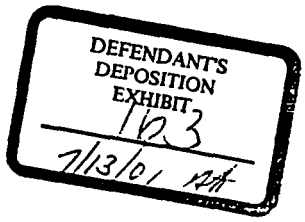
For the attention of: .....

Fax Number: .....

From: Simon Chase

Date: 10th July 1992

No. of pages (including this): 7



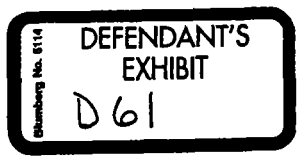
Please find attached Contact Report.

Distribution To:

Heinrich Villiger - 5th Avenue Products
Gabriele Jung - 5th Avenue Products
Marcel Haldi - Weitnauer Tabak
Luc Vercammen - Robert Suter
Peter Schuttel - Habanos Trading
Simon Chase - Hunters & Frankau

Copies To:

Jose Maria Cases - Franc-Port



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CONTACT REPORT

Meeting of Exclusive Distributors' Marketing Group at Zurich Airport - Monday 6th July 1992.

Present: Heinrich Villiger - 5th Avenue Products (5th Ave)
Gabriele Jung - 5th Avenue Products (5th Ave)
Marcel Haldi - Weitnauer Tabak AG (WT)
Luc Vercammen - Robert Suter (RS)
Peter Schuttel - Habanos Trading (HT)
Simon Chase - Hunters & Frankau (H&F)

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1. INVITATIONS TO ATTEND THE MEETING

H&F questioned why representatives from Coprova and Coiba had not been invited to the meeting. With the support of RS, they explained that they felt marketing problems, which affected all European countries required contributions from all markets and particularly the two which commanded over 60% of European Havana sales. They believed that any proposals based on the discussions at this meeting should be presented to Coprova and Coiba before they were made to Cubatabaco.

Other members of the group explained that they feared that personnel from Coprova and Coiba would face a "conflit de conscience" when confronting some of the issues for discussion because of the fundamental differences which were known to exist between Cubatabaco and many of the Exclusive Distributors.

It was agreed that follow-up action on each agenda item would be discussed separately.

2. COHIBA RANGE EXTENSION

It was confirmed that, following the presentation by Cubatabaco of their ideas for the Cohiba Range Extension at the May Presidents' Meeting, RS had asked Mr Padron for an opportunity to co-ordinate the comments and suggestions of the European Exclusive Distributors on this subject. Mr Padron had agreed and requested a prompt report.

H&F explained that they had foreseen the opportunity for Cohiba following the discontinuation of the Davidoff Havana brand in December 1991 and had submitted a document entitled "The Cohiba Opportunity" in January 1992 to Cubatabaco.

This document was circulated to each delegate. Although it was not studied in detail, the following key points from the document were agreed by all present.

i) That a marketing policy modelled on the Davidoff system must be developed for Cohiba.

ii) That the main objective of the marketing policy must be to convert all Davidoff Havana smokers to the Cohiba brand.

iii) That a system of priority markets must be introduced and each given a SUPPLY GUARANTEE.

iv) That the range must be extended.

v) That priorities for distribution within each market by trade sector must be established with Duty Free as the lowest priority.

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The possible addition of a Cohiba Mini was discussed. It was seen as a potentially profitable addition to the range but not as important as the extension of the hand made Havana range.

H&F then presented their document entitled "Cohiba - Range Extension Names", which reviewed the present position as they understood it and proposed a naming policy for the new sizes.

The following points from the document were agreed by all present.

i) That a subsidiary range name for the new Cohiba sizes must be developed.

ii) That the proposed 1492 series names were too complicated and that a simpler range name and size names must be found.

iii) That the Roman numerals offered a clear indication for the sizes.

iv) That the development of different flavoured ranges within the brand was important (RS was not convinced).

v) That plain wood SLB boxes like Davidoff were preferred to SBN boxes.

Two major discussion points emerged. First the majority felt that "Galera" was not a positive range name because of the confusion in French and German with "Galleys" and "galley slaves". The word "Vitola" was preferred and "Laguito" was also suggested.

Second, RS explained that they did not accept the proposed range of new sizes. All present except H&F confirmed that they had no knowledge of the plans to extend the Cohiba range before the Presidents' Meeting and as a result felt that the whole marketing strategy for the development of Cohiba after the discontinuation of Davidoff Havanas including the sizes, was for discussion.

RS proposed a different strategy based exclusively on the concept of replacing the discontinued Davidoff Havanas with the same cigars under the Cohiba name. To this end they recommended that the size range should be made up of the five best selling Davidoff Havana sizes. Subject to confirmation, these were perceived to be:

Davidoff No.2
Ambassadrice
Davidoff No.1
Ch.Margaux/2000
Davidoff 5000

Their original proposal was that the same names should be used, however 5th Ave pointed out that the agreement reached between Cubatabaco and Davidoff specifically precluded the use by Cubatabaco of Ambassadrice and the Thousand Series.

The justification of this approach was:

i) That Cubatabaco have the personnel and material to produce these sizes in quantity because they produced them to meet the demand under the Davidoff name, whereas they could not produce the required volumes with the present Cohiba formulation.

ii) That the Cohiba flavour, in particular for the Lanceros/No.1 size and the Coronas Especial/No.2 size, was too full to attract the former Davidoff smoker.

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iii) That the consumer would accept more readily the same Havana cigars as they had smoked under the Davidoff brand.

All present accepted the logic of this approach, however H&F expressed their concern that, in challenging the size range which they believed Cubatabaco had already adopted, the recommendation to improve the naming policy would be lost. Furthermore they felt that to duplicate sizes in Cohiba range would admit publicly to the shortcomings of the existing Cohiba sizes, which they felt would not only be dangerous for the brand as a whole but also would be unacceptable to Cubatabaco.

It was agreed that H&F would revise the "Cohiba - Range Extension" paper to include the amended sizes and circulate it in due course to all delegates.

Also to be included in the document is a recommendation that the words "Hand made in Havana Cuba" should appear on the boxes and that the cigar rings for the new range should be in a different colour in order to identify each cigar individually as being of a different flavour.

It was understood that H&F had reservations about this new approach but it was agreed that unified proposition must be made to Cubatabaco.

HT will discuss how to proceed with this issue, taking into account the contributions which may have to be made by Coprova and Coiba, with Mr Rodriguez and advise delegates accordingly.

— o —

3. <u>HABANOS</u>

REDACTED
Relevance / Non-Responsive

REDACTED
Relevance / Non-Responsive

4. CIGAR AFICIONADO

The present position on advertising in the first issue of Cigar Aficionado was given in H&F's fax to all delegates dated 2nd July 1992.

With regard to the concern expressed by 5th Ave about the legality of running the Cohiba advertisement in a US publication when the brand name was not owned by Cubatabaco in the USA, H&F explained that they had considered the issue, consulted with the publisher and concluded that there were unlikely to be any legal repercussions.

However in any case H&F were responsible for the advertisement because they have booked it and there would be no recourse to any other Exclusive Distributor even if they agreed to contribute towards the cost.

H&F explained that they believed Cubatabaco should take the lead in deciding the formula for contributions to the advertising cost by Exclusive Distributors not only in Europe but also in other world markets. Subject to the response of the group to the principal of contributing, they intended to raise the matter with Cubatabaco.

On this basis all delegates agreed to make a contribution although they pointed out that allowance must be made for the fact that the magazine was in English and would therefore have greater effect in English speaking markets.

All delegates also agreed to support H&F's opposition to the use of the"Smoke" advertisement in Cigar Aficionado campaign.

It was noted that all companies would be assisting with the distribution of the first issue of the magazine.

(At this point RS left the meeting).

5. GRUPPE 5 FILM

REDACTED
Relevance / Non-Responsive

6. 500TH ANNIVERSARY CIGARS/CANNES EXHIBITION

REDACTED
Relevance / Non-Responsive

7. 500th ANNIVERSARY CONFERENCE 2nd - 11th November 1992

All delegates expressed their concern about this conference, which they felt was not attractive in its present form because it concentrated on the lectures rather than the factory and plantations visits, which were the most appealing aspects of the agenda.

Everyone had requested more information but no one had received any.

5th Ave had circulated the details to the retail trade but were not hopeful of the response. WT felt that they would have to pay for anyone who went. H&F will circulate details to the national press and supply a piece on their company for the Book of Abstracts.

Mr Villiger is planning a visit to Central America at the time of the conference and is therefore in a position to attend.

8. OTHER MATTERS

i) Future meetings of the Marketing Group

All delegates agreed that the marketing representatives of the Exclusive distributors should plan to meet three or four times per year.

ii) The Common Advertising Fund

H&F reported that they had started to reserve the agreed 2.5% of the FOB volume of shipments as the Common Advertising Fund. No other company present had done so.

iii) Romeo y Julieta Minis

REDACTED
Relevance / Non-Responsive

iv) Minutes

As the meeting was conducted in English, it was agreed that H&F would produce the minutes.

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defendant's Exhibit 62

MEMORANDUM

TO: David Danziger

FROM: Harry Ann Pearce

DATE: April 25, 2001

RE: Advertising Survey Results – PowerPoint Presentation

Attached, please find the amended PowerPoint presentation.

I have also attached a document that details the full results, question by question, of the survey. Following the detailed results is a portion of the NPD memo that documents the construction of the sample.

I look forward to your comments.

DEFENDANT'S EXHIBIT
D 62
Blumberg No. 5114

Better
but
still
confusing

Phoenix definitions
not revised

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Punch and Macanudo Ascots Advertising Survey

March, 2001 Baseline Measurement Results

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Overview and Report Objective:

- **Overview of Report:**
  - Macanudo Ascots:
    - Sales Information
    - Awareness Measurement
  - Punch:
    - Sales Information
    - Awareness Measurement
  - Misc. Results
  - Appendix

Objective of Survey:

- Measure the impact of newspaper and newsweekly magazine advertising on Macanudo Ascots and Punch brand sales and brand awareness.
- Measure and qualify the newspaper and magazine reading habits of cigar smokers.

Method:

- On-line Survey of NPD consumer panel, fielded in March, July and October.
- In-house sales tracking
- Spotlight on Ohio & Phoenix

This report is a baseline measurement, taken prior to the onset of Punch and Macanudo Ascots advertising.

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Macanudo & Macanudo Ascots: Awareness Measurement

→ As expected, the is the top brand in unaided awareness, several recall, which leads to ASCOTS

- **Brand Recall:**
  - Unaided: Macanudo has a strong first position in unaided brand name recall:

    Total Sample: 29.1% mentioned Macanudo (large cigars)

    Ohio: 24.4% Phoenix: 27.9%
  - Aided: Macanudo is second to Dunhill in Aided brand recall:

    Total Sample: 54.5% mentioned Macanudo (large cigars)

    Ohio: 39.0% Phoenix: 59.5%
  - 36.4% of respondents smoked Macanudo last year, making it the most smoked brand in the survey. 16.7 of the total sample and 21.6% of Phoenix respondents smoke Macanudo regularly. Fiente is the most regularly-smoked cigar among Ohio respondents.

    What's the #
  - Ascots are #1 in small cigar aided brand recall, and are not mentioned in unaided recall.

- **Advertising Recall:**
  - Macanudo ads are the most remembered ads, at 14.9% of the total sample
  - Ascots ads are not well remembered, ranked 26th in small cigar ad recall.
  - Macanudo ads are most likely to produce future sales, from a measurement of the Macanudo, Macanudo Ascots, Punch, Davidoff and H.Upmann brands. 68.3% of respondents are likely to purchase a Macanudo large cigar after having seen an ad for one.

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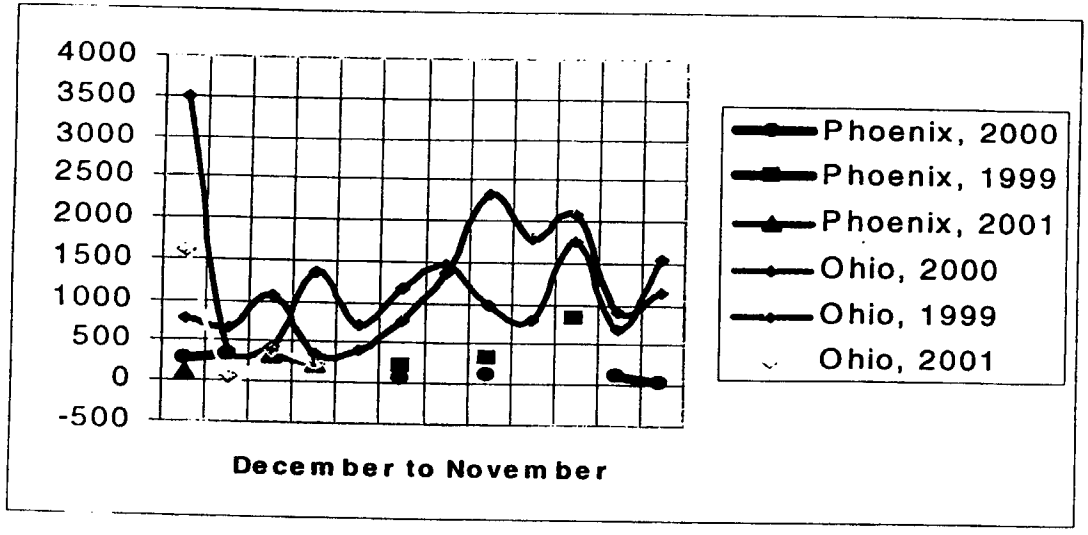
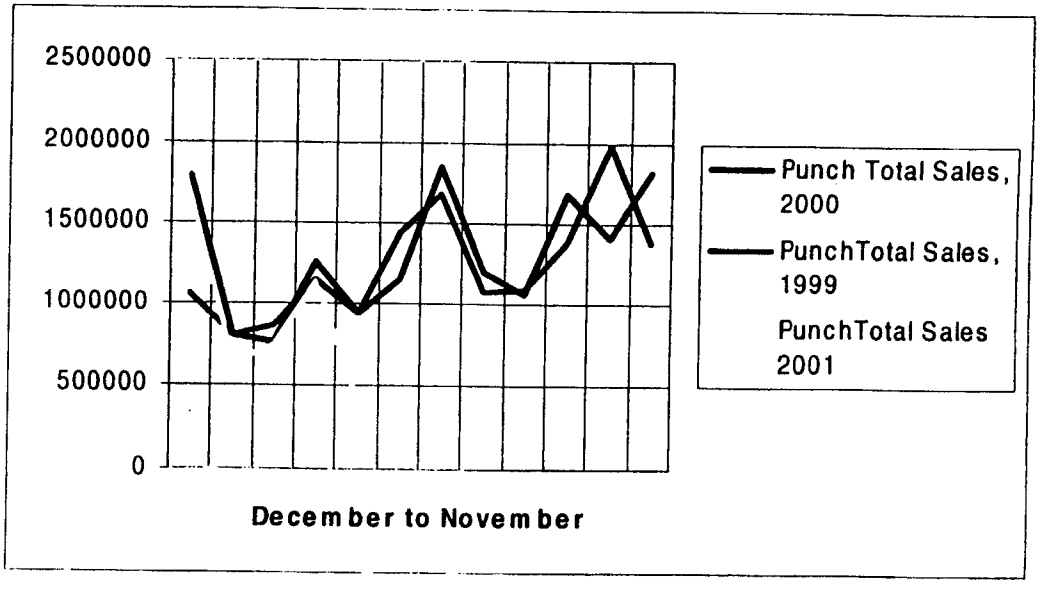
Punch: Sales Information



- Ohio Punch sales are down 60% in 2001, and were up 9% in 2000
- Ohio's Punch sales are relatively consistent over time, Phoenix's sales are not consistent.
- Phoenix Punch Sales are down 35% in 2000 and up approx. 10% in 2001

The time period of the Advertising test produces an average of 41% of Punch annual sales.

- Punch sales rose 6% in 2000, over previous years sales, and are down 37% in 2001.
- The March/April sales decline is significantly steeper than in past years.



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Punch Awareness Measurement

- **Brand Recall:**
  - Unaided: Punch is 7th in unaided brand name recall:

    Total Sample: 11.7% mentioned Punch

    Ohio: 9.8% Phoenix: 14.0%
  - Aided: Punch is 11th in Aided brand recall:

    Total Sample: 29.1% mentioned Punch

    Ohio: 19.5% Phoenix: 26.2%
  - 15.6% of respondents smoked Punch last year, making it the 11th most-smoked brand in the survey. 6.0% of the total sample and 8.1% of Phoenix respondents smoke Punch regularly. → ohio?

- **Advertising Recall:**
  - Punch ads are the 7th most remembered ads, at 8.4% of the total sample.
  - Punch ads are the 2nd most likely cigars to produce future sales, from a measurement of the Macanudo, Macanudo Ascots, Davidoff and H.Upmann brands. 65.2% of respondents are likely to purchase a Punch cigar after having seen an ad for one.

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Other Results:

- **Advertising Recall:**
  - Magazine ads are remembered more often than newspaper ads. Only one respondent remembered having seen a newspaper-based cigar ad.

- **Magazine & Newspaper Reading:**
  - Cigar Aficionado is the 5th most read magazine among respondents. Of these readers, 66.7% read cigar magazines often or regularly.
  - Playboy, Sports Illustrated, Readers Digest and PC Magazine are the top four purchased magazines among respondents. Newsweek and PC World are the 6th and 7th most-read magazines.
  - Local daily papers, both large and small circulation, are the top read papers, more than national or business papers such as USA Today and WSJ.

- **Retail 'Pull Through' Tracking:**
  - Retailers report a 'bump' in sales due to test newspaper advertising.

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Appendix

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Recall: Tables

UNAIDED RECALL	Brand Name
22%	**Macanudo**
16.4%	Cohiba (Red Dot and/or Cuban)*
15%	Swisher Sweets
12%	Fuente
7%	Partagas
7%	**Punch**
6%	Romeo y Julieta
6%	Garcia y Vega
6%	Montecristo
5%	Dunhill

AIDED BRAND RECALL	
Dunhill	58.9 %
Macanudo	**54.5 %**
Don Diego	53.1 %
Cohiba Red Dot	**48.7 %**
Montecristo	48.4 %
Excalibur	**42.9 %**
Romeo Y Julieta	42.9 %
Fuente	38.2 %
Partagas	**36.0 %**
Ashton	31.6 %

SMALL CIGAR AIDED BRAND RECALL:	
26.9%	**Macanudo Ascots**
23.3%	Montecristo Habanitos
22.9%	Don Diego Preludes
19.6%	Fuente Cubanitos
16.7%	**Excalibur Cigarillos**
14.2%	**Partagas Puritos**
11.3%	H. Upmann Demi Tasse
6.2%	La Flor Dominicana Mojito
7.6%	Davidoff Ambassadrice
5.0%	CAO Petite

Magazine Ad Recall:	
Macanudo	**14.9 %**
Dunhill	**10.2 %**
H. Upmann	9.8 %
Romeo Y Julieta	9.5 %
Don Diego	9.1 %
Fuente	9.1 %
Cohiba Red Dot	**8.4 %**
Punch	**8.4 %**
Excalibur	**8.0 %**
Montecristo	8.0 %

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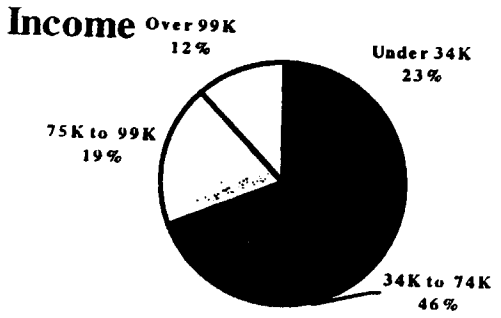
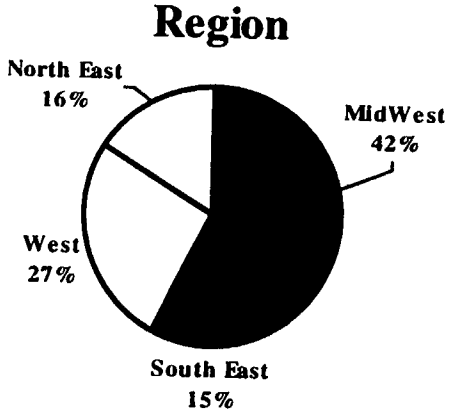
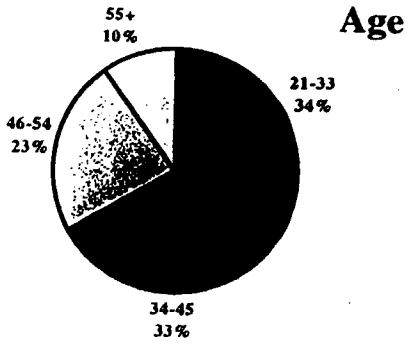
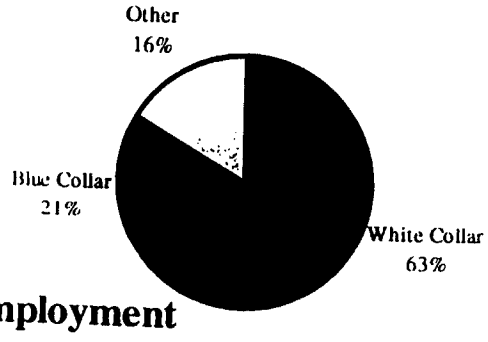
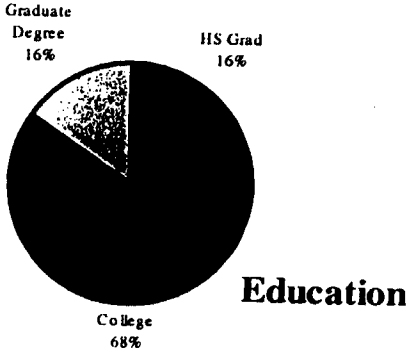
Demographics of Survey Participants











- 15.5% of Western Respondents live in Phoenix
- 17.5% of Midwestern Respondents live in Ohio

57.5% of all respondents live in metro areas, over 1,000,000 people

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NPD On-Line Panel – Macanuco Ascots & Punch Advertising Survey
- Detailed Results –

1. **In the past 4 weeks, how many cigars have you smoked?**

	Total Sample	Ohio	Phnx.
Smoked less than 1 cigar in the last 4 weeks	0.4	38.8	40.3
Smoked 1-4 Cigars in the last 4 weeks	65.6	34.3	43.1
Smoked 1-2 Cigars per week in the last 4 weeks	12.7	7.5	8.3
Smoked 3-5 Cigars per week in the last 4 weeks	4.4	7.4	2.8
Smoked 1 or more cigars per day in the last 4 weeks	13.7	12.0	5.6

2. **How many of the cigars that you smoked in the past 4 weeks were *premium cigars, that is, cigars that are hand-rolled and cost at least one dollar each or small premiums which are 4 inches long or less and come in tins of 8 or more?***

	Total Sample	Ohio	Phnx.
Smoked 1-2 Premiums, of all cigars smoked in the last 4 wks	34.5	22.0	34.9
Smoked 3-4 Premiums, of all cigars smoked in the last 4 wks	23.2	22.0	27.9
Smoked 5 + Premiums, of all cigars smoked in the last 4 wks	17.9	21.9	16.3
Did not smoke Premiums in the last 4 wks, but smoked cigars	21.1	34.1	18.6

3. **Which one statement below best describes your cigar smoking behavior?**

	Total Sample	Ohio	Phnx.
Smoke only premium cigars	38.5	36.6	38.1
Smoke mostly premiums, w/ sm. cigars once or twice	12	7.3	9.5
Smoke mostly premium, and sometimes small cigars	12.4	9.8	14.3
Smoke about half and half	6.5	4.9	7.1
Smoke mostly small cigars, and sometimes premiums	11.6	12.2	9.5
Smoke mostly sm. cigars, and once or twice premiums	10.2	12.2	16.7
Smoke only small cigars	8.8	17.1	4.8

UNAIDED RECALL:

4. **When thinking of premium or small premium cigars, which brand of cigar first comes to mind? (Please type in the brand of cigar that you think of FIRST).**
See Attached Spreadsheet.

5. **What other brands of cigars can you think of? (Please type in the names of ALL the cigar brands you can think of).**
See Attached Spreadsheet.

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6. **In the past 4 weeks, which brands of cigars have you seen advertised in magazines? (Please type in ALL brands you remember advertised in magazines).**

7. **In the past 4 weeks, which brands of cigars have you seen advertised in newspapers? (Please type in ALL brands you remember advertised in newspapers).**

	6. Seen Advertised in Magazines in the last Four weeks? N=43 peo. who answered the ques.	7. Seen Advertised in Newspapers in the last four weeks? N=8 peo. who answered the ques.
Ashton	7.6	0.7
Avo	4.0	0.0
Bahia	1.8	0.0
CAO	3.6	0.0
Cohiba Red Dot	8.4	0.7
Cuesta Rey	4.7	0.7
Davidoff	5.8	1.1
Davidoff Ambassadrice	1.1	0.4
Don Diego	9.1	0.4
Don Diego Preludes	1.1	0.4
Don Sebastian	0.7	0.0
Dunhill	10.2	0.4
El Credito	1.1	0.4
Excalibur	8.0	1.5
Excalibur Cigarilos	1.5	0.4
Fuente	9.1	0.4
Fuente Cubanitos	0.7	0.0
H. Upmann	9.8	0.0
Hoyo de Monterrey	7.6	0.4
La Flor Dominicana	2.5	0.0
La Gloria Cubana	4.0	0.0
Macanudo	14.9	0.0
Macanudo Ascots	1.8	0.7
Montecristo	8.0	0.4
Onyx #428	1.8	0.4
Padron	5.1	0.0
Partagas	7.6	0.0
Punch	[illegible]	0.4
Romeo Y Julieta	[illegible]	0.4
Sancho Panza	1.8	0.0
Te-Amo	6.2	0.0
Zino	1.8	0.0
Any Cuban	2.2	0.7
Any Flavored	3.6	1.5
Any small	3.6	2.5
None of the Above	71.3	92.7

why b. slight?

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AIDED RECALL

8. **Which of the following brands of premium or small premium cigars have you ever heard of? (Select all that apply)**

N=275 Recall is: Observations divided by persons answering the question = % of Recall

	Total Sample	*Ohio N=41*	*Phoenix N=42*
Ashton	31.6	39.	33.3
Avo	14.5	14.6	14.3
Bahia	17.1	4.9	21.4
CAO	12.7	7.3	11.9
CAO Petite	5.5	2.4	4.8
Cohiba Red Dot	48.7	31.7	50.0
Cuesta Rey	26.5	29.3	28.6
Davidoff	26.5	22.	23.8
Davidoff Ambassadrice	7.6	2.4	7.1
Don Diego	53.1	58.5	57.1
Don Diego Preludes	22.9	22.	28.6
Don Sebastian	23.6	14.6	23.8
Dunhill	58.9	41.2	69.0
El Credito	8	7.3	4.8
Excalibur	42.9	36.6	45.2
Excalibur Cigarilos	16.7	14.6	16.7
Fuente	38.2	39.	35.7
Fuente Cubanitos	19.6	17.1	21.4
H. Upmann	31.6	26.8	23.8
H.Upmann Demi tasse	11.3	4.9	9.5
Hoyo de Monterrey	26.5	19.5	21.4
La Escepcion	2.5	0.00	7.1
La Flor Dominicana	18.5	14.6	16.7
La Flor Dominicana Mojito	6.2	7.3	4.8
La Gloria Cubana	16.7	7.3	7.1
Macanudo	54.5	39.	59.5
Macanudo Ascots	26.9	14.6	31.0
Montecristo	48.4	22.	21.4
Montecristo Habanitos	23.3	7.3	9.5
Onyx #428	10.5	14.6	19.0
Padron	16.4	29.2	26.2
Partagas	36	17.1	7.1
Partagas Puritos	14.2	14.4	42.9
Punch	29.1	19.5	26.2
Romeo Y Julieta	42.9	17.1	40.5
Sancho Panza	9.5	9.8	9.5
Te-Amo	20.7	0.0	0.0
Zino	7.6	7.3	11.9
Any Cuban	29.1	9.6	23.8

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9. **Which of the following brands of premium or small premium cigars have you smoked in the past year? (Select all that apply) – *ONLY PIPE IN BRANDS CHECKED OFF IN Q8***

10. **Which of the following cigar brands do you smoke on a regular basis? (Select all that apply) – *ONLY PIPE IN BRANDS CHECKED OFF IN Q9***

% of 282 Respondents who smoke…..

	Smoked last yr.	Smoke/ Reg. Basis	Reg.Basis/Ohio	Reg.Basis/Phnx
Ashton	12.4	4.3	10.3	5.4
Avo	5.8	2.6		5.4
CAO	3.3	1.7		
Cohiba Red Dot	24.0	5.1		8.1
Cuesta Rey	7.6	1.7		2.7
Davidoff	10.2	0.9	3.4	
Don Diego	18.2	3.4	6.9	5.4
Don Diego Preludes	3.3	0.9		2.7
Don Sebastian	5.5	0.4		2.7
Dunhill	20.7	5.6	10.3	2.7
El Credito	1.1	0.4		
Excalibur	15.3	3.8	3.4	2.7
Excalibur Cigarilos	4.4	1.3	3.4	
Fuente	20.0	11.1	13.8	2.7
Fuente Cubanitos	2.9	0.0		
H. Upmann	16.0	7.7		10.8
H.Upmann Demi T.	1.8	0.9		2.7
Hoyo de Monterrey	11.6	4.7	3.4	
La Flor Dominicana	4.0	0.9		
La Gloria Cubana	6.5	3.0		
Macanudo	36.4	16.7	6.9	21.6
Macanudo Ascots	8.4	3.4	6.9	2.7
Montecristo	18.2	7.3	3.4	8.1
Montecristo Habanits	4.7	1.3		
Onyx #428	2.5	0.9		
Padron	5.1	3.8	3.8	
Partagas	18.2	6.4	3.4	10.8
Partagas Puritos	1.1	0.9		
Punch	15.6	6.0	3.4	8.1
Romeo Y Julieta	18.2	8.1	6.9	5.4
Sancho Panza	1.8	0.0		
Te-Amo	4.0	1.7		2.7
Zino	1.1	0.4		2.7
Any Cuban	17.1	10.3	8.1	8.1
Any Flavored	11.6	7.3	6.9	8.1
Any small	13.8	7.3	3.4	10.8
None of the Above	14.9	32.9	41.4	24.3

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11. Which of the following brands have you seen advertised in magazines in the past 4 weeks? (Select all that apply)

12. Which of the following brands have you seen advertised in newspapers in the past 4 weeks? (Select all that apply)

% of 282 respondents who have seen brands advertised in Mags/Newspapers....

	Seen Adv. In Mags?	Seen Adv. In Newsp.?
Ashton	7.6	0.7
Avo	4.0	0.0
Bahia	1.8	0.0
CAO	3.6	0.0
Cohiba Red Dot	8.4	0.7
Cuesta Rey	4.7	0.7
Davidoff	5.8	1.1
Davidoff Ambassadrice	1.1	0.4
Don Diego	9.1	0.4
Don Diego Preludes	1.1	0.4
Don Sebastian	0.7	0.0
Dunhill	10.2	0.4
El Credito	1.1	0.4
Excalibur	8.0	1.5
Excalibur Cigarilos	1.5	0.4
Fuente	9.1	0.4
H. Upmann	9.8	0.0
Hoyo de Monterrey	7.6	0.4
La Flor Dominicana	2.5	0.0
La Gloria Cubana	4.0	0.0
Macanudo	14.9	0.0
Macanudo Ascots	1.8	0.7
Montecristo	8.0	0.4
Montecristo Habanitos	0.4	0.4
Onyx #428	1.8	0.4
Padron	5.1	0.0
Partagas	7.6	0.0
Partagas Puritos	0.4	0.0
Punch	8.4	0.4
Romeo Y Julieta	9.5	0.4
Sancho Panza	1.8	0.0
Te-Amo	6.2	0.0
Zino	1.8	0.0
Any Cuban	2.2	0.7
Any Flavored	3.6	1.5
Any small	3.6	2.5
None of the Above	71.3	92.7

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ASK Qs.13-15 IF RESPONDENT HAS SEEN ADVERTISING FOR MACANUDO, MACANUDO ASCOTS, PUNCH, DAVIDOFF, H.UPMANN IN Qs.11 or 12. ALL OTHERS SKIP TO Q16.

13. **Please check off the statements that best describe why you remember the advertisement for (PIPE IN BRAND) (Select as many as apply)**

Note: Less than 1/3 of respondents answered this question. Results are not meaningful.

14. **After having seen the ad, how likely is it that you will buy this cigar brand?**

	Macanudo	Ascots	Punch	Davidoff	H. Upmann
Very Likely	41.5%	28.6%	34.8%	21.1%	18.5%
Somewhat likely	26.8%	28.6%	30.4%	26.3%	37.0%
May or may not be likely	19.5%	42.9%	21.7%	47.4%	37.0%
Not very likely	2.4%	0.0	8.7%	5.3%	3.7%
Not at all Likely	9.8%	0.0	4.3%	0.0	3.7%

16. **Thinking about premium or small premium cigar promotions, which of the following have you used? (Select all that apply)**

Total Sample:

Coupon from magazine:	16.8%
Coupon from newspaper:	5.3%
Contest:	13.3%
Taste Test	11.6%
Online Promotion:	14.7%
Cigar Dinner or Event:	17.2%
Internet Chat:	1.8%

Note: Ohio & Phoenix response numbers low, results not meaningful.

17. What was your favorite promotional event for a premium or small premium cigar? Please list one event. Give name of event and cigar brand featured.

N=77 respondents answering this question. No clear consensus, other than ¼ of responses referred to cigar dinners, nights, or tastings held by local tobacconists.

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18. When considering purchasing a cigar, what is ***most*** important to you?

Total Sample:

5.6%	Value
56.0	Taste
1.1%	Uniqueness
15.8%	Quality
.7%	Convenience
4.2%	Good Recommendation
6.3%	Shape/Size/Color
8.8%	Smoking Occasion

What patterns? By brand?

21. Where do you usually buy your cigars? (Select as many as apply)

Total Sample:

51.3%	Tobacconist
16.7%	Drug Store/Discount Chain Store
16.0%	Mail order Catalog
13.1%	Supermarket
31.3%	Tobacco Outlet
12.0%	Web site/Internet
11.3%	Other

?

22. How often do you visit a Tobacconist? (Select one)

Total Sample:

2.5%	More than once per week
5.1%	Once per week
16.0%	1-3 times per month
11.6%	Once per month
15.6%	Every 2-3 months
28.4%	Less often than once every 2-3 months
20.7%	Never

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23. Now, thinking about the magazines you have purchased over the past 12 months, which of the following have you *purchased* at least two times? (Select all that apply)

24. Now, thinking about the magazines you have read over the past 12 months, which of the following have you *read* at least two times? (Select all that apply)

	23. Bought last year, read 2x?	24. Read last year, 2x?
Antique Review	1.5	0.4
Architectural Digest	2.5	4.4
Automobile	6.9	7.3
Boating	4.7	5.8
Bon Appetit	4	4.0
Brill's Content	0.7	0.7
Business Week	5.5	6.5
Car and driver	9.5	13.1
Cigar Aficionado	11.3	12.7
Conde Nast Traveler	2.5	4.4
Consumers Digest	5.5	6.2
Economist	1.1	1.1
Esquire	3.6	5.5
Field & Stream	8	9.5
Food & Wine	5.5	4.0
Football Digest	1.8	2.5
Forbes	5.1	5.5
Golf	6.5	6.5
Golf Digest	8.4	8.4
Gourmet	2.5	2.5
GQ	7.3	7.6
Guns & Ammo	9.8	9.1
Inc	2.2	1.5
Industry Standard	1.1	0.7
Jet	1.5	0.7
Kiplingers	1.8	3.3
Life Magazine	1.5	2.9
Men's Journal	6.2	6.2
Muscle & Fitness	2.5	4.0
National Geographic	9.5	10.9
Newsweek	10.5	15.6
Parents Magazine	1.8	1.8
PC Magazine	12.7	13.8
PC World	10.2	10.5
People	6.9	6.9
Playboy	19.6	24.0
Reader's Digest	13.5	15.6
Road & Track	5.5	4.7
Robb Report	1.8	1.8

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Rolling Stone	6.2	5.8
Sailing World	1.1	0.4
Smart Money	2.2	1.8
Smoke	1.5	1.8
Sp[orts Illustrated	15.6	17.8
Time	8	13.1
US News & World Report	6.9	9.8
Vibe	2.2	1.5
Wine Spectator	3.6	2.2
Wired	3.6	4.4
Other	20	20.0
None of the Above	20	16.4

25. Which statement below best describes how often you read cigar magazines, whether you purchase them or not? (Please read all statements and select all that apply)

Total Sample:

Read Cigar Mag's regularly at home:	35.7%
Regularly, at tobacconist:	9.5%
Occasionally, at home:	33.3%
Occasionally, other location:	31.0%
Read them mostly on the Internet:	2.4%
Never:	2.4%

Note: Ohio & Phoenix response numbers low, results not meaningful.

26. Which of the following newspapers do you read on a regular basis? (Select all that apply)

Total Sample:

NYTimes	10.2%
USA Today	15.6%
WSJ	8.4%
Local Paper over 100,000 circ	36.0%
Local Paper, under 100,000 circ	26.2%
Local Weekly	19.3%
Local Circulars	12.0%

Note: Ohio & Phoenix response numbers low, results not meaningful.

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DEMOGRAPHICS:

Marital Status:
51.1% Married
24.6% Single/Never Married

Household Size:
18.3 % Single Person Household
35.6 % Two Person HH
45.4 % Three or More Person HH

Income:
22.8% under 34,000K
45.4% 35,000 to 74,000K
19% 75,000 to 99,000K
12% 100,000K and over

Gender:
All Male

Age:
33.7% are 21-33
33% are 34-45 years of age
23.4% are 46-54 years of age
9.9% are 55 years of age or over

Education:
16.0% are HS Grad or under
68% have some college or are College Grads
15.5% have Graduate Educations

Employment:
62.9% White Collar
20.7% Blue Collar
4.3% Student
5.7% Retired
6.4% Other

<81% of respondents are Full Time Workers>

Region:
57.5% come from cities over 1,000,000 people

42.9% come from the midwest
14.5% come form the southeast
26.6% come from the west1
16% come from the northeast

<<Included in the percentages listed to the left,
15.1% of respondents come from Phoenix
14.4% of respondents come from Ohio >>

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Primary Computer Location
70.2 % Home
27.3% Work

Length of Computer Internet Access
6.0% Less than 1 year
22.4% 1 to under 3 years
25.5% 3 to under 5 years
45.8% over 5 years

Connection Type
12.5% less than 56K
49.6% 56K or 2X
38.5% other

Browser:
20.4% AOL
73.6 Microsoft
34.5% Netscape Navigator

Race:
88.6% White
4.0% Black
7.3% Other/Hispanic

Profession:
21.4% Management
12.1% Computer/Technical
18.2% Craftsman/Foreman/Laborer
18.9% Professional

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GC 022259

Sample Construction: Methodology

Note: The following is an exerpt from an NPD memo to GCC regarding fielding the on-line advertising survey.

The sample was pulled in three pieces:
1. National (Group 1)
2. Ohio (Group 2)
3. Phoenix (Group 3)

The last two groups are "market specific" which means that we pulled a representative sample within the confines of that market definition.

For Phoenix, the "market" was the Phoenix DMA (Designated Market Area) which is what we typically look at when evaluating advertising. The sample universe was defined as the Phoenix DMA and within that we were looking for a representative group of males 18 years of age or older. The sample was then randomly selected from this group.

For the Ohio, the procedure was similar to what was done in Phoenix except in this case the "market" was defined as Ohio. Male panelists age 18 plus who live in Ohio were identified by zip code and a representative sample was selected from this subgroup.

On a national level, the sample pulling procedure is similar to the procedures used when pulling from specific markets. We typically give our clients a choice in the type of sample they would like to use - either representative of the current Internet population or representative of the US population. For this project we agreed that a US rep sample would be most appropriate. So, our search was first narrowed down to males age 18 or over and then we pulled a US rep group according to a number of demographics. The exact definition of which demos we use and which proportions is considered proprietary. On a regional basis, however, we would expect to see the sample to break out as follows:

- Northeast: 19%
- Midwest: 24%
- South: 35%
- West: 22%

Here is how we simplify the 9 census regions to 4:
Northeast = New England (1) & Middle Atlantic (2)
Midwest = East North Central (3) & West North Central (4)
South = South Atlantic (5) & East South Central (6) & West South Central (7)
West = Mountain (8) & Pacific (9)

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Using the above definition, we get the following percentages:

Group 1 (all respondents, n=2,071)		Group 1 (Qualifieds only*, n=192)	
Northeast:	20%	Northeast:	23%
Midwest:	25%	Midwest:	22%
South:	34%	South:	38%
West:	21%	West:	17%

*Qualifieds are those respondents that made it to question 3 (they smoked more than 1 cigar in the past 4 weeks and knew if had smoked a premium)

These percentages are fairly close to what we consider to be representative of the US population.

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1st To Mind:
209 Mentions from 282 people in the Total Sample

Total Sample Mentions	# of Men.	% n=209 mentns.	% n=282 peo.	Mentions Ohio #	% of n=41
Antonio y C	3	1.4%		[illegible]	[illegible]
Ashton	4	1.9%		[illegible]	[illegible]
Backwoods	2			[illegible]	[illegible]
Black & Mil	4	1.9%		2	4.9%
Cohiba	21	10.0%	7.4%	2	4.9%
Cuban	12	5.7%	4.3%	[illegible]	[illegible]
Don Diego	3	1.4%	3.0%	[illegible]	[illegible]
Dunhill	6	2.8%	2.1%	[illegible]	[illegible]
Dutch Mas	5	2.4%		[illegible]	[illegible]
Excaliber	3	1.4%		[illegible]	[illegible]
Fuente	16	7.7%	5.7%	4	9.8%
Garcia y Ve	12	5.7%	4.3%	[illegible]	[illegible]
H. Upmann	3	1.4%		[illegible]	[illegible]
Macanudo	25	12.0%	8.9%	3	7.3%
Montecristo	6	2.8%	2.1%	[illegible]	[illegible]
Partagas	5	2.4%		[illegible]	[illegible]
Punch	6	2.8%	2.1%	[illegible]	[illegible]
Romeo y J	6	2.8%	2.1%	[illegible]	[illegible]
Swisher Sw	14	6.7%	5.0%	[illegible]	[illegible]
White Owl	3	1.4%		[illegible]	[illegible]
Tl. Obsv:				28	[illegible]

Other brands to Mind:
572 Mentions from 282 people in the Total Sample

Total Sample Mentions		% n=572 mentns	% n=282 peo.	Mentions Ohio #	% of n=41 peo.
Acid	4			[illegible]	[illegible]
Antonio y C	2			[illegible]	[illegible]
Aristoff	2			[illegible]	[illegible]
Ashton	9	1.6%	3.2%	[illegible]	[illegible]
Astral	2			[illegible]	[illegible]
Avo	5			[illegible]	[illegible]
Baccarat	4			[illegible]	[illegible]
Backwoods	6		2.1%	3	7.3%
Bering	2			[illegible]	[illegible]
Big Butt	3			[illegible]	[illegible]
Black & Mil	4			[illegible]	[illegible]
Bolivar	2			[illegible]	[illegible]
C.A.O.	3			[illegible]	[illegible]
Cifuentes	2			[illegible]	[illegible]
Cohiba	39	6.8%	13.8%	[illegible]	[illegible]
Cuban	6		2.1%	[illegible]	[illegible]
Cuesta Rey	3			[illegible]	[illegible]
Davidoff	7		2.5%	[illegible]	[illegible]
Don Diego	11	1.9%	3.9%	[illegible]	[illegible]
Don Tomas	9		3.2%	[illegible]	[illegible]
Dunhill	15	2.6%	5.3%	[illegible]	[illegible]
Dutch Mas	7		2.5%	[illegible]	[illegible]
El Credito	2			[illegible]	[illegible]
El Rey Del	3			[illegible]	[illegible]
Excalibur	2			[illegible]	[illegible]
Fonseca	6		2.1%	[illegible]	[illegible]
Fuente	27	4.7%	9.6%	[illegible]	[illegible]
Garcia y Ve	8		2.8%	[illegible]	[illegible]
H. Upmann	25		10.0%	[illegible]	[illegible]
Hav-a-Tam	5			[illegible]	[illegible]

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1st To Mind:
209 Mentions from 282 people in the Total Sample

Total Sample Mentions	# of Men.	% n=209 mentns.	% n=282 peo.	Mentions Ohio #	% of n=41 peo.

Other brands to Mind:
572 Mentions from 282 people in the Total Sample

Total Sample Mentions		% n=572 mentns	% n=282 peo.	Mentions Ohio #	% of n=41 peo.
Henry Clay	2				
Hoyo de M	18	3.1%	6.4%		
Indian Taba	4				
King Edwar	4				
La Flor Dor	4				
La Gloria C	6		2.1%		
La Unica	4				
Lars Tetens	3				
Licenciados	2				
Macanudo	57	10.0%	22.0%		
Middleton	5				
Montecristo	29	5.1%	10.3%		
Montesino	4				
Nat Sherma	3				
Onyx	3				
Padron	5				
Partagas	32	5.6%	11.3%		
Perdomo	2				
Phillies	16	2.8%	5.7%		
Punch	27	4.7%	9.6%		
Puro Indios	4				
R.G.Dunn	3				
Romeo y Ju	28	4.9%	9.9%		
Royal Jama	2				
Sosa	2				
Sweets	32	5.6%	11.3%		
Te Amo	6		2.1%		
White Owl	14	2.5%	5.0%		
Zino	4				

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1st To Mind: 209 Mentions from 282 people in the Total Sample							Other brands to Mind: 572 Mentions from 282 people in the Total Sample					
Total Sample Mentions	# of Men.	% n=209 mentns.	% n=282 peo.	Mentions Ohio #	% of n=41	[redacted]	Total Sample Mentions	% n=572 mentns	% n=282 peo.	Mentions Ohio #	% of n=41 peo.	[redacted]
							Tl. Obsv.:			81		74

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Mentions, combined: 863 mentions from 282 people			
		% of n=863 mentns	% of n=282 peo.
Acid	4		
Antonio y C	3		
Aristoff	2		
Ashton	13	1.5%	4.6%
Astral	2		
Avo	5		
Baccarat	4		
Backwoods	8		
Bering	2		
Big Butt	3		
Black & Mi	4		
Bolivar	2		
C.A.O.	3		
Cifuentes	2		
Cohiba	60	7.0%	21.0%
Cuban	18	2.1%	6.4%
Cuesta Re	3		
Davidoff	7		
Don Diego	14		
Don Tomá	9		
Dunhill	21	2.4%	7.4%
Dutch Mas	12	1.3%	4.3%
El Credito	2		
El Rey Del	3		
Excalibur	5		
Fonseca	6		
Fuente	43	5.0%	15.2%
Garcia y V	20	2.3%	7.1%
H. Upmann	28	3.2%	9.9%
Hav-a-Tan	5		

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Mentions, combined: 863 mentions from 282 people			
		% of n=863 mentns	% of n=282 peo.
Henry Clay	2		
Hoyo de M	18	2.1%	6.4%
Indian Tab	4		
King Edwa	4		
La Flor Do	4		
La Gloria C	6		
La Unica	4		
Lars Teter	3		
Licenciado	2		
Macanudo	82	9.5%	29.1%
Middleton	5		
Montecrist	35	4.0%	12.4%
Montesino	4		
Nat Sherm	3		
Onyx	3		
Padron	5		
Partagas	37	4.2%	13.1%
Perdomo	2		
Phillies	16		5.7%
Punch	33	3.8%	11.7%
Puro Indio	4		
R.G.Dunn	3		
Romeo y J	34	4.0%	12.1%
Royal Jam	2		
Sosa	2		
Sweets	46	5.3%	16.3%
Te Amo	6		
White Owl	17	2.0%	6.0%
Zino	4		

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Mac Hut

Nat'l	Ohio	Phoenix

Unaided recall
Aided recall
~~Top competitor~~

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GC 022267

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defendant's Exhibit 64

They worked hard and finally reached an agreement
NOW THEY CELEBRATE AS THE OCCASION MERITS
And they know that in moments like this the distinguished Havana Cigar is a must

P10720

Photos: Pedro Perdomo

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 64

Cuba TABACO INTERNATIONAL

No. 7, 1982

Quartely review of the Cuban tobacco export enterprise
a CDED-MINAL publication
Editor: Humberto Cabezas
Editorial Manager: Zoila Couceyro
Editorial Staff: Marcelino Valdés, Clemente Vera, Edma Martínez and Pedro Perdomo
Advisory Council: Boards of Directors of Cubatabaco.
Permit No. 81248/154 from the Post and Telegraph Office.
Editorial offices: Amargura #103 esq. San Ignacio, Zona 1, Ciudad Habana, Cuba. Telephone: 61 84 53 and 62 35 96.
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Printed by Unit 0-1 of the Ministry of Culture.
Telex: España 23858 memoria: Comex E Holanda 32396 memoria: Cuba NL Francia Coprova 641836 F

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BIBLIOTECA JOSE MARTI

POR EL INTERES QUE POSEEN ESTAS ENTREVISTAS PARA LOS MERCADOS DE HABLA HISPANA, LA DIRECCION DE "CUBATABACO INTERNACIONAL" HA DECIDIDO PUBLICAR SU VERSION ESPAÑOLA EN LA PRESENTE EDICION DE LA REVISTA.

BECAUSE OF THE INTEREST OF THIS INTERVIEW FOR SPANISH-SPEAKING MARKETS, THE EDITORS OF "CUBATABACO INTERNATIONAL "DECIDED TO PUBLISH THE SPANISH VERSION IN THIS ISSUE.

EN ESPAÑA DECIR PUROS, ES DECIR PUROS HABANOS.

— DON ALBERTO MONREAL LUQUE, PRESIDENTE DE "TABACALERA S.A."

Text: Ada Oramas Photos: Federico Fuentes

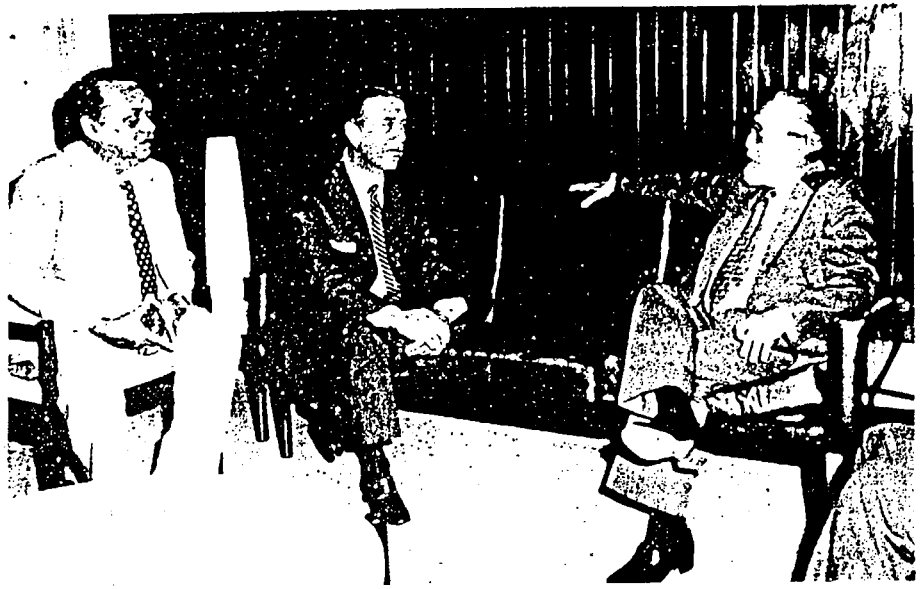
Este año, visitó nuestro país Don Alberto Monreal Luque, presidente de "Tabacalera S.A.", de España, quien sostuvo conversaciones de gran trascendencia con figuras representativas del Gobierno Revolucionario de Cuba: Carlos Rafael Rodríguez, miembro del Buró Político del Comité Central del Partido y Vicepresidente de los Consejos de Estado y de Ministros; Ricardo Cabrisas, ministro del Comercio Exterior; Alejandro Roca, ministro de la Industria Alimenticia; José R. Fernández, ministro de Educación y la dirección de la empresa "Cubatabaco".

Señor Monreal Luque, en este año se cumplen veinte años de relaciones comerciales entre "Tabacalera" y la empresa "Cubatabaco", ¿cómo se ha comportado el desarrollo comercial de estas relaciones?

—Las relaciones entre "Cubatabaco" y "Tabacalera" han sido siempre excelentes. Cabe señalar que estas magníficas relaciones todavía han sido acrecentadas y potenciadas durante estos últimos años, y yo creo sinceramente que las perspectivas que se nos abren son muy favorables.

Conocemos los esfuerzos realizados en su compañía para la modernización de la estructura industrial y comercial de la misma, las ventas en 1980 fueron 203 mil millones de pesetas, un 15 % superior a 1979 y la rentabilidad fue un 25 % que en dicho año 1979, ¿cómo se ha comportado el pasado año 1981, en relación con el 80?

P10721



—El año 1981 ha sido todavía un año más favorable que el 80. El volumen total de ventas ha sido de 250 000 millones de pesetas. Le hablo de cifras aproximadas, porque no tengo aquí el balance, ni siquiera ha sido todavía cerrado.

Los ingresos al tesoro, por todos los conceptos —impuestos y rentas del monopolio— ascienden a 170 000 millones, lo cual supone unos ingresos de un 25 % superior a los del año anterior.

Y el beneficio neto para la compañía gestora del monopolio del tabaco, es decir para "Tabacalera", ha sido en el pasado ejercicio (1981) de 1 600 millones de pesetas, lo que representa un 40 % de incremento.

El monopolio tiene como norma ofertar al consumidor español calidad y variedad en productos del fumar. ¿En qué medida contribuyen a su política comercial los puros Habanos?

—Usted sabe que en nuestro país el consumo de los puros es muy importante,

es decir sobrepasa los 900 millones de cigarros, como los llamanos nosotros, y que la población ahora está en los 40 millones de habitantes. De ellos, siempre, tradicionalmente, los puros Habanos han estado en la cumbre, en el máximo de calidad y prestigio dentro de estos puros. *Yo diría que en España decir puros, es decir puros Habanos.* Es muy difícil que en España pueda introducirse un puro de calidad y de imagen, como la que tradicionalmente ha venido manteniendo "Cubatabaco". Dentro de estos puros, nuestro consumo se orienta por los de mayor calidad dentro de este surtido amplio de puros Habanos. Por ejemplo, en el año en que el abastecimiento no estuvo restringido por las condiciones que todos conocemos de la cosecha cubana en el año 1979, fueron de 58 millones de puros y de ellos, 22 ó 24 millones fueron de "Montecristo". En estos momentos, también, para el presente año, esperamos que las ventas sean de unos 40 millones de puros y un 50 % será de puros de primera calidad, es decir de "Montecristo", de "Davidoff" y de "Partagás", pues en España el 898, la célebre vitola de "Partagás", es verdaderamente apreciado y querido.

¿Qué niveles de venta tienen en el mercado español los puros Habanos elaborados por la industria cubana? ¿Satisfacen la demanda del mercado interno?

—Bueno, las cifras son las que acabo de mencionarle. Realmente, desde el punto de vista de gusto, de consumo, de calidad y de imagen lo satisfacen plenamente. Desde el punto de vista cuantitativo, lo que nos puede vender todavía "Cubatabaco", no satisface la demanda real que hay de puros. Hemos tenido restricciones en los años pasados. Este año se incrementa bastante la oferta, pero no llegamos con mucho al techo de lo que creemos podrían ser las ventas en nuestro país. Nosotros pensamos que ahora estaríamos en unos 68 millones de puros al año.

¿Cuál es la marca líder cubana de los puros Habanos en vuestro país?

—Sin duda, el "Montecristo", y también el "Partagás", como dije anteriormente.

En la promoción publicitaria de los puros Habanos, ¿cuál es su opinión sobre la actividad que se realiza en este sentido y cuáles son los puntos vitales —a su juicio— en que debe fundamentarse la acción publicitaria?

—"Cubatabaco" ha realizado una acción de promoción verdaderamente importante e inteligente, no solamente ha hecho una acción publicitaria de imagen de los puros Habanos, sino que se ha cuidado sobre su conservación en los puntos de venta, facilitando en muchas ocasiones humidores y otros enseres, para la conservación de los puros. Entiendo que esto es muy importante y muy significativo. Para el futuro, yo creo que la mejor acción de promoción y publicidad que se puede hacer es dar a conocer de una forma individualizada las características, calidades y condiciones de cada uno de los cigarros y vitolas que se venden en nuestro país.

¿Hasta qué punto afectará a la promoción y venta de Tabacalera y de los puros Habanos el nuevo decreto ley que prohibe la publicidad de productos del tabaco en radio, televisión y prensa estatal y que, asimismo, prohibe expenderlos a los menores de dieciséis años?

—Desde el punto de vista de publicidad, es una restricción limitada a los medios oficiales de publicidad que solamente se permite en aquellas que son nuevas labores, pero —por supuesto— se sigue permitiendo en la prensa, en todo tipo de revistas políticas, comerciales

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y, también, en vallas, en cines. Es decir, que la publicidad se ha restringido en televisión. Realmente, dado que los puros Habanos necesitan de poca publicidad televisiva, pues —como le he dicho antes— todos se venden, creo que no afecta este decreto de restricción, desde el punto de vista publicitario, a los puros Habanos.
Y desde el punto de vista de la prohibición de venta en los estancos, a los menores de dieciséis años, es evidente que resulta difícil encontrar a un menor de dieciséis años fumando un puro Habano. Por ello, yo creo que tampoco desde este aspecto le afecta a nuestros queridos puros Habanos.

¿Contempla usted la posibilidad de introducir nuevas marcas de puros Habanos en España?

—Bueno, de hecho, este año en ocasión que se celebra en nuestro país el "Mundial de Fútbol", vamos a introducir la marca "Cohiba" y, conjuntamente con "Cubatabaco", tenemos preparada una presentación, una introducción importante para este puro de gran calidad.

¿Cuál es su criterio, en cuanto a las perspectivas del puro Habano y los productos del tabaco cubano en el mercado español?

—Como le acabo de decir, yo entiendo que no hay ningún horizonte sombrío con respecto al consumo. Sin embargo, en el puro de baja calidad, en algunos países y entre ellos el nuestro, en algunos segmentos de precios ha sido regresivo y en otros ha sido creciente. Pero en todo caso, en el cigarro de calidad, que es en el que se contempla el puro Habano, verdaderamente la demanda es creciente y lo tengo que contemplar, sin ningún formulario de protocolo muy positivamente y de una forma creciente.

En el mercado de cigarrillos, ¿cuál es la tendencia del fumador español, entre los cigarrillos negros y rubios?

—En el pasado y en los años más cercanos, la proporción entre los fumadores de negros y rubios era el 80 % de cigarrillos negros y el 20 %, cigarrillos rubios. En esto actuaba muy fundamentalmente, la diferencia de precios que existía entre ambos. En los últimos tres o cuatro años, estamos observando un traspase de fumadores de cigarrillos negros a rubios. Mientras el crecimiento de cigarrillos negros se mantiene, o según los años y según la subida de precios, se contrae ligeramente, el crecimiento de los cigarrillos rubios es espectacular, es del orden del 25 % anual. En estos momentos, podemos decir que en estos tres últimos años, como le dije antes, la población fumadora de cigarrillos negros, que era de un 80 %, ha pasado a un 70 % y la de cigarrillos rubios, de un 20 % a un 30 %. En un próximo futuro, las disposiciones comunitarias y la legislación impositiva ha de girar sobre el precio de costo de los cigarrillos.
Por tanto, los negros van a tener aumentos más proporcionales que los cigarrillos rubios, este proceso de traspase de cigarrillos negros a rubios, creemos que se va a acentuar, al igual que

ha ocurrido en países como Francia e Italia.

¿Cómo se comporta el mercado español, en cuanto al consumo de picadura para pipas. ¿Hay demanda de la picadura cubana?

—El mercado español es muy reducido, en cuanto a fumadores de pipas, y no se conoce picadura Habana de pipas. Sí se conoce y hay memoria histórica de la picadura para liar. Es decir, cuando no se producían todavía cigarrillos elaborados a máquina, la picadura para liar Habana tenía una gran imagen y una gran calidad. Hoy, con los procesos de fabricación de cigarrillos, esa costumbre se ha perdido absolutamente.

Con respecto a la posible entrada de España en el Mercado Común Europeo, ¿cómo cree usted que incidirá este hecho en la política tabacalera de vuesto país? ¿Y con respecto a Cuba?

—Este tema ha sido precisamente el objeto de nuestras conversaciones, durante mi estancia en La Habana. "Cubatabaco" y "Tabacalera" hemos analizado en profundidad, las perspectivas que se nos abren ante nuestra entrada en el Mercado Común Europeo y cómo incide nuestro ingreso allí en las tradicionales corrientes de compra de "Tabacalera". Y, precisamente, dentro de este contexto de análisis hemos contemplado acciones conjuntas, para que no solamente sea un dato que pueda influir negativamente, sino por el contrario, potenciar y positivar nuestra entrada para incrementar esta corriente de ventas, no sólo en nuestro país, sino posiblemente en Europa.

¿Cómo contempla usted las relaciones comerciales futuras entre "Tabacalera" y "Cubatabaco"?

—Creo que esto podría decirlo también el director de "Cubatabaco", (aquí presente), pero yo las contemplo de una forma muy positiva. Todos los proyectos que hemos analizado nos abren una perspectiva grande. Nuestras relaciones no se ven empañadas por ningún acontecimiento que pueda dañarlas y nos adelantamos a los acontecimientos para que no se nos produzca ningún hecho que no hayamos previsto de antemano.

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defendant's Exhibit 66

cuba tabaco

Epoca II Semiannual Review No. 2
January-June 1980 "Year of the Second Congress"

Published by Centro de Diseño de Envases y Divulgación MINAL
Editor-in-chief: Humberto Cabezas
Publishing Editor: Zoila Couceyro
Information Editor: José M. Fleites
Art Department: Clemente Vera
Design and Layout: Edma Martinez
Photo Department: Pedro Perdomo

Organ of the Cuban tobacco activity in coordination with Tobacco Departments of MINAL, Ministry of Agriculture and "CUBATABACO", Export Enterprise of MINCEX.

Entered as periodical at the National Post Office, Telegraph and Press Office. Permit No. 81248/154.

Editorial and administrative offices: Amargura No. 103, esquina a San Ignacio, Zona 1, Ciudad Habana. Telephone: 61-8453 and 61-0425.

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Printed by United 01, "Osvaldo Sánchez", Ministry of Culture.

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• Photo : PEDRO PERDOMO

BIBLIOTECA NACIONAL JOSE MARTI HABANA, CUBA

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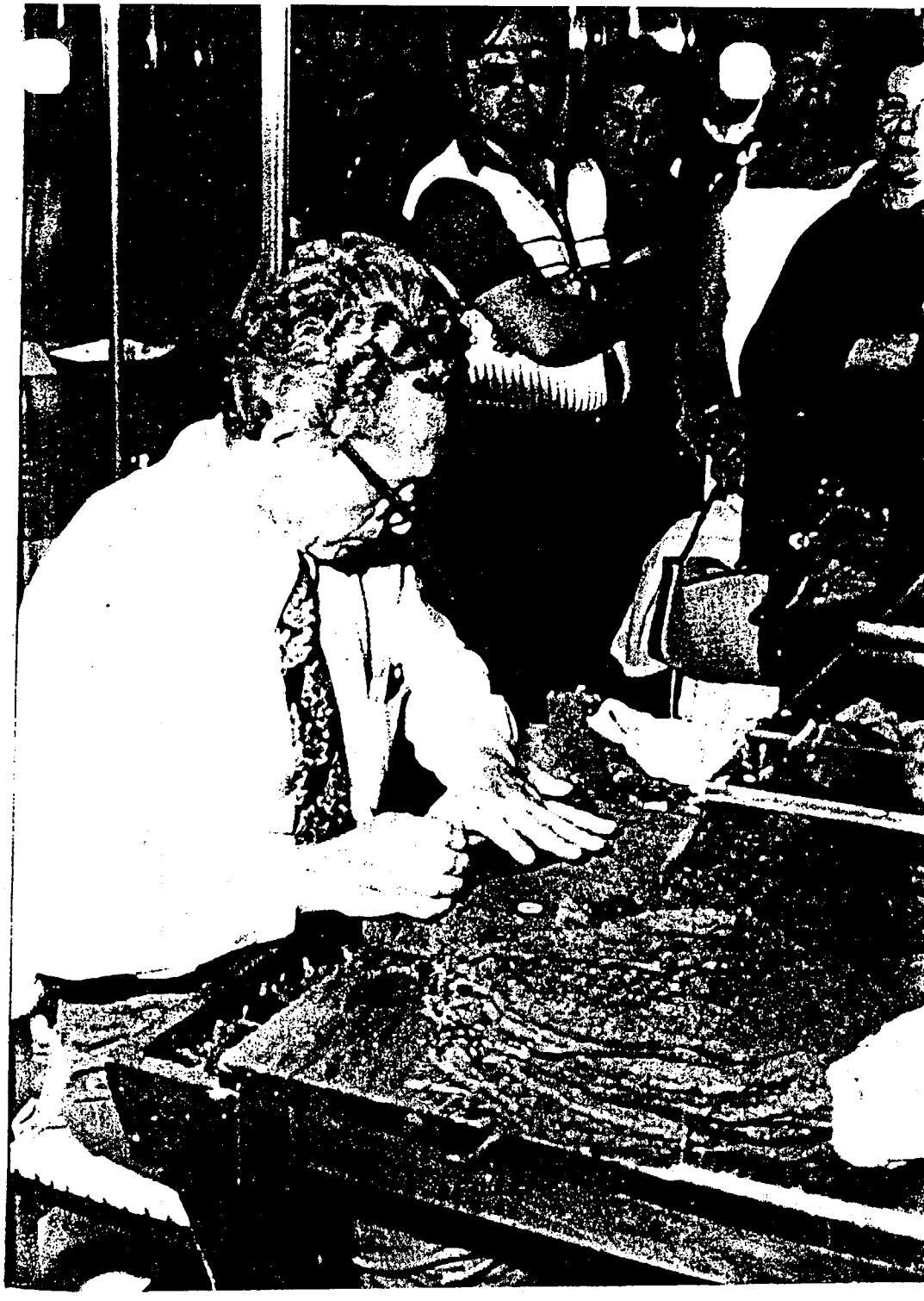
IN INTERNATIONAL FAIRS

Text: LIC. ADA ORAMAS
Photos: ARCHIVE

The Havana cigar occupies the first place within the consumers' preference throughout the world, because of its optimal quality and fine finish. For this reason it is present in fourteen international fairs, in which Cubatabaco and the Chamber of Commerce of Cuba offer to the visitors sample cases of the product and demonstrations of the hand rolling art carried out by Cuban master tobacco workers whose experience and skill arouse public admiration.

In the present year, for instance, it accompanied the visitors in their travel around fairs held in the whole world and was the ideal companion, its friend of ever, because it spoke to them in its own language of good smokers.

Even though the list is quite extensive, we are inserting it in this article in order to give our readers an idea of how the Havana cigar prestige is kept standing in the world, and whose quality has turned it into a personage in all the top-rank fairs or expositions because smokers demand its presence and visit the Cuban stands to admire it as an indisputable attraction.



The public becomes impressed before the Cuban stands when their eyes see how a Havana cigar comes to life from the killed hands of a master tobacco worker: how he prepares the filler to have it wrapped around by the binder, then how he rolls the latter with special care, prepares carefully the wrapper and then cuts off the edges, imparts an obsolute precision of movements to the rolling of the wrapper, makes the required cuts with the knife, shapes the tip with sculptor-like art when modeling a figure, and applies the final cut to the ciaar head.

And to reflect to a certain point the fact that the art of cigar hand rolling sets up an attraction in the Cuban stands, we transcribe a paragraph appeared in a newspaper from Toulouse (France), making reference to the elaboration of Havana cigars, an event which took place in that city:

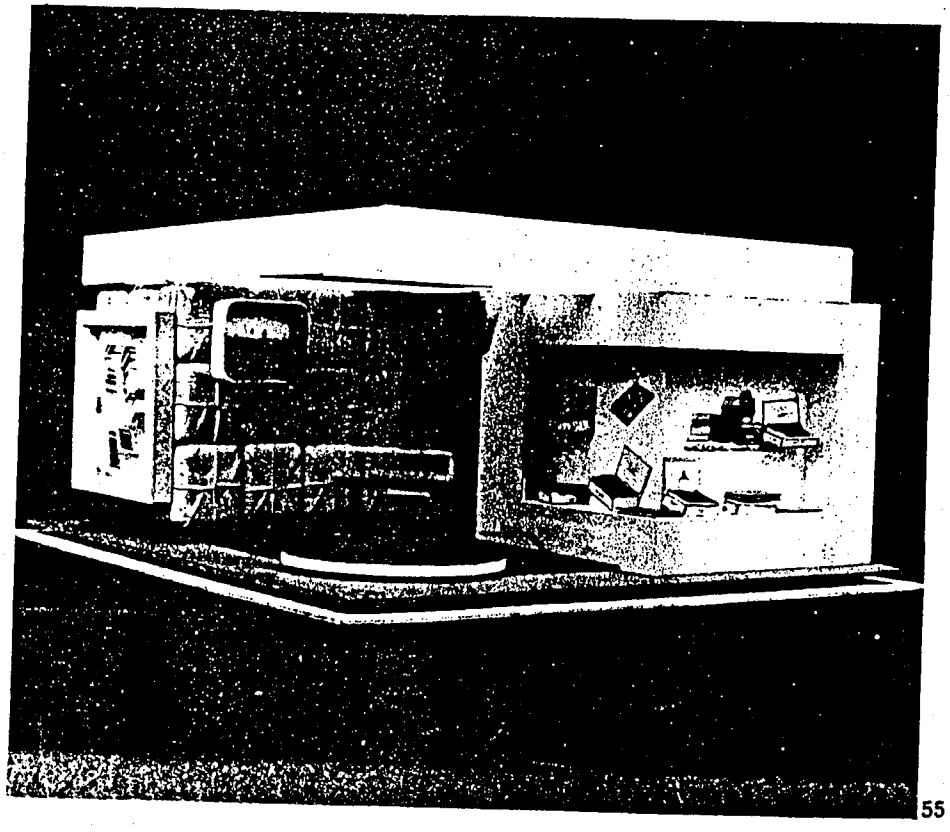
"The visitors are tireless in their admiration of the skill and talent shown by a specialized worker in rolling tobacco leaves to make before their eyes those excellent cigars."

It is timely to mention that the promotional activities abroad are not limited only to international fairs. Havana cigars participate also at the Tourism International Exchange in Berlin —German Democratic Republic—and in Milan, Italy; as well as in the Vacation Hall at Brussels, Belgium.

Likewise, Havana cigars find an ideal framework in other fairs, such as that of Paris —France—, Gottemburg —Sweden— and in various gastronomic fairs which take place in France.

Other activities of great importance for the promotion and sale of Havana cigars are

Miniature model of Cuban stand for the III World Tobacco Symposium to be held at the Blue Coast in France.



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carried out by the importers themselves, with special advertising campaigns and demonstrations given by the Cuban master han rollers who roll —in shops and public places differents sizes of our cigars. Among the firms that display various initiatives —such as tours and TV presentations— we can mention: Weitnaver, in Switzerland; Tuxedo, in the Federal Republic of Germany; Robert Suter, in Belgium; and Hunter and Frankau, in Great Britain, etc.

At the writing of these lines the Havana cigar is taking part in the extensive program of activities in the expo **The Land of Men** which is beging held from June 20 until September 20, in the island of St. Helena, Montreal, Canada.

Quite interesting is, likewise, the activity which is being carried out under the name of **Hotelympia**, in Great Britain, usually during the month of January. Merchants get together there and demostrations of cigar hand rolling are held. This takes place in different British cities. This year Hotelympia was held in Glasgow, Scotland.

It has been announced also that Havana cigar will participate in the III World Tobacco Symposium, to be held in Nice, in the "Cote d'Azur," France, next year, and in which it will be displayed in a stand whose miniature model illustrates this article.

Within the framework of International Fairs, as well as in different expositions in which the Havana cigar participates, folders and booklets in full color are distributed among the visitors, and in them details are given about art history, manufacture and hints relative to the conservation of the best tobacco in the world, both for retailers and smokers.

One of these booklets —**A friend in the fair**— bids its farewell to the readers in a paragraph which holds its most important message and with which we bring this article to a close:

"Now that you are finishing a pleasant visit to this International Fair, while your mind is retaining images from the whole world, and as souvenirs the typical objects from the countries through which it has traveled in its world tour in a few hours, the Havana cigar will keep you company in your daily life, at home, at work, in moments of leisure and pleasure, that will turn them into inseparable friends for a lifetime."

Collage of folders and booklets distributed by Cubatabaco and the Chamber of Commerce of Cuba to visitors attending International Fairs.

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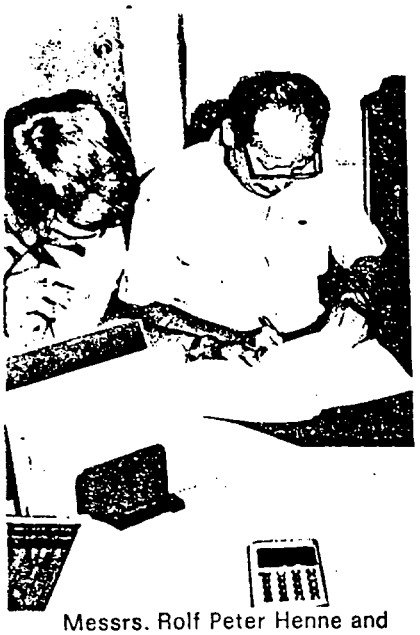
OUR VISITORS IN 1979

Messrs. J. A. Shoemaker and H. and L. Arkawen, directors of the firm Carl Leoni, from Holland.

Mr. Jean-Louis Gramond, from S.E.I.T.A Enterprise, of France.



Messrs. Rolf Peter Henne and Werner Busch, from the firm Genusmittel Import-Export, of the German Democratic Republic.

Mr. Peter B. Knight, from Knight Brothers Enterprise of England.

Mr. Gunnar Heinemann, from the firm Heinemann, the German Federal Republic.

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Mr. Hans Juergen Zachintzsh, of Heinemann, from the German Federal Republic.

Mr. Ricard Fiter, of the firm Franc Port, from the Principality of Andorra.

Messrs. Klaus E. Lauber and Rudolf B. Wey, of the firm A. Dürr and Co., from Switzerland.

Mr. José Ma. Cases, of the firm Franc Port, from the Principality of Andorra.

During the past year representatives of twenty-eight firms from thirteen countries visited the Cubatabaco Export Enterprise. These visits ratify the universal prestige of Cuban tobacco, traditionally considered as the best in the world. In this information we include our visitors, in the order of their arrival to our country.

Messrs. Ralph Levy and Emile Christodulidi.

Firm: Cogetot S.A. Switzerland.

Messrs. José Ma. Cases Ribalta and Ricard Fiter.

Firm: Franc Port, Principality of Andorra.

Mr. Dereck Patrick Harris.

Firm: Melbourne Hart and Co. Great Britain.

Messrs. Gunnar Heinemann and Hans-Juerguen Zachintzsch of GEBR.

Firm: Heinemann. German Federal Republic.

Messrs. H. P. Shmidt and M. Sonderegger.

Firm: Weitnauer Trading Co. Switzerland.

Mr. Nicholas D. J. Freeman.

Firm: Hunters and Franked Ltd. Great Britain.

Messrs. E. Schneider and W. Hafner.

Firm: Oettinger Imex and Sauberli and Cie. Switzerland.

Messrs. Klaus E. Lauber and Rudolf B. Wey.

Firm: A. Dürr and Co. Switzerland.

Mr. Salomón Mizrachi.

Firm: Mizrachi and Cia. Mexico..

Mr. Peter B. Knight.

Firm: Knight Brothers. Great Britain.

Messrs. Franz Habertur and Jobst Bohning.

Firm: Tuxedo GMBH. German Federal Republic.

Messrs. Walter A. H. Kahn and Patrick McGuiness-Smith.

Firm: Joseph Samuel and Son Ltd. Great Britain.

Messrs. Simón Furbia and Osvaldo Marello.

Firm: Furbia S.A.C.I.F. Argentina.

Messrs. Paul Konfeld-Györci Tame Alfred Rédei (first commercial Secretary of the Embassy of the People's Republic of Hungary. Commercial Department of Havana). Konsumex Delegation.

Firm: Delker Budapest. People's Republic of Hungary.

Messrs. Heller E. Meerapfel, A.E. Abels and R. Allen Meerapfel.

Firm: Meerapfel. Holland.

Messrs. Howard Goode and A. Veres.

Firm: Imperial Tobacco Ltd. Canada.

Mr. Jean-Louis Gramond.

Firm: S.E.I.T.A. France.

Messrs. Nicolás Socorro and Gregorio Socorro.

Firm: Nicolás Socorro Guerra. Canary Islands.

Messrs. P. Vanderhaeghent and L. Cloetens.

Firm: N. V. Van Der Elst. Belgium.

Mr. H. Neuwöhner-John.

Firm: Villiger Söhne C.M.B.H. Switzerland and German Federal Republic.

Messrs. T. Jensen and John Ryberg.

Firm: Scandinavish Tobacco. Denmark.

Messrs. F. Dahlgren and K. Olsson.

Firm: Swedish Tobacco Co. Sweden.

Messrs. L. Arkawen and J. A. Shoemaker.

Firm: Carl Leoni N.V. Holland.

Mr. H. Kelner.

Firm: Occidental Tobacco. Holland.

Mr. Ferens Kiss.

Firm: Monimpex. People's Republic of Hungary.

Messrs. Rolf Peter Henner and Werner Busch.

Firm: Genusmittel. German Democratic Republic.

Mr. Peter de Jaguer.

Firm: Bürguer Söhne. Switzerland.

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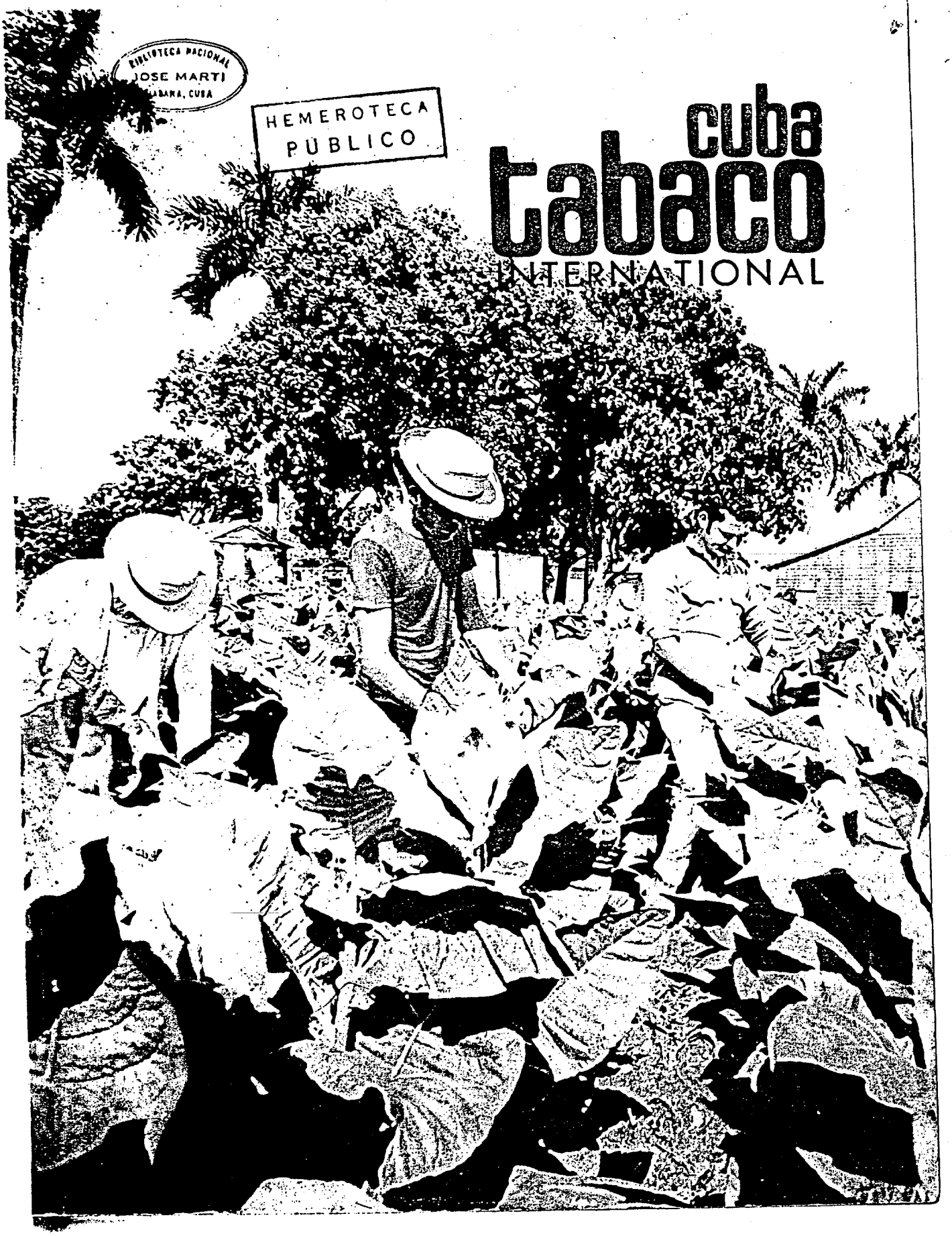

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Defendant's Exhibit 67

PLAINTIFF'S EXHIBIT 3 4/27/00 AA

PENGAD-Bayonne, N.J.

DEFENDANT'S EXHIBIT D 67

Blumberg No. 5114

93 Program

CONFIDENTIAL

MC 00494

COHIBA

MEDIA PRESENTATION

YEAR I

Prepared by:
McCaffery & Ratner
May 1993

CONFIDENTIAL

COHIBA

PRODUCT POSITION

COHIBA blends the finest tobaccos grown with superior hand-made craftsmanship to create a super premium cigar that equals the greatest cigars in the world.

COHIBA is for those who understand and demand quality, while recognizing that the cigar they smoke epitomizes a superior lifestyle.

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COHIBA

TARGET AUDIENCE

Psychographic Profile

Men with a sophisticated lifestyle, discerning taste, appreciation for romance, who like to indulge themselves.

Demographic Profile

MEN	25 - 54
HHI	$75M+
Att/Grad	College

CONFIDENTIAL

Demographic Target Audience Rationale

SMRB All Cigar Smoking Men

Age

Men between the ages of 35-44 show an index of 122, the highest index among all measured age segments.

Two more age groups were added: 25-34 (index of 86) to cultivate the younger men, and 45-54 (index of 96) to strengthen the target base.

Education

Attended College indexes at 120 among cigar smokers, while Graduated College is at 89. The two were combined to create a measurable target base.

Income

Incomes above $75M index at 114.

CONFIDENTIAL

COHIBA

MEDIA OBJECTIVES

Generate maximum awareness of **Cohiba** cigars to build a brand image for the (U.S.) product

Stimulate **Cohiba** sales among current premium cigar smokers

Support upscale-image brand position to facilitate a line extension of the brand name into other accessory products.

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COHIBA

COMMUNICATIONS GOAL

To build brand awareness and maximize the opportunity for a line extension, reach and effective frequency must be built rapidly and maintained long-term.

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COHIBA

MEDIA STRATEGIES

To fully satisfy the media objectives, only consumer magazines will be utilized.

Better than any other media form, magazines possess qualities that specially address the **Cohiba** needs. They provide:

- Targeted national reach
- Image association
- Upscale demographics
- Long-term awareness build
- Opportunity for repeat exposure

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COHIBA

MEDIA STRATEGIES

MEDIA SELECTION CRITERIA

To make sounder decisions a select number of lifestyle habits/purchases, indicative of the **Cohiba** man's psychographic profile, are used as supplemental criteria to the Target Audience definition.

- Drink Cognac
- Drink Imported Wine
- Drink Premium Scotch
- Drive Luxury Cars
- Buy Accessories

High performance in a number of these areas demonstrates a level of worldliness that is almost required in order for this man to become a potential **Cohiba** user.

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COHIBA

MEDIA STRATEGIES

MEDIA SELECTION CRITERIA

In addition to exceptional quantitative qualifications, the selected consumer magazines must also:

- Reflect product's quality
- Have editorial clout
- Influence action
- Have "selling" power
- Convey "brand personality"
- Provide customized added-value programs

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COHIBA

MEDIA STRATEGIES

SCHEDULING TACTICS

In accordance with the Communications Goal--rapidly built reach and frequency--the following scheduling tactics are recommended:

- Introduce **Cohiba** with a 4-page, 4-Color Spectacular Insert in select magazines
- Follow-up with 4-Color Spreads in a wider range of titles
- Maintain broad presence with a P4CB throughout the year

CONFIDENTIAL

COHIBA

MEDIA PLAN DEVELOPEMENT

CAVEAT

Because the actual launch date of **Cohiba** is not known, this media recommendation is only prototypical. Should there be any significant changes in these publications, the Agency's recommendations will change accordingly.

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COHIBA

MEDIA PLAN DEVELOPMENT

The considered list for the **Cohiba** launch in the U.S. Market, possessing the inherent qualities of a successful, sophisticated and affluent male, consists of the following titles (alphabetically):

American Heritage
Atlantic
Business Week
Cigar Aficionado
Departures
Economist
Esquire
Financial World
Food & Wine
Forbes
Fortune
Frequent Flyer
Gourmet
GQ
Harvard Business Review
Inc.
Men's Journal
Money
Motor Boating & Sailing
New York Magazine
New Yorker
N.Y. Times
Private Clubs
Smart Money
Smithsonian
Town & Country
Traveler
Travel & Leisure
Wall Street Journal
Worth

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COHIBA

MEDIA PLAN DEVELOPMENT

In order to generate impact and maintain optimum levels of reach and frequency it is estimated that an introductory year budget of $2.5MM-$3.0MM is necessary. This level of spending would afford **Cohiba** an annual reach of 60% - 70% and a frequency of 5.5 - 6.5 (approximately) against the target audience. The Agency's recommendation is to adhere to the following creative and budget allocation.

WHAT	WHEN	WHERE	HOW MUCH
4 pg insert only	At introduction	4 - 6 titles	20% of budget
Combination of Spreads and Pages	Following introduction	6 - 10 titles (20-25 pages)	30% of budget
Pages only	Maintenance	6 - 10 titles (35-40 pages)	50% of budget

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MC 00507

NEXT STEPS

Client to confirm:

- objectives/strategies
- start date
- budget

Agency to comply with Client feedback.

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defendant's Exhibit 69

FOR IMMEDIATE RELEASE

SIX YEARS IN THE MAKING, GENERAL CIGAR REINVENTS THE COHIBA CIGAR AND INTRODUCES IT WITHA NEW "FILM NOIR" MAGAZINE ADVERTISING CAMPAIGN

NEW YORK, Sep. 11 – Following six years of costly trial and error, General Cigar Company, the leading manufacturer and marketer of premium cigars, is releasing the definitive version of its Cohiba cigar

"We were searching for a taste that marries the full-bodied character of long ago and the premium quality of today," said General Cigar president and chief executive officer Austin T. McNamara. "At last, we found it by combining a blend of three varieties of rare Cuban seed and natural wrapper leaf grown in the West African country of Cameroon."

The only Cohiba brand that can be sold legally in the United States, Cohiba had been in limited quantities since 1978 by the Dominican company of Diaz y Cia. In contrast, the new version of the brand will be widely distributed in fine tobacco shops across the country, many of which will also offer new Cohiba merchandise including leather accessories and sportswear.

General Cigar, the brand with an new $3 million advertising campaign beginning with a seven-page gatefold in the October issue of Cigar Aficionado followed by four-page inserts in The New Yorker, GQ, Esquire, Vanity Fair, Forbes, FYI and The New York Times Magazine.

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Blumberg No. 5114 DEFENDANT'S EXHIBIT D 69

MC 00605

Exhibit 105

Conceived by McCaffery, Ratner, Gottlieb & Lane, the agency for all General Cigar premium brands, the new campaign defines Cohiba as "a world beyond other cigars" in words and photographs that reflect the spirit of film-noir movies past and present.

"The advertising is all about an intriguing even mysterious lifestyle," said agency executive vie-president and creative director Sheila McCaffery. "A lifestyle that separates Cohiba from any other cigars including the Cuban cigar of the same name."

To separate Cohiba even further, it will be the inspiration for the largest premier celebration in the history of the cigar industry to be hosted by Alfred Dunhill on September 25th at Laura Belle in New York City.

In addition to Cohiba, General Cigar's premium brands include Punch and Hoyo de Monterey the results of the recent acquisition of Villazon & Co., as well as Macanudo and Partagas, long the leaders in the premium cigar field.

Contact:
(Name)
(Telephone)

Confidential:
Under Protective Order

MC 01101

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

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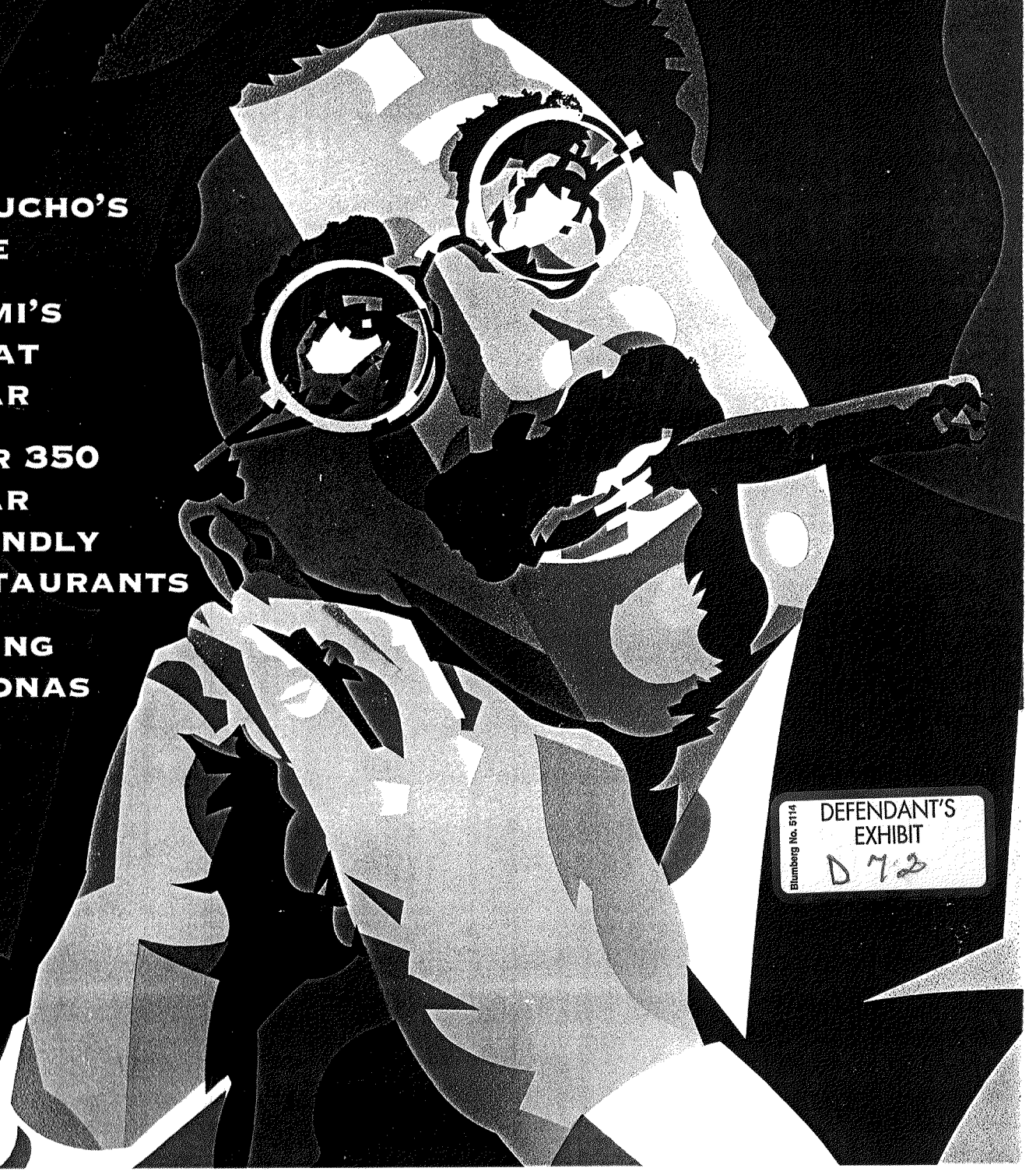
Defendant's Exhibit 72

VOL. 1 NO. 3

U.S. $3.95•CANADA $4.95•U.K. £4
SPRING 1993

CIGAR Aficionado



GROUCHO'S LOVE

MIAMI'S GREAT CIGAR

OVER 350 CIGAR FRIENDLY RESTAURANTS

RATING CORONAS

Blumberg No. 5114
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D 72

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INTERVIEW

FRANCISCO PADRON

HAVANA, NOVEMBER 1992

FRANCISCO PADRON, 52, TRIUMPHANTLY STOOD AT THE PODIUM IN THE CENTURIES-OLD PALACE OF THE CAPTAINS GENERAL IN HAVANA AND DESCRIBED TO DOZENS OF DIPLOMATS, JOURNALISTS AND CIGAR INDUSTRY MEMBERS FROM AROUND THE WORLD HOW COHIBA BECAME A SYMBOL OF THE BEST FROM CUBA.

HIS FACE WAS DIFFICULT TO SEE THROUGH THE HAZE OF FRESH COHIBA SMOKE, BUT YOU COULDN'T HELP NOTICING HIS SLIGHTLY SATISFIED SMILE AS HE ANNOUNCED THE INTRODUCTION OF FIVE NEW SIZES IN THE COHIBA RANGE. NOT ONLY HAD HE BEEN AT THE CUTTING EDGE OF DEVELOPING THE NEW CIGARS, PADRON HAD BEEN THE IMPETUS BEHIND ESTABLISHING COHIBA AS THE WORLD'S MOST PRESTIGIOUS CIGAR BRAND.

PADRON BEGAN IN 1985 AS DIRECTOR OF CUBA'S CIGAR EXPORT SALES ORGANIZATION, CUBATABACO, AFTER PREPARING AN EXTENSIVE STUDY ON THE TOBACCO INDUSTRY FOR THE FOREIGN TRADE MINISTER. "THERE WERE SO MANY THINGS TO CHANGE," HE SAID, LOOKING BACK EIGHT YEARS. "THERE WAS SUCH GREAT POTENTIAL. WE JUST NEEDED TO SELL MORE."

INCREASING SALES WAS NOT THE ONLY STRATEGY PADRON USED. HE SET OUT ON A WELL-FOCUSED PLAN TO TAKE CONTROL OF HIS WORLDWIDE DISTRIBUTION THROUGH ESTABLISHING PARTNERSHIPS WITH HIS AGENTS IN KEY MARKETS. HAVING NOW ACHIEVED HIS GOAL, PADRON IS LOOKING TOWARD THE FUTURE WITH GREAT ANTICIPATION.

CIGAR AFICIONADO EDITOR AND PUBLISHER, MARVIN R. SHANKEN MET WITH PADRON IN NOVEMBER 1992, IN HAVANA, TO DISCUSS THE CUBAN CIGAR INDUSTRY AND PADRON'S PLANS FOR THE FUTURE.

CIGAR AFICIONADO: *Connoisseurs the world over appreciate Cuban cigars. During the past several years, you've had serious business difficulties with Davidoff which have resulted in the end of your relations with the Swiss company and the discontinuation of Davidoff cigar production in Cuba. Is there confusion in the international marketplace caused by the Davidoff situation?*

Francisco Padron: None at all. Let me tell you something. We made an agreement with Davidoff. We think that it [canceling production] is a very good agreement. We signed the agreement, and we must not talk about it.

CA: *What is the future strategy for Cuban cigars?*

Padron: We want to have Habano cigar, not a brand name. It doesn't matter if it is Bolivar, Montecristo or even Cohiba. For the last four years, we have been telling the connoisseur how to recognize a Havana. When we launched the smoke ad we just put Havana, now Habanos. We think the most important thing is the umbrella that can cover all the brand names. We can create a brand name whenever we want.

CA: *I think that a connoisseur understands that Cuba is a statement of origin and quality but he typically buys brands. Once he buys a brand, then he buys sizes in a brand. He is very brand loyal. He smokes Cohiba. He knows that Cohiba has a certain taste and style and so forth. You speak of this marketing of Habanos, but isn't there a strategy to promote individual brands?*

Padron: We have two strategies. One is the institutional campaign I just described, and the second one is the brand campaign.

CA: *Which do you feel is more important?*

Padron: We at Cubatabaco are in charge of both of them. We deal with the institutional, and we let our enterprises [agents] around the world, in agreement with us, work on brand campaigns. For example, what does Fonseca mean to you?

CA: *It is well known as a highly respected Port wine.*

Padron: Yes. But in Barcelona it is a wonderful brand name for Cuban cigars. We sell almost three million cigars. So that is why we let our agent analyze the best way to promote the Fonseca brand in Spain.

CA: *You approve the brand advertising, and the local agent decides on which brands should be advertised depending on the importance of the brand in that marketplace?*

Padron: Yes. We create the image. We are now creating the image for various brand names; they must use that image and the concept of being under the Habanos umbrella.

CA: *Cuba has approximately 30 brand names of which about 20 are popular. Do you think the future should favor fewer or more brands?*

Padron: Fewer. We are not going to kill any of the brands. We are going to let the market select the best ones. We are going to let the market kill them.

CA: *At a meeting recently with your agents from around the world, you made it very clear that volume is nothing and that quality is everything. But having said that, today you export approximately 60 million cigars. You know if you produced 100 million cigars the market would absorb them. The demand greatly exceeds supply. And knowing that cigars are agricultural and that there is only so much land, only so many workers and only so much money for inventory and aging and that the economy in Cuba is in such great difficulty right now, is there any significant way that you can increase cigar production without adversely affecting quality so that more people can enjoy Cuban cigars?*

Padron: Of course. This is our hope. We want to increase our production without losing quality.

CA: *What kind of growth? If you are at 60 million cigars exported today, do you have some sort of plan? A five-year plan? Where do you see exports going?*

Padron: Without the U.S. market, we think that we can easily sell between 80 or 90 million—maybe even 100 million cigars. We would like to be between 90 and 100 million.

CA: *Is it a production question? A labor question? A capital investment question? The government is going to have to agree to take money away from some other industry and give it to you.*

Padron: Our government already agreed to increase the tobacco leaf production, and there is a direct instruction from Fidel that the first priority is quality.

CA: *Are there certain brands that you consider priority brands in terms of the future for your portfolio?*

Padron: We are focusing on this in a different way. We already have a parameter for this. At the top section, there are Cohiba and Montecristo. In the middle, there are Partagas, Romeo y Julieta, Hoyo de Monterrey and the others. At the lower level, we have Los Statos Deluxe, Quintero and all those [machine-made] brands.

CA: *Cohiba is described in tobacco terms as "the selection of the selection" and is the leading marque in your portfolio. We now see the Cohiba family growing from six to eleven sizes. What was the reason for the increase in the number of Cohiba sizes?*

Padron: I would rather not answer this question. (Editor's Note: It was clear from talking to members of the trade while in Cuba that the new Cohiba sizes were introduced to replace the lost production of the chateau series produced earlier under the Davidoff brand name. See story next page.)

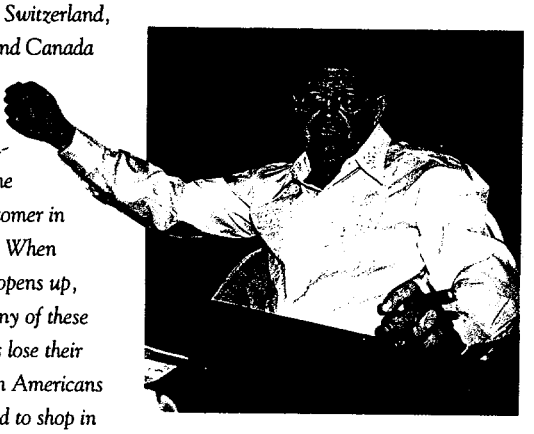
CA: *How big is Cohiba today?*

Padron: It depends on the crop. It had been about 3.4 million cigars. It will be more in 1993. That was another reason for the launch of the new line. Production was just too small.

CA: *Do you see Cohiba having additional sizes as time goes on?*

Padron: No, I don't think so.

CA: *There obviously is a significant demand for Cuban cigars in the United States. No doubt you hope that one day the embargo is lifted. But doesn't that create problems between your agents and tobacconists from England, Switzerland, Mexico and Canada in that a lot of them compete for the same customer in America? When America opens up, won't many of these businesses lose their sales when Americans won't need to shop in foreign markets to buy Cuban cigars?*



Padron: They [the agents] don't have a problem with it. They don't even mention it.

CA: *Many American cigar smokers don't realize that there are two brands of Partagas, a Partagas in America from the Dominican Republic and a Partagas sold around the world from Cuba. Assuming that tomorrow the embargo is lifted, how would it work? What would happen?*

Padron: We are not going to have two brands over there. Not even in Europe. We decided to break our deal with Davidoff because of that. So what would happen is that we would launch new things for the North American market, new brands. Or we could make an arrangement with the brand owners over there.

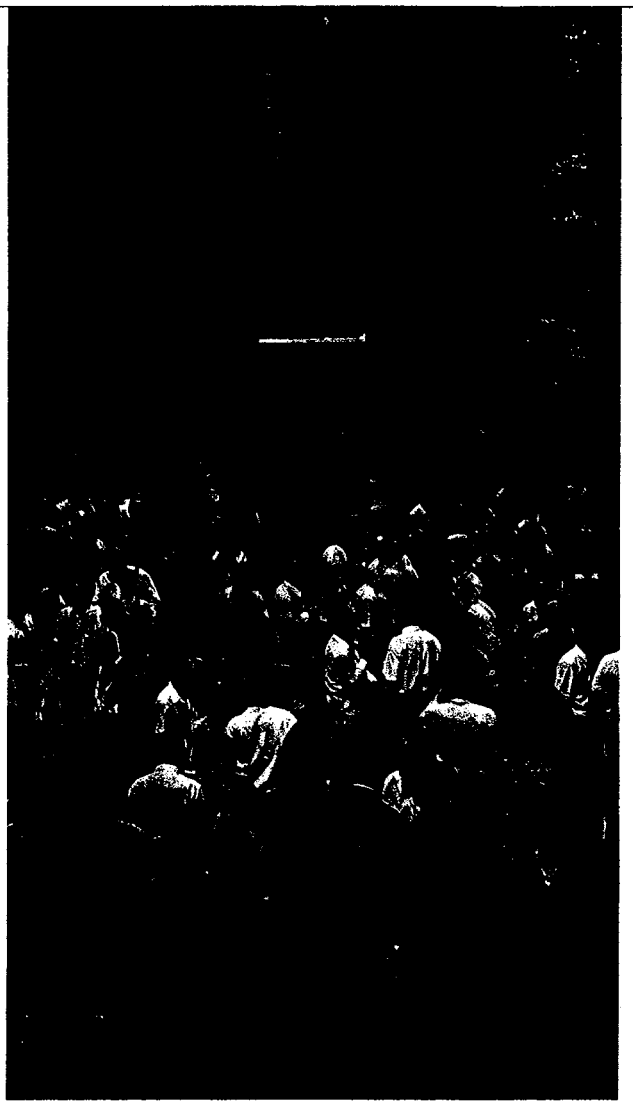
CA: *General Cigar, as an example, owns the brand names Partagas, Ramon Allones and Cohiba for the U.S. market, and it has tremendous distribution in the United States. I would imagine that they would love to sit down with you and work it out to represent those brands of Cuban cigars in America. Is this possible or is it a problem? You are shaking your head no.*

Padron: The first condition is that they must pass the brand name to us. This is the first condition. Immediately. If not, forget about it. Second condition, they must be our partner. The same way that we have it in the rest of the world. There is no other way to make a deal with us. If not, forget about it.

COHIBA'S NEW SIZES

It has been under wraps for more than a year. After spending months perfecting various tobacco blends, some of Cuba's top rollers at the Partagas factory in Havana began last autumn making five new sizes of Cohiba.

The brand already includes some of Cuba's hottest-selling cigars, despite their astronomical prices. Last year, Cohiba sales totaled close to 3.4 million cigars with an average retail price of $15.60. With such a following, the Cubans couldn't resist the chance to stoke the fire for demand and develop new sizes and shapes. The addition of five new cigars brings the total to 11 under the Cohiba brand.



THE LAUNCH OF THE NEW LINE OF COHIBAS IN HAVANA AT THE PALACE OF THE CAPTAINS GENERAL.

Although no one at Cubatabaco, the government tobacco marketing organization, would confirm it, the cigars look surprisingly like some of the old Davidoff sizes and shapes abandoned last year when the Swiss company moved its cigar production to the Dominican Republic.

Cohiba's new "Linea 1492" celebrates the 500th anniversary of Columbus discovering Cuba and, more importantly, the explorer's discovery of tobacco. The five cigars in the Linea 1492 range are called Siglo I, Siglo II, Siglo III, Siglo IV and Siglo V. *Siglo* means "century" in Spanish; therefore each cigar represents one of the centuries since Columbus's discovery.

Siglo I, exactly the same size as Davidoff's former Château Haut Brion, is about 4 inches long by 40 ring gauge. Siglo II (Château Margaux) measures 5 inches by 42 ring gauge while Siglo III (Château Mouton-Rothschild) is also 42 gauge but 6 inches. Siglo IV (Davidoff 5000) is about 5⅔ inches by 42. Siglo V is the only cigar in the new range not to resemble a Cuban Davidoff. Similar to the classic 8-9-8, it measures 6⅝ by 43.

Although they resemble other Cuban cigars, the Siglo range is 100 percent Cohiba. In an arrangement similar to the production of Cohiba Robusto and Esplendido, the Linea 1492 cigars are being made at the Partagas factory in downtown Havana under the direction of technicians from El Laguito, the main factory for Cohiba. All the tobacco for Siglo is selected, processsed and matured like other Cohibas.

"The new cigars are made from the very best tobacco just like all Cohibas," says Rafael Guerra, assistant director of El Laguito, who is overseeing the production of a new line with Cuba's top tobacco man, Avelino Lara. "The tobacco is fermented three times, which is unique to Cohiba."

The proof is definitely within the wrapper. All the Cohiba Siglos are outstanding smokes. Like other great Cohibas, such as Robusto and Esplendido, they are rich and opulent yet maintain a remarkable delicacy and refinement. Annual production is expected to reach about one million cigars in total or about 200,000 of each size. That will increase overall Cohiba production to 4.4 million cigars.

The five Linea 1492 cigars are expected to reach key export markets by late spring. Siglos come in varnished wooden boxes of 25 cigars rather than pressed in paper-covered wooden boxes. Prices have not been officially set, although Siglos are expected to fit into the current price range for Cohiba, from $8 to $23 a cigar.

When asked if other sizes or shapes for Cohiba are being considered for the future, Cubatabaco officials would not reply; however, sources in the organization say that a pyramid-shaped cigar is not out of the question.

James Suckling

SIGLO I (Ring Gauge: 40 Length: 4")

A lot of flavor in a small cigar. Beautifully crafted with a rich chocolate wrapper, it is soft-textured and sumptuous to smoke with dark chocolate and spice aromas and flavors. **93**

SIGLO II (42 x 5")

Another beautiful cigar with loads of earthy, spicy character. Like other Cohibas, this one is full-bodied and rich in flavor with a long aftertaste. **90**

SIGLO III (42 x 6")

A great addition to a great line of cigars. It is gorgeous to look at with its rich brown, smooth wrapper and gives loads of pleasure with every puff. An opulent smoke with great finesse and class. **95**

SIGLO IV (42 x 5⅝")

A blockbuster of a cigar. Try it after a hearty meal. It gives a blast of cinnamon, tobacco and cedar flavors and seems a little rough for a moment. A few months of aging may soften some of the rough edges. **92**

SIGLO V (43 x 6⅜")

It's a shame when you finish this cigar. You can't get enough of it. It is full-bodied and rich yet maintains superb harmony. A truly refined cigar. **96**

CA: *But having said that, would you be willing to create a new brand for the American market that General Cigar could have if you worked out a partnership agreement?*

Padron: We would have to analyze the relationship of the commercial end of the American market, but we are prohibited from doing this today.

CA: *I understand what you are saying and it seems consistent in terms of your practices around the world. The only thing that I question is that America is such a big market and companies like General Cigar, Consolidated Cigar and Villazon already have the distribution, salesmen, accounts...it would be easy for you and for them to get together for distribution. If you had to start a new company and create distribution and a sales force, it would be very expensive to duplicate what they already have. That is the only reason I mentioned this.*

Padron: Marvin, I don't believe you. I just have to go to the United States and sit down in a hotel room and say that I am here and who wants to buy these brands? You? Okay. Here are the conditions.

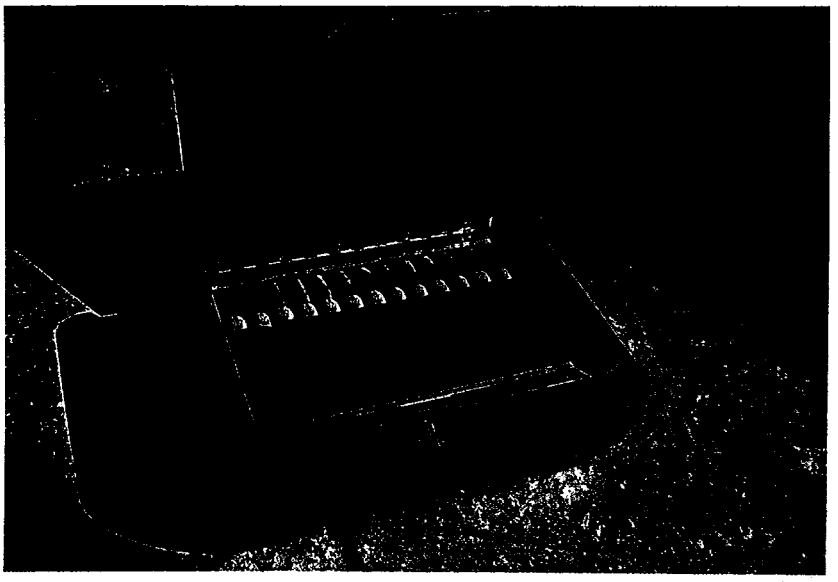
CA: *Have you ever smoked cigars from a different country...the Dominican Republic, Honduras? When people ask you what is the difference between a good Cuban cigar and a good Dominican, how do you respond?*

Padron: Whenever I smoke a cigar, for instance a Macanudo....
I tried a Macanudo earlier today, I was not thinking of a Cuban cigar when I smoked it. I was thinking of a different thing. It is like if you are going to drink a Bordeaux, and then a wine from a different place. If you are looking to find the same thing in the Macanudo as a Cuban cigar you are not going to find it. It's a different thing. Don't think about Cuban cigars. Macanudo has a certain blend because they know how to make a cigar. It is not a Cuban cigar but it is very good for what it is. They know how to make cigars. Some cigars are not well-blended. They are just leaves and taste like straw.

CA: *Cuban cigars are a great topic of conversation in America because they are forbidden fruit. People dream about them. They read about them. Some people like to say that ten years ago Cuban quality went down. In your opinion, has there been a change in quality in the last ten years?*

Padron: Let me tell you something. Maybe people were right. There was a reason. When we produce cigars, we use three years of different crops in our blend. So, we lost two crops in a row in 1980 and 1981. That was a very strong blow to our production. So, when that happens, you have to change the blend, and you cannot use what you normally use. You reduce your range of combinations of different tobaccos. You must realize that. And for another two or three years more you are not doing things like you were. For a few years in the early '80s, the cigars were not the same but they were still good cigars. That was a problem. In order to maintain our taste or flavor in cigars, we have to blend different harvests.

CA: *I remember in the early and mid-1980s when I would buy a box of Cuban cigars in Europe, upon inspection I would remove maybe five,*



ONE OF THE 501 CUSTOM-BUILT HUMIDOR BOXES FOR THE COMMEMORATIVE 1492 CIGARS. PHOTO BY JAMES SUCKLING.

six, seven cigars because they were clearly in bad condition. Now I rarely experience a bad box.

Padron: Let me tell you something. We committed an error at that point. We were too flexible with our quality control.

CA: *This was in the early '80s?*

Padron: Yes. We did it in order to maintain our sales. I was not in the tobacco business then. It was not a good decision. Right now we have a very, very clear instruction from Fidel. Nobody can do something like that. That is finished.

CA: *The other thing that people are saying today is that Cuba cannot maintain its quality because it has no fertilizer, no fumigation. You don't have the supplies you need to produce the quantity you need at the quality level you want. Is this true?*

Padron: No. No. We reduced our production because of this. We are not trying to increase production at any cost.

CA: *Today, are you able to get the necessary fertilizers and other chemicals you need?*

Continued on page 49

A CIGAR FOR COLUMBUS

When Cuba released 500 limited edition humidors with 50 1492 cigars this autumn, no one ever expected such a smash success. Hong Kong sold out of its 80 boxes in a few weeks. London's 70 took about a month. Canada's 20 went in about the same amount of time.

A customer asked one London cigar merchant if he could buy the entire production of 500, while the Sultan of Brunei's brother, Prince Mohamed Bolkiah, reportedly sent a servant out to buy as many of the humidors as he could find in London. In Hong Kong most of the humidors were sold to a handful of customers for Christmas gifts.

"I could have sold twice as many," says Edward Sahakian, the owner of Davidoff of London, who went through his stock of 45 in a few weeks. "I was not surprised by the demand. It is a very special thing. Those people who bought them will probably not even smoke the cigars. They will be kept and cherished."

The oblong-shaped cherrywood humidor with its distinctive rounded ends and "1492" etched in its lid comes filled with 50 limited edition cigars. Each humdior is also etched with two numbers. One represents one of the 500 years since 1492 and the other corresponds to the actual year. For instance the last humidor is marked 1992-500. The cigars are also marked on their bands with numbers from 0 to 25,050. Of course, the first box was given to Fidel Castro while the second was a gift to King Juan Carlos of Spain. The humidor numbered 1992-500 is on permanent display in Havana's National Museum of Tobacco.

1492 cigars measure about 5⅝ inches by 46 ring gauge. The cigars look remarkably similar to the no-longer-produced Cuban Davidoff 5000, although the 1492s are box pressed. All the tobacco comes from the El Laguito factory, home of Cohiba cigars. The cigars, however, were made at the H. Upmann factory in downtown Havana. "It is a fabulous cigar," says Rafael Guerra of El Laguito. "It is a great shape, and the wrapper is one of the thinnest, finest wrappers we have ever used for a cigar."

The release price for the 1492 humidor and cigars is between $1,000 and $2,000 depending on the market. With such great demand, the humidor has already become a collector's item, and its price is expected to quickly escalate.

1492: A gorgeous cigar to look at with its impressively smooth, light-brown wrapper. It shows extremely refined aromas and flavors and loads of richness, yet it's also very delicate. A classy smoke. **92**

—*J. S.*

SAM FRANCIS
UNTITLED (SFE-035)
1986
Aquatint etching
33 1/4" x 46 3/8"
Ed. 20.

JONATHAN NOVAK

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What successful executives earn in a day.

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Continued from page 46

Padron: Today, we have top priority in Cuba. We are getting it.

CA: *—to produce the 60 to 70 million export quality cigars?*

Padron: We are not getting all that we need, but there is going to be a very good crop if the weather is okay.

CA: *So what is the limiting condition to produce more quality cigars? The weather, finances, fertilizers, what?*

Padron: In normal conditions, it is a question of climate. But right now, it is a question of finances.

CA: *What do you need the money for? The agricultural aspect? Inventory? Labor?*

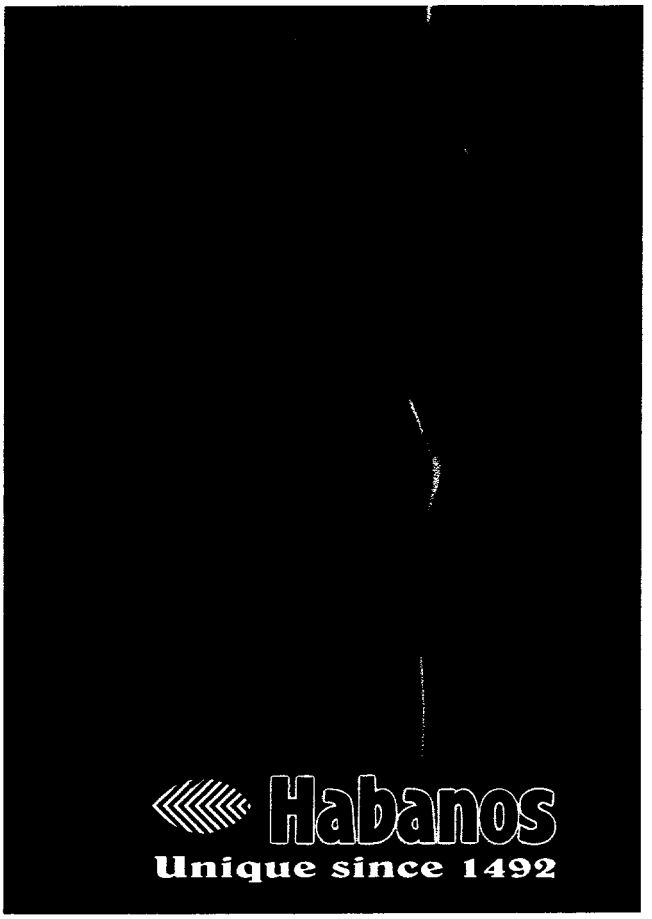
Padron: No, agriculture.

CA: *When did you peak? What was the maximum you had for export? How large did your cigar shipments get at their peak?*

Padron: We used to produce 120 million cigars for export.

CA: *How long ago was that?*

Padron: A couple of years ago.



CUBATABACO'S ADVERTISING CAMPAIGN IN WHICH THE "HABANOS" NAME IS PROMINENTLY DISPLAYED.

CA: *Aficionados sometimes say if you want to buy the best quality Cuban cigars, like Punch Punch, Hoyo Double Coronas, Montecristo No. 2, Cohiba Robusto and Esplendido, that you must go to England or Switzerland to buy them. Are there certain markets that get the best quality and the other markets that get the second quality?*

Padron: No. No. That is not true. The only difference in the past was the former socialist countries. We were delivering to them machine-made cigars by the millions.

CA: *One cigar merchant in Geneva, Switzerland, claims that he and his father actually come to Cuba to hand select cigars. Does that actually happen?*

Padron: Nobody can do that.

CA: *I want to go back to your government's attitude and philosophy regarding cigars. We have read a lot in the newspaper that there is a strong emphasis on tourism to bring in dollars, and that the sugar business is down. The nickel business is down. You have had problems with building the nuclear plant and so forth. It would seem to me that a few years ago tobacco was, economically speaking, relatively unimportant to the government, but today it is realizing that Cuban cigars create great prestige for the country. From a government standpoint, has there been a change in attitude in the last few years?*

Padron: No. There is another problem. When we had all that we needed to produce our crop it was not a problem. But when the financial problem started, Fidel found that he must give cigars priority in order to maintain the quality. Fidel said to be careful. We must give priority to cigars because it is very important.

CA: *For many years, Winston Churchill, wherever he was, held a cigar in his hand or mouth. For many years, you would never see a photo of Fidel without a cigar. About eight years ago, he stopped smoking because of the social and health issues in Cuba. People were smoking too much. He decided that he would stop smoking and set a good example for his people. Does he still take an interest in cigars? Does he ever go to the Vuelta Abajo or to the factories?*

Padron: He goes to see the cigar production. He has been interested in cigars since he was a very young fellow.

CA: *But he doesn't smoke anymore?*

Padron: No, he doesn't. He says that sometimes he still dreams about smoking a cigar.

CA: *Do you have an estimate as to how many cigars find their way into the United States each year?*

Padron: My people think that it must be around ten million.

CA: *When the embargo ends, what do you think the potential is for Cuban cigar sales in the Unites States?*

Padron: The first year will be less than ten million, but by the second year, we should be selling 20 million cigars.

CA: *A lot of Cuban cigars sold in England or Switzerland, for example, are actually bought by Americans. Won't sales go down in these markets once the U.S. market opens up?*

Padron: Maybe. Maybe. The sales all over the world may be slightly affected because Americans buy all over the world. ❖

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex. 73.1 (D0073.1), Defs Ex. 24

DEFENDANT'S EXHIBIT 24 6/6/00 AA

Published Spring 1994

Inside Cuban Cigars

Cigar Aficionado interviews Cubatabaco's top official, Francisco Padron

Francisco Padron, the director of Cubatabaco, Cuba's cigar export sales group, didn't get much good news in 1993 A March storm severely damaged the tobacco crop and the cloth tarps used to grow shade wrappers. In combination with other factors, Padron was forced to cut back sharply on Cuba's cigar exports

Cigar Aficionado Editor and Publisher Marvin R Shanken interviewed Padron in Mexico City in early December. They discussed the current state of the Cuban cigar industry and what the future holds for the country's cigar exports.

Cigar Aficionado: There has been a lot of talk that [the 1993] hurricane severely damaged Cuba's tobacco crops, and that this has affected quality and quantity, particularly for wrappers. What is the situation for production of Havana handmade cigars for export? What can we look forward to in the next few years?

Francisco Padron. The hurricane caused a great deal of damage We lost about 60 percent of our crop It was only a quantity problem, however. The quality was very good, very good. It is a pity that in this past year we have been having very good quality crops, but the quantity has not been good. We are not delivering enough cigars to the world market because of this.

C A But the word was that the large leaf wrapper crop was annihilated, and that this was going to adversely affect the production of large-sized cigars--the double

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coronas, Churchills and so forth?

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Padron: If you have a big crop, you deliver more large leaves and you have more room to produce more large cigars and to choose the best leaves. When you have a small crop, it's the inverse. Wrappers are a very delicate thing. So when the hurricane came, it hurt the wrapper crop It hurt all of the crop, but particularly the wrapper crop.

But even with that problem, we produced [in 1993] about 200 million cigars for the domestic market. But we are not delivering anything to the export market that does not have the right quality because quality is the first thing above all for us.

C A. In 1993, what were the total exports for Cuban cigars?

Padron· About 57 million cigars in 1993

C.A. What did you export in 1992?

Padron. 67 million

C A And in 1991?

Padron. 77 million.

C A.. And 1990?

Padron: More or less the same quantity, about 80 million

C A.: With the hurricane damage, what do you forecast your exports to be in 1994?

Padron: Let's first discuss how we are going to increase our production. Worse than the hurricane is the embargo, the double embargo. Right now, it's almost like there's an embargo from the other socialist countries. We used to buy from them, fertilizers and plenty of other things for our crops What is hurting us the most is that we can't buy right now, nor have we bought from the eastern socialist countries during the past three years what we used to buy from them for the cigar crop

C A · What are some of these things?

Padron Fertilizers and plenty of other things For example, all the covers or tents used for growing wrapper leaves came from the Soviet Union And now we can't get them We used to buy 20 million square meters Oil, gasoline and diesel That is very short, and this really hurts the crop

C.A.: What do you do if you don't have the tenting for the wrap-per crop?

Padron: We reduce the crop. It is as simple as that. You can reuse about 30 percent of the old tents, but the storm [in 1993] destroyed all of the tents.

C.A.: That means those losses will affect future harvests?

Padron· We think that this coming crop will be a little better, and those afterward should be very big ones. For the '94 crop and on, we have solved almost all of our problems, almost everything.

C.A So a year from now you should be back to the '90 and '91 levels?

Padron· Even bigger

C.A What is your target for 1995?

Padron. We think that in 1995, we should export 70 million cigars, and in 1996, we should have 80 million to 90 million.

C.A : But what do you forecast for 1994?

Padron· There will be no more than 50 million cigars

C.A · No more? Some people say much less.

Padron: No. No. That is more or less what we are going to do. Remember this. We never, never export cigars unless they are of the right quality Of course, you may not believe that we can choose or that we wouldn't take a lesser-quality wrapper from the domestic market production and use it for export. But that is not the case We have to be careful, very careful Besides, you know what decides the cigar is the shortest crop because we mix three crops. And if you have two short crops in a row, you have problems So, we have been taking more tobacco from our warehouses

C A.: Another comment is that because of the difficult economic situation in Cuba, you don't age the cigars in warehouses as long as you used to because of the shortages in supply and the need for dollars

Padron That is not true for cigars I have instructions directly from Fidel He has said that I mustn't deliver cigars that are not the best quality. He says that they represent the image of the best quality of Cuba So we never do anything else but deliver the best quality

C.A.: In the numbers that you have given me for 1990 to 1995, what percentage is handmade versus machine made?

Padron: Now we only have about 10 million or 15 million machine-made cigars. That's it.

C.A.: So that's pretty steady. You are not looking to increase or decrease the machine made?

Padron: That depends on the orders. This is a business. If anybody asks for the cheaper machine-made cigars, we are going to deliver. Our priority, however, is handmade, not machine-made cigars

C.A. You are delivering in the area of 50 or 60 million cigars, and let's say 40 to 45 million are handmade. With the increasing demand for Cuban cigars, do you have any idea what the total world demand would be for handmade Cuban cigars?

Padron· Without the United States, we estimate the market to be from 90 to 100 million cigars

C.A And with the United States?

Padron 20 million more and increasing in four years

C.A.. At the Cigar Aficionado seminar we held in New York, a panel discussed Cuba. It included Edgar Cullman, Nick Freeman, Theo Folz--top people in the cigar trade We asked them about the embargo. how long did they think it would continue, given the current political environment and the leadership of Clinton. They seemed to have a consensus feeling that the lifting of the embargo was another five to seven years away. They added that in order to revitalize Cuba's cigar production it would take another five years. So, it would be 10 or 12 years before there is any balance of supply and demand, if the United States could buy Havana cigars What would your response be to that?

Padron· I am not a politician Things are moving As Jose Martí [the legendary, 19th-century, Cuban political hero] said, "the most important thing in politics is what you don't see."

C A. A lot of people--cigar lovers--are disappointed that there has been no significant movement to bring things together between the two countries and that President Clinton has maintained the policy and given support to the Cuban-American Foundation of (Jorge) Mas Canosa Do you see anything happening from the Cuban side that might lead to an end to the embargo, or is it really up to

when the United States decides that it's enough already?

Padron: It is like a fight between Goliath and David And you don't know who must make the first move.

C.A.: If the embargo ended tomorrow or two or five years from now, have you thought through how it would happen and what the scenario would be? You would have problems with certain brands as far as trademark issues, and with other brands you do not have a problem. Have you thought how you would introduce your brands to the American market?

Padron: First, there is going to be a fight. We have not been able to have the brand name in the United States because of the embargo. It was forced by you [the United States]. It was not decided by our side Your side decided on this. So, maybe there is going to be a fight. But we are not going to fight in order to get our cigars into the United States. As we always say, a Habano [cigar] is a Habano [cigar]. With a name of Marvin or Padron or Meyer or whatever goes on the cigar, it is a Habano. So, we are going to let everybody know that we are here, and this is a Habano. We are not going to fight with somebody else because he owns the brand name of Cohiba or Montecristo in America. We have been living without that for a long time.

C A.· So if you cannot resolve the issue, you would introduce new brand names which are Habano, and there would not be a conflict unless the government said that this issue must be resolved. You know the issue is that the families who lost the brand names say that they are entitled to have those brand names back, which is more confusing because of certain problems in the international market such as what has happened with Spain's tobacco monopoly, Tabacalera. Could you explain briefly what is the situation there as far as Montecristo, H. Upmann, Partagas and other brands?

Padron: In general, we have solved our disagreement in a way so that it will not hurt or create any problems for Tabacalera. This will help us to keep delivering Montecristo, Upmann, Partagas and others to the Spanish market

C A So you are continuing to supply Spain, but who owns the brand names now? I thought that the worldwide rights, except for a few countries such as the United States, Cuba, the Dominican Republic and others, were sold to Tabacalera by Consolidated and General Cigar?

Padron Tabacalera owns the names But they do not own the name in all countries We own them in plenty of other key countries in the world

C.A.: In what countries do you still own the brand name Montecristo,as an example, since it is your biggest brand?

Padron: We own it in the United Kingdom, Germany, Holland, Belgium, Switzerland, Canada and plenty of other countries.

C.A : In what important countries does Tabacalera own the brand?

Padron: France and Spain are the most important. They are our two biggest markets.

C.A So you are supplying the brand to them, and you have worked it out to continue the flow. What about the situation with the French tobacco monopoly, Seita? There was a lawsuit regarding Montecristo and Partagas.. .

Padron. We are still in the courts.

C.A. But I thought that you lost one of the lawsuits?

Padron: Yes, but we are now in the upper courts.

C.A.. Have they decided what you have to pay in damages? I heard more than $10 million.

Padron: No. No. They are asking for the sky. The stars. Everything

C A.. What are they asking?

Padron: I don't remember exactly. I don't want to even think about it

C A.: What is the lawsuit about? Who owns the name?

Padron. They want to get money for the use of Montecristo and Partagas since we introduced those brand names in France. This is an incredible thing because I can show you the figures Montecristo and Partagas were nothing in the '60s and early '70s We made the reputation of Montecristo and Partagas

C A · As I remember, Montecristo was introduced into the French market around 1973, which is when it took off there?

Padron Yes Yes We created the brand name, not them

Let me tell you something. Because we lost that fight in the courts in France, and we are now in the higher courts on appeal, we took Montecristo, Partagas, Ramon Allones, La Gloria Cubana, Por Larrañaga and four others off the market.

C.A : You took those off the market in France?

Padron: Yes. Yes. So, as for our strategy for France, given the shortage in brands there, we decided to put there whatever they ask for in the other brands Let's see what will happen in that market

C A . What did you put in those markets?

Padron: No. No We just decided to increase the supply of the brands left in the market. What happened is that we are selling more cigars than the year before. It was incredible. This is not just a story, here are the figures. For example, El Rey del Mundo was up 200 percent Hoyo de Monterrey was increased 200 percent. All our other brands in the French market have had tremendous increases. People who know how to smoke cigars are not going to smoke something else if they can find another Havana cigar

So, I am very quiet. I took a chance in my second market, and it was all a success. I am not worried about the brand name. This is a different thing. When we started on this new direction in France, I forecasted that it would take us two years to get back our sales figures there, but to my surprise it happened on the very first year. And now we are selling more than the year before

C.A.. Did you have a similar experience in Spain?

Padron. We didn't have time to find out Do you know what has happened in Spain with the damn problem? The former president of Tabacalera thought that the most important thing for Montecristo was the name of the brand So, they thought that we would never withdraw the brand from their market, but when the contract was up, I withdrew the Montecristo It was a terrible political problem Everybody all over Spain was writing about how crazy this was So they realized the importance of Montecristo and Habano

C A So you withdrew the brand from the market?

Padron Yes

C A Is it back now?

Padron: Yes. It was back for Christmas.

C.A.: When did you withdraw it?

Padron: Last April, more or less

C.A.: So they had no Montecristos after that?

Padron: They had a little bit of stock left, but after that they didn't have any more. It was a terrible problem for them. So, they called us, and they signed a special contract for us to deliver

C A : The reason why Montecristo and Partagas are not in France is because of the lawsuit?

Padron: No We are putting Montecristo and Partagas back in the French market right now. Right now

C.A. Is mini-Montecristo coming back to France?

Padron: They are coming back to France from Spain.

C A But what will Seita, the French monopoly, do? They have a large factory that isn't being used to make the mini-Montecristo anymore?

Padron: We have made a new agreement for SEITA to make a new Cohiba, a mini-Cohiba.

C A When is that coming?

Padron: That will be soon. We are testing it now

C A What is the largest export market for handmade Cuban cigars today?

Padron. Spain

C A. No 2?

Padron France

C A. No 3?

Padron United Kingdom

C A No 4?

Padron Switzerland

C A No 5?

Padron: Middle East as a whole.

C.A.: No. 6?

Padron: In that range, there are plenty of other countries. Canada. Mexico. Brazil. There are plenty in that range. One million; 1.5 million, 2 million cigars. There are plenty

C.A.: In terms of brand priority, is Cohiba viewed as your No. 1 priority in the world today?

Padron: No It is the most expensive one. But the flagship is Montecristo

C.A.· What percent of your total handmade cigars today is Montecristo?

Padron. We don't make machine-made Montecristos. About 45 percent of our sales of handmade cigars are Montecristos.

C.A : What would be the No 2 brand?

Padron: Partagas.

C A What about No. 3?

Padron· There are plenty of brands at that level.

C.A.: So Montecristo may be 20 or 25 million cigars? And Partagas would be 8 or 9 million?

Padron. Then comes plenty of others such as Romeo y Julieta, Punch, Bolivar, Hoyo de Monterrey .

C.A . And those would be 3 million or 4 million cigars each?

Padron: More or less in this range

C A. But Cohiba is in the range more or less?

Padron No You have less than that now

C A. I thought it was 4 million cigars for Cohiba?

Padron No No That would be with a wonderful crop two wonderful crops in a row

C A So the 4 million cigars we have heard is really the limit when everything is working properly?

Padron: Yes. Yes.

C.A.· In this past year, what was the total production of Cohiba?

Padron: Half that. Two million, or a little more.

C.A.: But the Siglo series 1 through 5 was 1 million: 200,000 per new cigar?

Padron: That was the original plan.

C A.: But what was produced?

Padron· I launched the new Siglo range because I promised that I would do this, but I have already sold what we produced. It is an incredible thing.

C.A.: But give me some idea what you sold of Siglo, half a million, a quarter of a million?

Padron We did more or less half of what we planned, about a half million.

C.A So you only did about 4,000 boxes of each size When will you have some more Siglo cigars to send people?

Padron· We should have some Siglos available during the first quarter of 1994.

C A.: Is the production for 1994 of the five sizes of Siglo going to be a half a million or more?

Padron: More or less a half million.

C.A So what you are saying is that if you take away the half million of the Siglo series, then the rest of the Cohiba range is about 1 5 million cigars?

Padron: Yes. More or less

C A. That's terrible

Padron No No more

C A Production has really gone down

Padron Cohiba should be at about 2 5 to 3 million cigars a year in the right situation. Remember this Don't tie Cohiba to the rest of the crop because we select the tobacco from very few farms Maybe there is a disaster

in most places, but maybe in one of those small places the crop was wonderful. We take care of those special places.

C.A.. So when you have limited resources for the tobacco crop, you prioritize them to go to these top-quality farms first?

Padron: Yes. We try to maintain Cohiba first.

C A.: What do you recommend that consumers buy now considering the difficulty in supply of such fine cigars as Cohiba Siglo, Hoyo de Mon-terrey Double Corona and others?

Padron: It depends what you like

C.A.: That's not what I mean. For instance, we have given a great score to the Hoyo de Monterrey Double Corona (99 points), but nobody seems to have it. Are you increasing the production of the Hoyo Double Corona?

Padron. For all the fifth- and sixth-category cigars [the highest level in craftsmanship in Havana cigars], there is a definite problem because we did not have a good crop of big wrapper leaves

C.A Could you tell me the approximate production of the Hoyo de Monterrey Double Corona?

Padron: I don't have the figure in my head. It was more or less the same production as last year.

C A That one size· is it 50,000 or 20,0000? What is it?

Padron: Really, I don't have those figures in my head

C.A Let's go to another subject. Davidoff

Padron. That is history

C A I understand it's history, but the people at Davidoff have said to us in the past that if the situation changes they would like to come back to Cuba. .

Padron Forget about it As long as I am in Cubatabaco, forget about it. That is history We don't need Davidoff Life has proved that we don't need that name And that's the most important thing

C A So they have to hope that you will go so that they have a chance to deal with somebody else

Pâdron. Maybe if the next person in my position is a

fool; maybe they will have a chance. Why do we need Davidoff? What for? They killed their own chances!

C.A.: We did a story a year ago about the Trinidad cigar, Castro's personal cigar for gifts. This has started a great mystique. Everybody wants to see it. Everybody wants to hold it. Everybody wants to smoke it. Is there any possibility, on a limited basis, that you might take the Trinidad out of just being a private stock for Fidel and diplomatic friends?

Padron: I don't think so because he is going to tell us, "fellows, why don't you create your own brand? Whenever I come up with a brand name, you take it from me." He already told me that I should pay him a royalty for the Cohibas I sell (laughs). He is right, you know.

C.A.. Does Castro stay in touch with what is happening in the world market for Havana cigars, and how the demand and image are growing, and how they are a great asset in terms of image to his country?

Padron: I have already told you the instructions he has delivered to me. He said, "Padron. Quality first. Quality first " He says that if we have a short crop, then we must have a short production of exportable cigars It's quality first

C.A Is there any product from Cuba that is exported that has the importance in terms of top image like Havana cigars?

Padron. I think that our lobsters and our shrimps have a very high image. Of course, our rum is also very well known Also, our coffee is excellent

C A . A week ago in London, there was an auction to help raise money for medical relief in Cuba at which time boxes of pre-Castro cigars and others went for very high prices. There was one box of 50 Cohiba Lancero cigars that had Fidel Castro's signature on top That sold for a record £12,500, or about $18,750 (The money was raised for Cuban medical relief) Does Castro know about this, and what was his reaction?

Padron. He was surprised. He laughed and said, "well, if you need any more boxes to be signed, just let me know " He was just joking, but he was very, very proud

C A So you might do this again?

Padron That depends on him

C A . How did you get him to sign the box in the first place?

Padron: He decided to do it. That was up to him.

C.A.· Someone had to ask him?

Padron: I didn't do it. I am not sure how it happened.

C A.: Has Cubatabaco ever held back stocks of cigars, and, if so, do you have any stocks of Cuban cigars from before the Revolution?

Padron: We have a few stocks of these cigars (from 1959 and older). Not many. Just a few. We always keep some of them in stock.

C.A . They are not for sale?

Padron: No, they are not for sale.

C A.. Have you thought about producing vintage-style cigars where you note when they were produced or from which harvests?

Padron: No What we are going to do from [1994] on is that we are going to make tastings of next year's production all over the world. For example, in Spain we are going to make a tasting of the Montecristo for the relaunch of the brand there. We are deciding what we are going to do exactly at the moment. We might launch a Romeo y Julieta in England and Montecristo in Spain and so on. We are deciding on the size.

C A : Would it be marked on the box?

Padron. No. I don't think so. As you know, you can have the same blend every year It is always a little different, but you try to keep it almost the same.

C A . Are there any new brands you plan to bring out with in the near future?

Padron We were really ready to come out with a new brand, but then we had this agreement with Tabacalera

C A What were the names of the brands?

Padron· I am not going to tell you

C A Are there any new sizes of existing brands coming out?

Padron. No

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Defs Ex. 73 (D0073)

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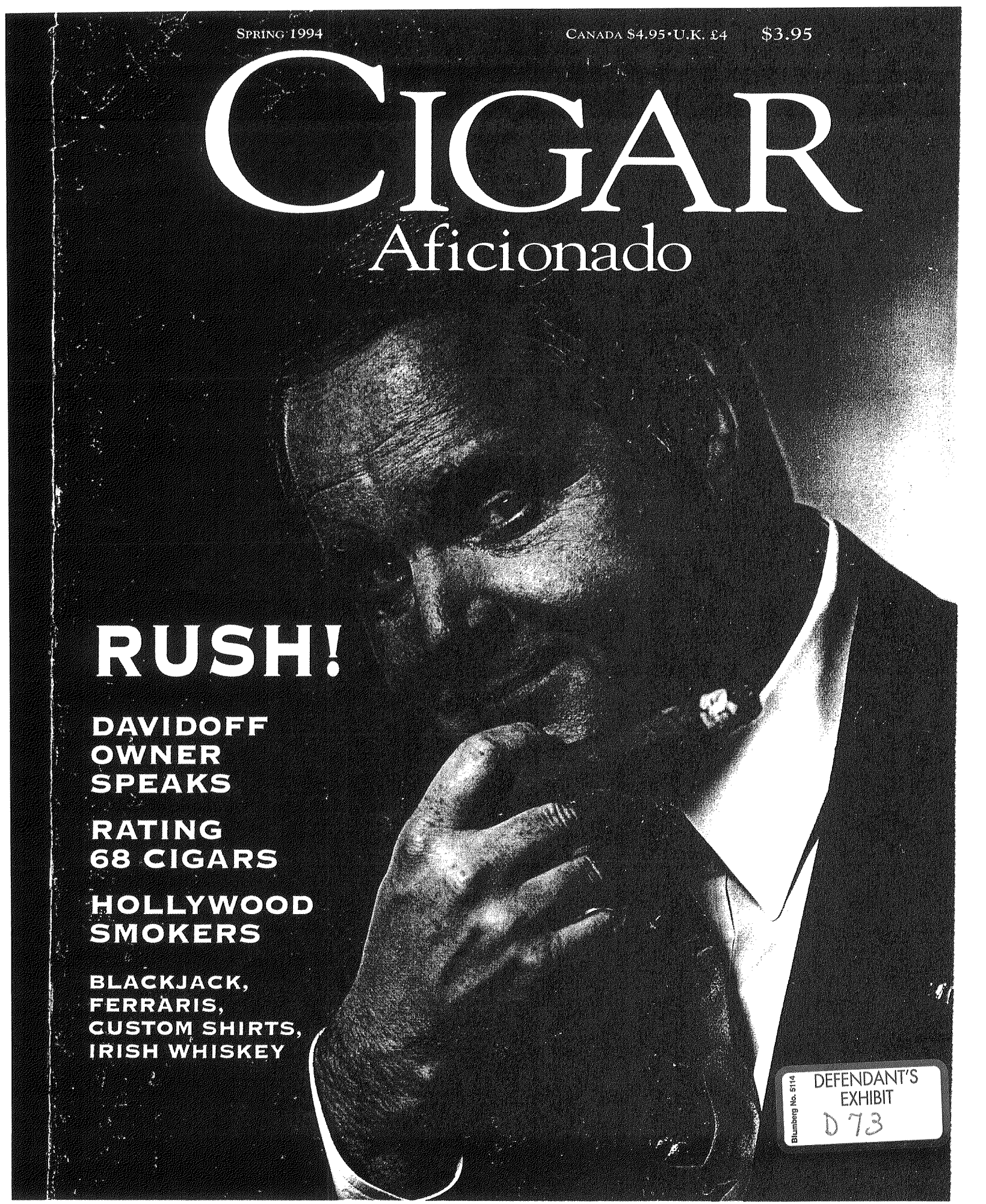

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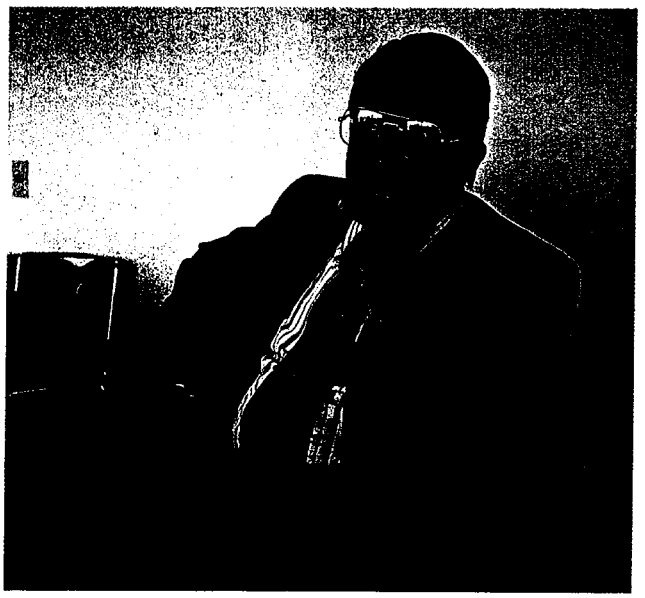
INTERVIEW

INSIDE CUBAN CIGARS

CIGAR AFICIONADO INTERVIEWS CUBATABACO'S TOP OFFICIAL, FRANCISCO PADRON



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C.A.: *But the word was that the large leaf wrapper crop was annihilated, and that this was going to adversely affect the production of large-sized cigars—the double coronas, Churchills and so forth?*

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But even with that problem, we produced [in 1993] about 200 million cigars for the domestic market. But we are not delivering anything to the export market that does not have the right quality because quality is the first thing above all for us.

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Padron: Fertilizers and plenty of other things. For example, all the covers or tents used for growing wrapper leaves came from the Soviet Union. And now we can't get them. We used to buy 20 million square meters. Oil, gasoline and diesel. That is very short, and this really hurts the crop.

C.A.: *What do you do if you don't have the tenting for the wrapper crop?*

Padron: We reduce the crop. It is as simple as that. You can reuse about 30 percent of the old tents, but the storm [in 1993] destroyed all of the tents.

C.A.: *That means those losses will affect future harvests?*

Padron: We think that this coming crop will be a little better, and those afterward should be very big ones. For the '94 crop and on, we have solved almost all of our problems, almost everything.

C.A.: *So a year from now you should be back to the '90 and '91 levels?*

Padron: Even bigger.

C.A.: *What is your target for 1995?*

Padron: We think that in 1995, we should export 70 million cigars, and in 1996, we should have 80 million to 90 million.

C.A.: *But what do you forecast for 1994?*

Padron: There will be no more than 50 million cigars.

C.A.: *No more? Some people say much less.*

Padron: No. No. That is more or less what we are going to do. Remember this. We never, never export cigars unless they are of the right quality. Of course, you may not believe that we can choose or that we wouldn't take a lesser-quality wrapper from the domestic market production and use it for export. But that is not the case. We have to be careful, very careful. Besides, you know what decides the cigar is the shortest crop because we mix three crops. And if you have two short crops in a row, you have problems. So, we have been taking more tobacco from our warehouses.

C.A.: *Another comment is that because of the difficult economic situation in Cuba, you don't age the cigars in warehouses as long as you used to because of the shortages in supply and the need for dollars.*

Padron: That is not true for cigars. I have instructions directly from Fidel. He has said that I mustn't deliver cigars that are not the best quality. He says that they represent the image of the best quality of Cuba. So we never do anything else but deliver the best quality.

C.A.: *In the numbers that you have given me for 1990 to 1995, what percentage is handmade versus machine made?*

Padron: Now we only have about 10 million or 15 million machine-made cigars. That's it.

C.A.: *So that's pretty steady. You are not looking to increase or decrease the machine made?*

Padron: That depends on the orders. This is a business. If anybody asks for the cheaper machine-made cigars, we are going to deliver. Our priority, however, is handmade, not machine-made cigars.

C.A.: *You are delivering in the area of 50 or 60 million cigars, and let's say 40 to 45 million are handmade. With the increasing demand for Cuban cigars, do you have any idea what the total world demand would be for handmade Cuban cigars?*

Padron: Without the United States, we estimate the market to be from 90 to 100 million cigars.

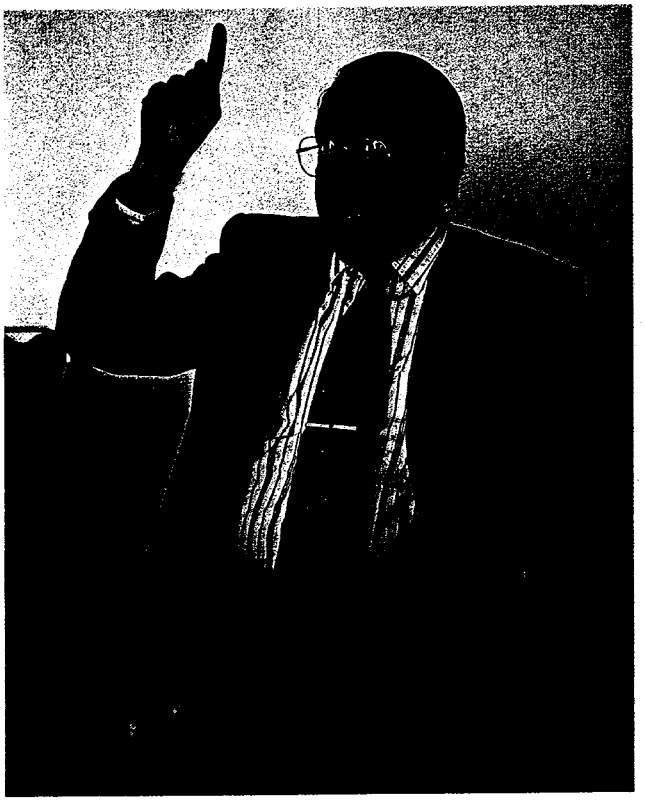
C.A.: *And with the United States?*

Padron: 20 million more and increasing in four years.

C.A.: *At the* CIGAR AFICIONADO *seminar we held in New York, a panel discussed Cuba. It included Edgar Cullman, Nick Freeman, Theo Folz—top people in the cigar trade. We asked them about the embargo: how long did they think it would continue, given the current political environment and the leadership of Clinton. They seemed to have a consensus feeling that the lifting of the embargo was another five to seven years away. They added that in order to revitalize Cuba's cigar production it would take another five years. So, it would be 10 or 12 years before there is any balance of supply and demand, if the United States could buy Havana cigars. What would your response be to that?*

Padron: I am not a politician. Things are moving. As Jose Martí [the legendary, 19th-century, Cuban political hero] said, "the most important thing in politics is what you don't see."

C.A.: *A lot of people—cigar lovers—are disappointed that there has been no significant movement to bring things together between the two countries and that President Clinton has maintained the policy and given support to*



the Cuban-American Foundation of (Jorge) Mas Canosa. Do you see anything happening from the Cuban side that might lead to an end to the embargo, or is it really up to when the United States decides that it's enough already?

Padron: It is like a fight between Goliath and David. And you don't know who must make the first move.

C.A.: *If the embargo ended tomorrow or two or five years from now, have you thought through how it would happen and what the scenario would be? You would have problems with certain brands as far as*

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1989 CABERNET SAUVIGNON - BEST OF SHOW - "Deep, purply color; rich, ripe nose suggesting chocolate, vanilla-cream and black cherry; big, staggeringly fruity flavors commingled with elements of good young oak...a real powerhouse. Spectacular - no contest!"

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Autumn 1993

"CELLAR SELECTION."
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WINE SPECTATOR
July 15, 1993

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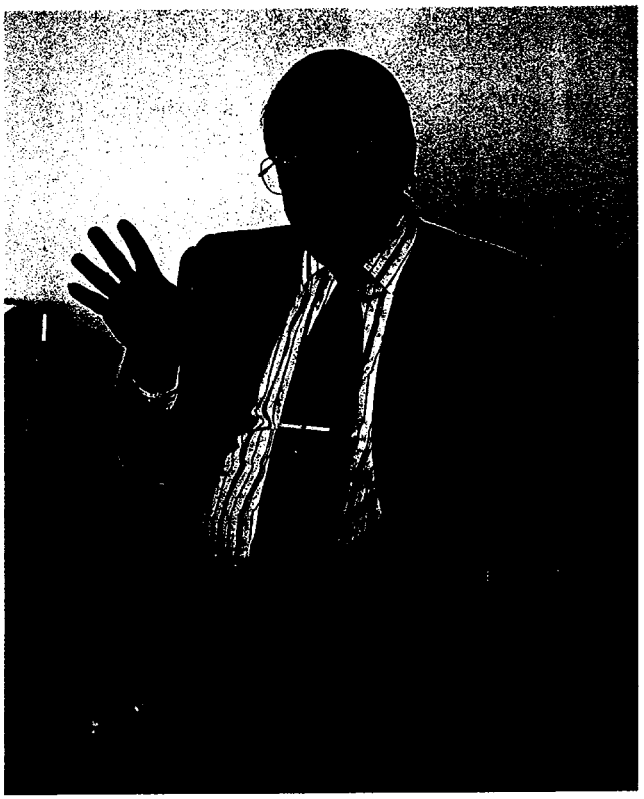
ROBERT M. PARKER, JR.
THE WINE ADVOCATE
October 26, 1993

BERINGER. Critically Acclaimed Cabernet Sauvignon, Year After Year.

trademark issues, and with other brands you do not have a problem. Have you thought how you would introduce your brands to the American market?

Padron: First, there is going to be a fight. We have not been able to have the brand name in the United States because of the embargo. It was forced by you [the United States]. It was not decided by our side. Your side decided on this. So, maybe there is going to be a fight. But we are not going to fight in order to get our cigars into the United States. As we always say, a Habano [cigar] is a Habano [cigar]. With a name of Marvin or Padron or Meyer or whatever goes on the cigar, it is a Habano. So, we are going to let everybody know that we are here, and this is a Habano. We are not going to fight with somebody else because he owns the brand name of Cohiba or Montecristo in America. We have been living without that for a long time.

C.A.: *So if you cannot resolve the issue, you would introduce new brand names which are Habano, and there would not be a conflict unless the*



government said that this issue must be resolved. You know the issue is that the families who lost the brand names say that they are entitled to have those brand names back, which is more confusing because of certain problems in the international market such as what has happened with Spain's tobacco monopoly, Tabacalera. Could you explain briefly what is the situation there as far as Montecristo, H. Upmann, Partagas and other brands?

Padron: In general, we have solved our disagreement in a way so that it will not hurt or create any problems for Tabacalera. This will help us to keep delivering Montecristo, Upmann, Partagas and others to the Spanish market.

C.A.: *So you are continuing to supply Spain, but who owns the brand names now? I thought that the worldwide rights, except for a few countries such as the United States, Cuba, the Dominican Republic and others, were sold to Tabacalera by Consolidated and General Cigar?*

Padron: Tabacalera owns the names. But they do not own the name in all countries. We own them in plenty of other key countries in the world.

C.A.: *In what countries do you still own the brand name Montecristo, as an example, since it is your biggest brand?*

Padron: We own it in the United Kingdom, Germany, Holland, Belgium, Switzerland, Canada and plenty of other countries.

C.A.: *In what important countries does Tabacalera own the brand?*

Padron: France and Spain are the most important. They are our two biggest markets.

C.A.: *So you are supplying the brand to them, and you have worked it out to continue the flow. What about the situation with the French tobacco monopoly, SEITA? There was a lawsuit regarding Montecristo and Partagas....*

Padron: We are still in the courts.

C.A.: *But I thought that you lost one of the lawsuits?*

Padron: Yes, but we are now in the upper courts.

C.A.: *Have they decided what you have to pay in damages? I heard more than $10 million....*

Padron: No. No. They are asking for the sky. The stars. Everything.

C.A.: *What are they asking?*

Padron: I don't remember exactly. I don't want to even think about it.

C.A.: *What is the lawsuit about? Who owns the name?*

Padron: They want to get money for the use of Montecristo and Partagas since we introduced those brand names in France. This is an incredible thing because I can show you the figures. Montecristo and Partagas were nothing in the '60s and early '70s. We made the reputation of Montecristo and Partagas.

C.A.: *As I remember, Montecristo was introduced into the French market around 1973, which is when it took off there?*

Padron: Yes. Yes. We created the brand name, not them.

Let me tell you something. Because we lost that fight in the courts in France, and we are now in the higher courts on appeal, we took Montecristo, Partagas, Ramon Allones, La Gloria Cubana, Por Larrañaga and four others off the market.

C.A.: *You took those off the market in France?*

Padron: Yes. Yes. So, as for our strategy for France, given the shortage in brands there, we decided to put there whatever they ask for in the other brands. Let's see what will happen in that market.

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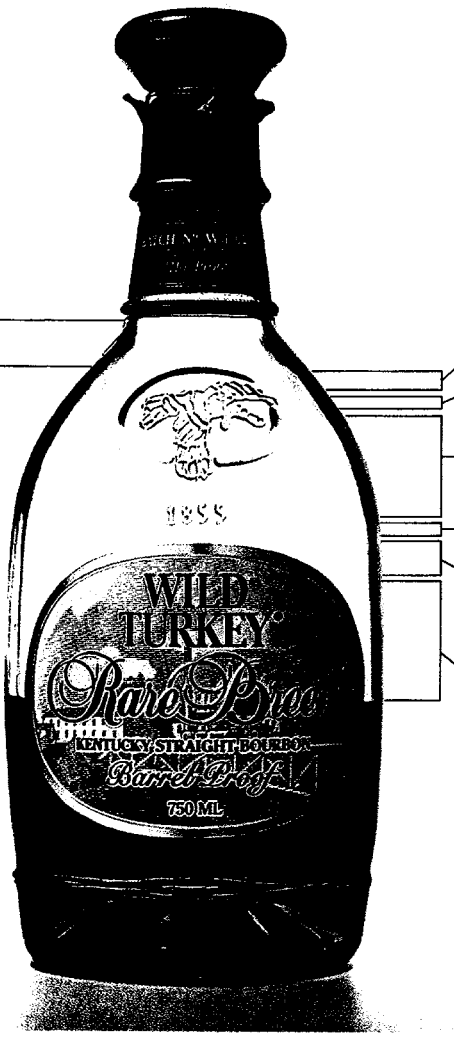

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C.A.: *What did you put in those markets?*

Padron: No. No. We just decided to increase the supply of the brands left in the market. What happened is that we are selling more cigars than the year before. It was incredible. This is not just a story, here are the figures. For example, El Rey del Mundo was up 200 percent. Hoyo de Monterrey was increased 200 percent. All our other brands in the French market have had tremendous increases. People who know how to smoke cigars are not going to smoke something else if they can find another Havana cigar.

So, I am very quiet. I took a chance in my second market, and it was all a success. I am not worried about the brand name. This is a different thing. When we started on this new direction in France, I forecasted that it would take us two years to get back our sales figures there, but to my surprise it happened on the very first year. And now we are selling more than the year before.

C.A.: *Did you have a similar experience in Spain?*

Padron: We didn't have time to find out. Do you know what has happened in Spain with the damn problem? The former president of Tabacalera thought that the most important thing for Montecristo was the name of the brand. So, they thought that we would never withdraw the brand from their market, but when the contract was up, I withdrew the Montecristo. It was a terrible political problem. Everybody all over Spain was writing about how crazy this was. So they realized the importance of Montecristo and Habano.

C.A.: *So you withdrew the brand from the market?*

Padron: Yes.

C.A.: *Is it back now?*

Padron: Yes. It was back for Christmas.

C.A.: *When did you withdraw it?*

Padron: Last April, more or less.

C.A.: *So they had no Montecristos after that?*

Padron: They had a little bit of stock left, but after that they didn't have any more. It was a terrible problem for them. So, they called us, and they signed a special contract for us to deliver.

C.A.: *The reason why Montecristo and Partagas are not in France is because of the lawsuit?*

Padron: No. We are putting Montecristo and Partagas back in the French market right now. Right now.

C.A.: *Is mini-Montecristo coming back to France?*

Padron: They are coming back to France from Spain.

C.A.: *But what will SEITA, the French monopoly, do? They have a large factory that isn't being used to make the mini-Montecristo anymore?*

Padron: We have made a new agreement for SEITA to make a new Cohiba, a mini-Cohiba.

C.A.: *When is that coming?*

Padron: That will be soon. We are testing it now.

C.A.: *What is the largest export market for handmade Cuban cigars today?*

Padron: Spain.

C.A.: *No. 2?*

Padron: France

C.A.: *No. 3?*

Padron: United Kingdom.

C.A.: *No. 4?*

Padron: Switzerland.

C.A.: *No. 5?*

Padron: Middle East as a whole.

C.A.: *No. 6?*

Padron: In that range, there are plenty of other countries. Canada. Mexico. Brazil. There are plenty in that range. One million; 1.5 million, 2 million cigars. There are plenty.

C.A.: *In terms of brand priority, is Cohiba viewed as your No. 1 priority in the world today?*

Padron: No. It is the most expensive one. But the flagship is Montecristo.

C.A.: *What percent of your total handmade cigars today is Montecristo?*

Padron: We don't make machine-made Montecristos. About 45 percent of our sales of handmade cigars are Montecristos.

C.A.: *What would be the No. 2 brand?*

Padron: Partagas.

C.A.: *What about No. 3?*

Padron: There are plenty of brands at that level.

C.A.: *So Montecristo may be 20 or 25 million cigars? And Partagas would be 8 or 9 million?*

Padron: Then comes plenty of others such as Romeo y Julieta, Punch, Bolivar, Hoyo de Monterrey....

C.A.: *And those would be 3 million or 4 million cigars each?*

Padron: More or less in this range.

C.A.: *But Cohiba is in the range more or less?*

Padron: No. You have less than that now.

C.A.: *I thought it was 4 million cigars for Cohiba?*

Padron: No. No. That would be with a wonderful crop...two wonderful crops in a row.

C.A.: *So the 4 million cigars we have heard is really the limit when everything is working properly?*

Padron: Yes. Yes.

C.A.: *In this past year, what was the total production of Cohiba?*

Padron: Half that. Two million, or a little more.

C.A.: *But the Siglo series 1 through 5 was 1 million: 200,000 per new cigar?*

Padron: That was the original plan.

C.A.: *But what was produced?*

Padron: I launched the new Siglo range because I promised that I would do this, but I have already sold what we produced. It is an incredible thing.

C.A.: *But give me some idea what you sold of Siglo, half a million, a quarter of a million?*

Padron: We did more or less half of what we planned, about a half million.

C.A.: *So you only did about 4,000 boxes of each size. When will you have some more Siglo cigars to send people?*

Padron: We should have some Siglos available during the first quarter of 1994.

C.A.: *Is the production for 1994 of the five sizes of Siglo going to be a half a million or more?*

Padron: More or less a half million.

C.A.: *So what you are saying is that if you take away the half million of the Siglo series, then the rest of the Cohiba range is about 1.5 million cigars?*

Padron: Yes. More or less.

C.A.: *That's terrible.*

Padron: No. No more.

C.A.: *Production has really gone down.*

Padron: Cohiba should be at about 2.5 to 3 million cigars a year in the right situation. Remember this. Don't tie Cohiba to the rest of the crop because we select the tobacco from very few farms. Maybe there is a disaster in most places, but maybe in one of those small places the crop was wonderful. We take care of those special places.

C.A.: *So when you have limited resources for the tobacco crop, you prioritize them to go to these top-quality farms first?*

Padron: Yes. We try to maintain Cohiba first.

C.A.: *What do you recommend that consumers buy now considering the difficulty in supply of such fine cigars as Cohiba Siglo, Hoyo de Monterrey Double Corona and others?*

Padron: It depends what you like.

C.A.: *That's not what I mean. For instance, we have given a great score to the Hoyo de Monterrey Double Corona (99 points), but nobody seems to have it. Are you increasing the production of the Hoyo Double Corona?*

Padron: For all the fifth- and sixth-category cigars [the highest level in craftsmanship in Havana cigars], there is a definite problem because we did not have a good crop of big wrapper leaves.

C.A.: *Could you tell me the approximate production of the Hoyo de Monterrey Double Corona?*

Padron: I don't have the figure in my head. It was more or less the same production as last year.

C.A.: *That one size: is it 50,000 or 20,000? What is it?*

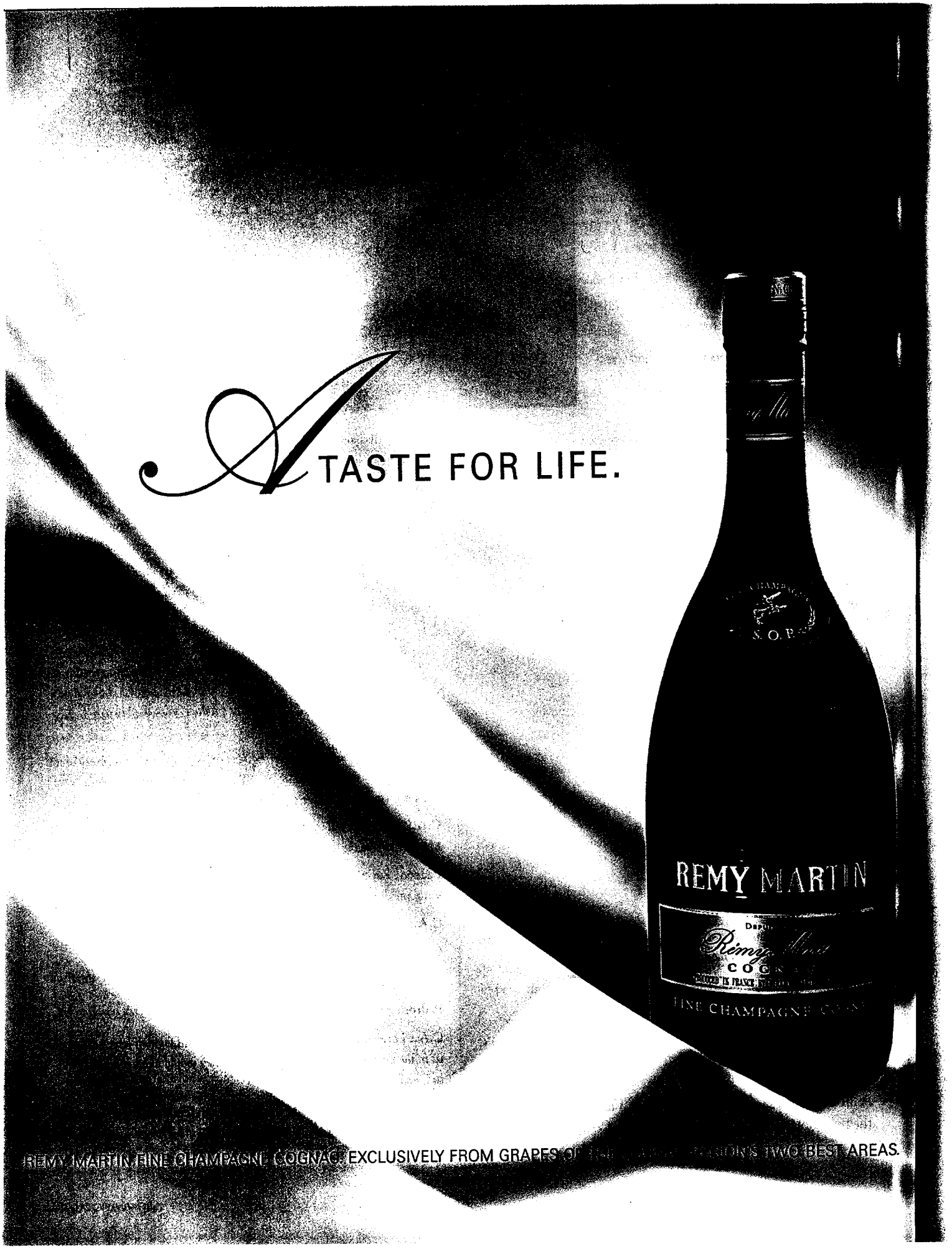
Padron: Really, I don't have those figures in my head.

C.A.: *Let's go to another subject. Davidoff.*

Padron: That is history.

C.A.: *I understand it's history, but the people at Davidoff have said to us in the past that if the situation changes they would like to come back to Cuba....*

Padron: Forget about it. As long as I am in Cubatabaco, forget about it. That is history. We don't need Davidoff. Life has proved that we don't need that name. And that's the most important thing.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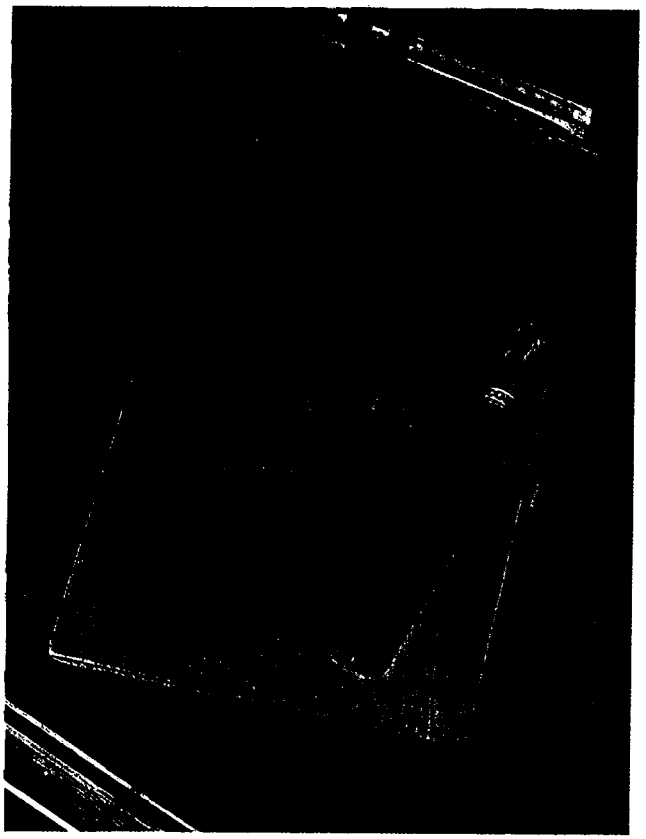

A BOX OF 50 COHIBA LANCEROS, SIGNED BY FIDEL CASTRO, THAT WAS SOLD AT AUCTION FOR $18,750.

C.A.: *So they have to hope that you will go so that they have a chance to deal with somebody else.*

Padron: Maybe if the next person in my position is a fool; maybe they will have a chance. Why do we need Davidoff? What for? They killed their own chances!

C.A.: *We did a story a year ago about the Trinidad cigar, Castro's personal cigar for gifts. This has started a great mystique. Everybody wants to see it. Everybody wants to hold it. Everybody wants to smoke it. Is there any possibility, on a limited basis, that you might take the Trinidad out of just being a private stock for Fidel and diplomatic friends?*

Padron: I don't think so because he is going to tell us, "fellows, why don't you create your own brand? Whenever I come up with a brand name, you take it from me." He already told me that I should pay him a royalty for the Cohibas I sell (laughs). He is right, you know.

C.A.: *Does Castro stay in touch with what is happening in the world market for Havana cigars, and how the demand and image are growing, and how they are a great asset in terms of image to his country?*

Padron: I have already told you the instructions he has delivered to me. He said, "Padron. Quality first. Quality first." He says that if we have a short crop, then we must have a short production of exportable cigars. It's quality first.

C.A.: *Is there any product from Cuba that is exported that has the importance in terms of top image like Havana cigars?*

Padron: I think that our lobsters and our shrimps have a very high image. Of course, our rum is also very well known. Also, our coffee is excellent.

C.A.: *A week ago in London, there was an auction to help raise money for medical relief in Cuba at which time boxes of pre-Castro cigars and others went for very high prices. There was one box of 50 Cohiba Lancero cigars that had Fidel Castro's signature on top. That sold for a record £12,500, or about $18,750 (The money was raised for Cuban medical relief). Does Castro know about this, and what was his reaction?*

Padron: He was surprised. He laughed and said, "well, if you need any more boxes to be signed, just let me know." He was just joking, but he was very, very proud.

C.A.: *So you might do this again?*

Padron: That depends on him.

C.A.: *How did you get him to sign the box in the first place?*

Padron: He decided to do it. That was up to him.

C.A.: *Someone had to ask him?*

Padron: I didn't do it. I am not sure how it happened.

C.A.: *Has Cubatabaco ever held back stocks of cigars, and, if so, do you have any stocks of Cuban cigars from before the Revolution?*

Padron: We have a few stocks of these cigars (from 1959 and older). Not many. Just a few. We always keep some of them in stock.

C.A.: *They are not for sale?*

Padron: No, they are not for sale.

C.A.: *Have you thought about producing vintage-style cigars where you note when they were produced or from which harvests?*

Padron: No. What we are going to do from [1994] on is that we are going to make tastings of next year's production all over the world. For example, in Spain we are going to make a tasting of the Montecristo for the relaunch of the brand there. We are deciding what we are going to do exactly at the moment. We might launch a Romeo y Julieta in England and Montecristo in Spain and so on. We are deciding on the size.

C.A.: *Would it be marked on the box?*

Padron: No. I don't think so. As you know, you can have the same blend every year. It is always a little different, but you try to keep it almost the same.

C.A.: *Are there any new brands you plan to bring out with in the near future?*

Padron: We were really ready to come out with a new brand, but then we had this agreement with Tabacalera.

C.A.: *What were the names of the brands?*

Padron: I am not going to tell you.

C.A.: *Are there any new sizes of existing brands coming out?*

Padron: No. ❖

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex. 75 (D0075), Def.'s Ex. 28A

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DEFENDANT'S EXHIBIT 28A 6/7/00 PENGAD-Bayonne, N.J.

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Word Mark	BEHIKE
Translations	THE ENGLISH TRANSLATION OF THE WORD "BEHIKE" IN THE MARK IS "INDO-CUBAN WITCH DOCTOR".
Goods and Services	IC 034. US 008 009 017. G & S: RAW TOBACCO; CIGARS, CIGARETTES, CUT TOBACCO, RAPPEE, MANUFACTURED TOBACCO OF ALL KINDS, MATCHES, TOBACCO-PIPES, PIPE HOLDERS, ASHTRAYS, MATCH BOXES, CIGAR CASES, HUMIDORS
Mark Drawing Code	(3) DESIGN PLUS WORDS, LETTERS, AND/OR NUMBERS
Design Search Code	020301 020302 020317 020324 250302 261110 261120 261121
Serial Number	73742915
Filing Date	July 29, 1988
Published for Opposition	June 27, 1989
Registration Number	**1557163**
Registration Date	September 19, 1989
Owner	(REGISTRANT) EMPRESA CUBANA DEL TABACO CORPORATION CUBA O'REILLY 104 STREET HAVANA CITY CUBA
Section 44 Indicator	SECT44
Prior Registrations	1441404
Description of Mark	THE DRAWING OF THE MARK IS LINED FOR THE COLORS YELLOW AND GOLD.
Type of Mark	TRADEMARK
Register	PRINCIPAL

DEFENDANT'S EXHIBIT D 75 Blumberg No. 5114

Affidafit Text	SECT 8 (6-YR).
Live/Dead Indicator	LIVE

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

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Defs Ex 76 (D0076), Defs Ex 28B

U.S. Trademark Electronic Search System (TESS)

DEFENDANT'S EXHIBIT 286 6/7/00 PEMGAD-Bayonne, N.J.

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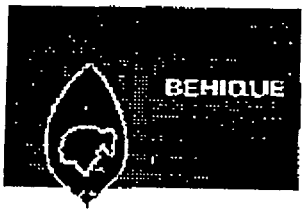

Word Mark	BEHIQUE
Goods and Services	(CANCELLED) IC 034. US 017. G & S: SMOKING TOBACCO, CHEWING TOBACCO, SNUFF AND CIGARETTES
Mark Drawing Code	(3) DESIGN PLUS WORDS, LETTERS, AND/OR NUMBERS
Design Search Code	020301 020302 020317 050301 261121
Serial Number	73523552
Filing Date	February 22, 1985
Published for Opposition	March 10, 1987
Registration Number	**1441404**
Registration Date	June 2, 1987
Owner	(REGISTRANT) EMPRESA CUBANA DEL TABACO TA CUBATABACO CORPORATION CUBA O'REILLY 104 HAVANA CITY CUBA
Section 44 Indicator	SECT44
Priority Date	November 22, 1984
Type of Mark	TRADEMARK
Register	PRINCIPAL
Live/Dead Indicator	DEAD
Cancellation Date	December 6, 1993

Logout

Please logout when you are done to release system resources allocated for you.

DEFENDANT'S EXHIBIT D 76 Blumberg No. 5114

73-742915 DESIGN

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 82 (D0082), Pls Dep Ex 410

Cubatab. 1981 began enformt
action against cos. using
Habanos + Cuba etc - won 1st
case 1986 - sine 4 others
over 50 brands have withdrawn
from market b/c legal action.

- Campaign on now to prevent
generic denigration of names
Seal, Habanos + tob loco
+ Puros Habanos -
unified "Habanos logo w/ leaf design
(in all lang.) unique"

"Habanos is more than a brand"
emphasizing over brand trademarks

Courts ruled that cubana/Habana can only be
used for designation of origin even
if leaf used in other cigars they
can not use cubanas/Habanas

- Cubanitos (France)

PLAINTIFF'S
DEPOSITION
EXHIBIT
410
7/10/01 AA

DEFENDANT'S
EXHIBIT
D 82
Blumberg No. 5114

GCP 0327

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

In the matter of Trademark Registration No. 1147309
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Defs Ex 83 (D0083), GCP0070-GCP 0089.248

DRAFT

(212) 415-8543

December __, 1992

VIA MESSENGER

PRIVILEGED AND CONFIDENTIAL

Ronald S. Milstein, Esq.
Vice President/Assistant General Counsel
Culbro Corporation
387 Park Avenue South
New York, NY 10016-8899

Re: U.S. Rights to COHIBA Trademark
Our Ref.: 246-4090

Dear Ron:

The following is our opinion regarding the probable respective rights and liabilities of General Cigar Co., Inc. and Cubatabaco with regard to the COHIBA trademark and related trade dress in the United States.

I. Summary of Conclusions and Opinion

The fact that Cubatabaco has been unable to lawfully bring COHIBA product into the United States does not preclude it from establishing prior rights to the mark in the United States. These prior rights could be established by proving that a segment of the cigar purchasing public in the United States is aware of and recognizes the Cuban COHIBA cigar brand through (a) mention in advertising and news media entering the U.S.; and (b) travel abroad where the brand is widely distributed.

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 83

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General Cigar's existing incontestable registration for the COHIBA word mark is not conclusive of its rights in the U.S. because it might be established that there has not been use of the mark in the ordinary course of trade, as required to sustain or validate a registration.

For Cubatabaco to prevail in a lawsuit it would have to prove that (a) a segment of the U.S. public associates the COHIBA mark with Cubatabaco, or even an anonymous source of Cuban cigars; and (b) this brand recognition antedates General Cigar's use of the mark in the ordinary course of trade.

Cubatabaco has indicated that it does not dispute General Cigar's right to use and register the COHIBA word mark in the United States. In our judgment, it would be difficult, although not impossible, for Cubatabaco to prove a case of trademark infringement or unfair competition based upon use of the word mark COHIBA alone, particularly in view of General Cigar's long standing registration of that mark. We believe it unlikely that Cubatabaco could prove sufficient exposure of the COHIBA brand to cigar smokers in the U.S. to establish the requisite secondary meaning or likelihood of confusion necessary for Cubatabaco to prevail.

However, the risk is much greater if General Cigar were to adopt the trade dress which Cubatabaco employs for its COHIBA brand and has indicated it might seek to protect. We would have difficulty explaining the use of the COHIBA name together with the trade dress as being due to a good faith innocent mistake. The trier of fact would be likely to conclude that there was deliberate copying to take advantage of the goodwill associated with the Cuban product. In some U.S. jurisdictions, deliberate copying creates a presumption of both secondary meaning and likelihood of confusion and in itself is sufficient to support a count of unfair competition.

The potential liability to General Cigar, should Cubatabaco succeed in proving deliberate copying, could be great. Section 43(a) of the Lanham Act provides that in an appropriate case of false designation of origin the plaintiff is entitled to the profits of the

infringer, as well as a potential trebling of those profits and attorney's fees. Therefore, a highly successful product launch by General Cigar under both the COHIBA mark and the trade dress used by Cubatabaco could result in a substantial compensatory award to Cubatabaco.

Should General Cigar decide to go forward with a COHIBA product launch in the U.S., we strongly recommend that it file for a second registration directed to the COHIBA word mark. Further, if it is important that the trade dress be included in the package, General Cigar should make every effort to strike some deal with Cubatabaco which would eliminate the potential controversy.

II. Facts

The following facts have been compiled from a review of existing Culbro files, relevant legal research, as well as factual research in various periodicals and periodical databases. Copies of the cited case decisions (Exhibit 1) and cited articles and other materials (Exhibits 2-20) are attached.

A. Background On Cuban Cigar Trademarks

After Fidel Castro took power in Cuba in 1959 and imposed a communist regime, his government appropriated privately owned property and businesses including the various Cuban cigar companies. Menendez v. Faber, Coe & Gregg, Inc., 345 F.Supp. 527, 532 (S.D.N.Y. 1972), affirmed, 485 F.2d 1355 (2d Cir. 1973), cert. denied, 425 U.S. 991 (1976). Representatives of Castro's government known as Interventors were established as the head of each cigar company. Id. Eventually, Castro and his Minister of Industry, Che Guevara, established Empresa Cubano del Tabaco, d/b/a Cubatabaco, as the national government agency in charge of the production and marketing of Cuban tobacco products including cigars. International Herald Tribune, October 2, 1992 (Ex. 2).

In the meantime, the former owners of the Cuban cigar companies fled Cuba and reestablished their businesses in other countries. Menendez, 345 F.Supp. at 552; Cuban

Cigar Brands N.V. v. Upmann Intern., Inc., 457 F.Supp. 1090, 1093 (S.D.N.Y. 1978), affirmed, 607 F.2d 995 (2d Cir.); Financial Times, November 11, 1992 (Ex. 3). Many began developing tobacco crops, with which to continue production of their products, in other countries such as the Dominican Republic and Jamaica. Menendez, 345 F.Supp. at 552; Cuban Cigar Brands, 457 F.Supp. at 1093. Using such non-Cuban tobacco ingredients, they eventually continued to sell their cigar products under the same trademarks which they used while they were based in Cuba, e.g. PARTAGAS, CIFUENTES, RAMONE ALLONES, UPMANN, MONTE CRISTO, etc. Several of these companies assigned their rights to other cigar companies, including General Cigar.

Although the Castro regime apparently gave early consideration to the development of a new brand name for their cigar products (Financial Times, February 17, 1989 (Ex. 4)) they decided to instead continue sales of Cuban cigars under the pre-existing trademarks mentioned above. Menendez, 345 F.Supp. at 532; Financial Times, February 17, 1989 (Ex. 4).

Soon after the Castro regime commenced sales under the appropriated companies' established marks, the United States declared a trade embargo, forbidding the importation or sale within the U.S. of Cuban-origin goods. Hence, the refugee Cuban cigar families and their aforementioned assignees have since enjoyed exclusive rights in and sales under the subject marks in the United States in connection with non-Cuban origin goods, and, to the extent that the issue has been raised in U.S. courts those rights have consistently been upheld. Menendez, 345 F.Supp. 556-7; Cuban Cigar Brands, 457 F.Supp. at 1101.

However, in other countries, especially in Europe, duplicative trademark registrations have issued to both Cubatabaco and the ousted Cuban cigar families and/or their assignees. (See Revised Tables I and III originally enclosed with my letter of February 7, 1992 (Ex. 4A)). Both Cuban and non-Cuban versions of these products are sold in such countries. Financial Times, November 11, 1992 (Ex. 3).

In addition, until recently, another notable Cuban-origin cigar sold outside of

the U.S. was the DAVIDOFF brand, owned by the Swiss-based company run by Zino Davidoff. Reuters, March 15, 1990 (Ex. 5); October 13, 1989 (Ex. 6). Until 1989 (see discussion below) the Davidoff company imported Cuban cigars and sold them in various countries under the DAVIDOFF mark.

B. Cubatabaco's Use of COHIBA

In or around 1968, Che Guevara and Cubatabaco developed a cigar for Fidel Castro to use for his personal consumption and to give as gifts to visiting foreign dignitaries. International Herald Tribune, October 2, 1992 (Ex. 7); UPS, October 10, 1989 (Ex. 8). The trademark chosen for this cigar product was COHIBA, which is reportedly the word from an "ancient" local Cuban Indian (Taino) dialect for either "cigar" (Reuters, November 5, 1992 (Ex. 9)) or "tobacco" (Origin Universal News Service, January 24, 1989 (Ex. 9A). COHIBA cigars were packaged in a trade dress which included a design encompassing an Indian head, tobacco leaf, and a brown and yellow polka-dot motif.

Due to the aforementioned limited purpose for the COHIBA cigar product, it was initially produced in very small quantities. UPS, October 10, 1989 (Ex. 8). However, in or around 1982, Cuba decided to produce COHIBA cigars for general sale in some markets. Apparently, the first exposure of the publically sold COHIBA product was made to coincide with the 1982 World Cup soccer tournament in Spain. The Economist, August 20, 1983 (Ex. 10). Around this time Cubatabaco modified the trade dress for its COHIBA product, retaining the Indian head design and the yellow and brown polka-dot background but deleting the tobacco leaf. However, from this commencement of public sales of COHIBA product in 1982 until at least the late 1980's, supplies of COHIBA cigars were very limited, possibly because Castro still preferred to hold the bulk of production for use as official gifts. Financial Times, November 26, 1988 (Ex. 11).

However, in or around 1989, the production and supply of COHIBA cigars to several European markets apparently increased significantly. UPS, October 10, 1989 (Ex. 8); San Francisco Chronicle, November 16, 1989 (Ex. 12). This may be due to a French

court decision which issued in 1989 determining that the Spanish tabacco cartel Tabacalera, as the ultimate assignee of the relevant ousted Cuban cigar families (by way of assignment from the intermediate owner Cuban Cigar Brands, N.V.), was the rightful owner in France of the trademarks UPMANN and MONTE CRISTO and that Cubatabaco's French registrations therefor were invalid. Financial Times, November 11, 1992 (Ex. 3). This decision was recently upheld by a French appeals court. Financial Post, November 12, 1992 (Ex. 13). Possibly, Cubatabaco's realization that it might not be able to continue using the pre-existing Cuban cigar trademarks in various markets led to its decision to begin emphasizing COHIBA as its premium export product.

Also in 1989, around the time of this increased production and supply of COHIBA cigars in the European market, Davidoff terminated its supply arrangement with Cubatabaco, claiming that the quality of tobacco supplied to it by Cubatabaco had dropped off, and accusing Cubatabaco of diverting its best tobacco, formerly used for DAVIDOFF cigars, to the production of COHIBA cigars. Reuters, March 15, 1990 (Ex. 5); October 13, 1989 (Ex. 6). A British arbitration case ensued, which was settled in 1991. As a result of the settlement, Davidoff and Cubatabaco parted ways, and Cubatabaco agreed not to make any further use of the DAVIDOFF trademark. Reuters, December 18, 1991 (Ex. 14). DAVIDOFF cigars are now generally comprised of tobacco from the Dominican Republic and are available in the United States as well as elsewhere around the world. Los Angeles Times, May 6, 1990 (Ex. 15).

Cubatabaco has stated that it intends to fill the gap in the international market for Cuban cigars left by the departure of Davidoff with increased production, supply and promotion of COHIBA cigars. Financial Times, November 11, 1992 (Ex. 3). At the same time, Cubatabaco has begun to get more directly involved in the distribution of Cuban cigar products abroad. For example, it has acquired at least a minority ownership interest in various European cigar importers, including the U.K. companies Hunters and Frankau (Financial Times, November 11, 1992 (Ex. 3)) and Knight Brothers (The Economist, March 31, 1990 (Ex. 16)). Moreover, retail outlets for Cuban cigars known as Havana Houses

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have been established in various cities around the world, apparently with the participation of Cubatabaco. Financial Times, November 11, 1992 (Ex. 3).

Cubatabaco has also apparently been involved to some extent in the establishment of a new cigar shop and smoking parlor in Hong Kong known as the Coniba Cigar Divan, which was reportedly established by a local Hong Kong resident with the assistance of a representative of Cubatabaco. International Herald Tribune, October 2, 1992 (Ex. 7).

C. Exposure of Cubatabaco's COHIBA Mark In The United States

1. Advertising and Publicity

A review of several newspaper/magazine databases indicates that various types of general and specialized newspapers and magazines circulated in the U.S. have referred to the COHIBA brand of Cuban cigars through the years, including the various articles cited herein. Several of these reflect familiarity on the part of U.S. cigar smokers with the Cuban COHIBA product.

Perhaps the most pointed publicity the Cuban COHIBA cigar has yet to receive in the United States is found in the new English-language magazine Cigar Aficionado, which is distributed in the United States and elsewhere. The premier issue, dated "Autumn 1992," includes, among other things, an in-depth article on the production of Cuba's COHIBA cigar product; the results of a blind tasting of robusto-sized cigars from around the world, in which the Cuban COHIBA received the highest score; and numerous cigar advertisements. In addition to a General Cigar ad for MACANUDO and PARTAGAS cigars, appearing as a pullout on pages 19-26, there is an ad for Cuban COHIBA cigars, featuring the Indian head design and designation "Habanos" (page 38), as well as an advertisement for the aforementioned Cohiba Cigar Divan in Hong Kong (page 32). You have informed us that the aforementioned COHIBA Cuban cigar ad was placed in the magazine by Hunters and Frankau, the aforementioned British importer which is partly owned by Cubatabaco and which also is a distributor of General Cigar products in Europe.

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As can be seen from the aforementioned Cigar Aficianado article on the production of Cubatabaco's COHIBA cigars, it is clear that it is produced and marketed as a premium, extremely high-end cigar product, which sells in a price range of $12-$25 per cigar. It is safe to say that any brand recognition which may exist for it in the U.S. is limited to the highest echelon of the cigar smoking public in terms of amount spent per-cigar.

2. Unlawful U.S. Importation

No Cuban cigars, including Cubatabaco's COHIBA product, may be lawfully sold or imported into the U.S. due to the aforementioned trade embargo, which has been endorsed by every President who has taken office since its inception. However, COHIBA cigars, as well as other Cuban brands, are sold in duty-free shops in airports throughout the world. Chicago Tribune, October 23, 1992 (Ex. 17). It would appear that several of these duty-free shops make Cuban cigars available to U.S. travelers in unmarked packages, enabling the U.S. purchasers to bring them back to the United States under the pretense that they are not Cuban-origin goods. Financial Times, February 17, 1989 (Ex. 4).

In addition to the foregoing, a recent Cuban defector to the United States, Carlos Lugo, who was involved in Cubatabaco's management, has stated that Cubatabaco had Cuban cigar products shipped from a Havana House outlet in Canada to over 700 purchasers in the United States under false Philippine markings, intentionally violating the trade embargo. Miami Herald, September 18, 1990 (Ex. 18). We understand that you are presently in the process of obtaining more information from your own sources regarding Mr. Lugo's claims.

D. General Cigar's Use And Registration Of COHIBA In The United States

According to our records, Culbro commenced use and filed for registration of the COHIBA trademark in the United States in connection with cigars in 1978, a period in time when the Cuban COHIBA product was still reserved for use as Fidel Castro's cigar for personal consumption and gifts, but was not available anywhere for general sale. Culbro

applied to register COHIBA as a trademark for cigars with the U.S. Patent and Trademark Office on March 13, 1978. Registration for COHIBA issued on February 17, 1981. An Affidavit of Use and Incontestability was filed for this registration in June, 1986 and accepted by the Patent and Trademark Office. The registration is now therefore incontestable. It was assigned to General Cigar in 1987.

According to information which you have supplied to us, it would appear that Culbro/General Cigar has only made token shipments of cigars under the COHIBA trademark in the United States throughout the years. The most recent invoice reflecting shipment of COHIBA cigars is from 1989. To date, all Culbro/General Cigar shipments of the COHIBA trademark have featured labelling and packaging which does not bear any resemblance to trade dress used by Cubatabaco for its COHIBA product and which clearly indicates origin in the Dominican Republic.

E. Cubatabaco's Relevant U.S. Registrations

Although Cubatabaco does not have a U.S. registration for COHIBA, it does own two relevant U.S. registrations. First, it owns a registration for BEHIQUE and Design (Reg. No. 1,441,404) for tobacco products other than cigars, which features a design element similar to the original trade dress used by Cubatabaco for its COHIBA product, including the Indian Head and leaf background and the polka-dot motif. This registration was obtained under Section 44 of the Trademark Act and the Paris Convention, based on a corresponding Cuban registration for the same mark. Cubatabaco also owns a Section 44/"Paris Convention" U.S. trademark registration for the mark BEHIKE and Design, for cigars and other tobacco products, (Reg. No. 1,557,163). The design element of this mark corresponds to the updated trade dress used for Cubatabaco's COHIBA product which features the Indian Head and the polka-dot motif but not the tobacco leaf. This second registration also expressly claims the "yellow and golden" color scheme. It further indicates that the term BEHIKE translates into English as "Indo-Cuban Witch Doctor."

F. General Cigar's Present Plans Involving The COHIBA Mark

General Cigar is currently considering a new sales compaign for its COHIBA product in the United States. It is presently planned that the product format for this campaign will prominently feature the COHIBA mark, and possibly other aspects of the trade dress employed by Cubatabaco for its COHIBA product. We note that during your recent meetings in Havana, you informed a representative of Cubatabaco of these tentative plans. In response, he indicated that Cubatabaco was aware that General Cigar owned the COHIBA mark in the U.S., but that they would object to your use of the trade dress.

He also pointed out that Cubatabaco has been active and successful in unfair competition litigation in other countries, including actions to prevent the sale of cigars under false designations of Cuban origin. This would appear to be true. Financial Times, February 17, 1989 (Ex. 4).

III. Discussion

A. The Present State of General Cigar's U.S. Right To COHIBA

When Culbro/General Cigar adopted and commenced use of the COHIBA mark in the United States in 1978, it is doubtful that Cubatabaco's COHIBA product was known to any significant number of purchasers, especially not in the United States, and there was no reason to suspect that Cubatabaco would commence sales anytime soon, least of all in the U.S. where the trade embargo was in place. Therefore, it would appear that Culbro/General Cigar created a valid trademark right as to the United States at that time. See my letter of April 20, 1989 and cases cited therein (Ex. 19).

Accordingly, the U.S. registration based on the aforementioned U.S. right was also valid, at least at the time of issuance, under the law which was then in effect.

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However, even under the former law which permitted filings based on token use*, it was necessary to commence use in the ordinary course of trade within a reasonable time in order to perfect the acquisition of the trademark right and the validity of the registration based thereon. La Societe Anon. des Parfums LeGalion v. Jean Patou, Inc., 405 F.2d 1265 (2d Cir. 1974). In LaGalion, the court held that 89 sales of the subject perfume product in 20 years did not constitute bona fide use in the ordinary course of trade. 405 F.2d at 1272. The court observed that "Patou has never put its product on the market in any meaningful way; indeed, it has given no indication that it has any current plans to do so." 495 F.2d at 1272-3 (usage which is obviously contrived solely for trademark maintenance purposes held insufficient to secure a trademark right). Accordingly, there is a possibility here that a court would conclude that Culbro/General Cigar did not commence sufficient use in the ordinary course of trade within a reasonable time.

Moreover, under both current and former law, if there has been any period since registration of two or more years of non-use, and there is no evidence available showing an intent within that period to resume or commence use (e.g. marketing plans, interoffice memoranda, etc.), then any acquired trademark right would probably be deemed abandoned. See Cerveceria Centroamericana v. Cerveceria India, 892 F.2d 1021 (Fed. Cir. 1989); Imperial Tobacco v. Philip Morris, Inc., 899 F.2d 1575 (Fed. Cir. 1990). See also, my letter of May 29, 1991 regarding maintenance of U.S. trademark registrations (Ex. 20).

In Cerveceria, the court concluded that the registration in question, issued in 1973, should be cancelled because (a) there was a period of non-use of the mark from 1977 to 1984; and (b) registrant only proved that it began taking steps to resume use in 1984 and actually resumed such use by 1986. 892 F.2d at 1022 and 1027. The court agreed with the

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* Under the revised law effective as of November 16, 1989, federal trademark applications filed based on use, as well as the required proof of use for an application initially filed based on intent-to-use, must be supported by use in the ordinary course of trade. Token use no longer has any efficacy in U.S. trademark law.

determination of the Trademark Trial and Appeal Board below that the registrant's efforts beginning in 1984 "represent a new and separate use" and were not probative of an intent to resume use during the earlier period. 892 F.2d at 1027.

In Imperial Tobacco, the registrant's first use of the mark JPS for cigarettes, after registration in 1981, was just before the filing its Section 8 affidavit of use in 1987. 899 F.2d at 1577-8. In upholding the determination of abandonment, the court concluded that the period of non-use from 1981-1987 was due to various business reasons which did not make such non-use excusable. Id. The court rejected as insufficient the registrant's allegation that it was engaged in the development of a "marketing strategy" from 1981-1987:

> [W]hen Imperial finally made sales of JPS cigarettes in 1987, there was no implementation of a complex marketing strategy to introduce them. As the board pointed out, Imperial simply began selling cigarettes in 1987, as it could have all along. 899 F.2d at 1582.

It appears possible that there may have been several such periods of abandonment since Culbro/General Cigar filed the application for the COHIBA mark in 1978 and/or since the registration issued in 1981. Moreover, if General Cigar's COHIBA mark has not been used for over two years up until the present, it may be deemed to be abandoned as of now.

If any of the foregoing theories of abandonment or ineffective acquisition of trademark rights were to be successfully asserted against General Cigar, it would eradicate any prior right which existed at an earlier time and support a claim for cancellation of the existing U.S. registration, even if use were to now be resumed. Cerveceria, supra; Imperial, supra.

B. Possibility of Cubatabaco Possessing A Present Actionable Right To COHIBA In The U.S. As Against General Cigar

1. Potential Claim Of Liability

If a court were to determine that Culbro/General Cigar did not originally

acquire, or abandoned, its COHIBA mark, it would decide the question of who possesses the present right to the COHIBA mark in the U.S. by determining which party was the first to establish a U.S. trademark right which has continued up until the present. See Conwood Corp. v. Loew's Theatres, Inc., 173 U.S.P.Q. 829, 830 (TTAB 1972):

> On the facts presented in this case, and notwithstanding the testimony of respondent's witnesses that neither respondent nor its predecessors had any intention of abandoning the mark "STAG", we are clearly of the opinion that the non-use thereof for cigarette tobacco for a period of fifteen years involved an abandonment of whatever rights it once may have had therein, that respondent's resumption of use of the mark for cigarettes and cigars was a new use, and hence that petitioner, on the basis of its prior use, possesses superior rights in the mark as against respondent.

Accordingly, if Cubatabaco can establish abandonment or inadequate trademark acquisition on General Cigar's part, as well as its own intervening, legally cognizable claim to the COHIBA mark in the U.S. continuing up until the present, it would possess an actionable* right to prevent General Cigar's resumption of use of said mark (as well as standing to cancel our existing registration).

It is possible that Cubatabaco could establish such a priority right as to the U.S., at least for the purposes of obtaining an injunction against General Cigar, even if it cannot show use of its mark or registration in the U.S. Specifically, Cubatabaco could attempt to establish such a right by showing that its COHIBA mark enjoys a continuous,

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* As the Cuban Assets Control Regulations have been interpreted by the courts, it would appear that Cubatabaco would be free, without special permission from the Treasury Department, to initiate an action against General Cigar in the U.S. courts based on, e.g., unfair competition and, within such an action, seek injunctive relief, cancellation, and even a judgment for monetary damages but only up to the point of entry of judgment. See Dean Witter Reynolds, Inc. v. Fernandez, 741 F.2d 355, 361-2 (11th Cir. 1984). On the other hand, under those regulations, Cubatabaco would require a special license from the Treasury Department in order to enforce any money judgment or to transfer any resulting funds out of the country, Id.

existing reputation among U.S. purchasers, dating back to a time prior to any newly resumed use by General Cigar, by virtue of: (a) the various aforementioned means of exposure of the mark to U.S. purchasers, including publicity and promotional material circulated in the United States for their COHIBA cigars; and (b) direct evidence of familiarity on the part of U.S. purchasers, including travelers who have purchased Cuban COHIBA cigars abroad. See Fund of Funds, Ltd. v. First American Fund of Funds, 274 F.Supp. 517, 156 U.S.P.Q. 545 (S.D.N.Y. 1967); Davidoff Extension S.A. v. Davidoff International, Inc., 221 U.S.P.Q. 465 (S.D. Fla. 1983).

In Fund of Funds, the Swiss-based plaintiff rendered mutual fund investment services in other countries to non-U.S. customers. 156 U.S.P.Q. at 546-7. Although plaintiff included shares of several underlying U.S. mutual funds in its investment portfolio, as part of a settlement agreement with the S.E.C. it was bound not to sell in the U.S. or even to U.S. nationals overseas. Id. However, plaintiff engaged in international advertising and received significant publicity within U.S. publications. 156 U.S.P.Q. at 547-8. As a result, the plaintiffs' mark was held to enjoy secondary meaning in the U.S., at least within the investment industry. 156 U.S.P.Q. at 550. Consequently, defendant was enjoined from using a confusingly similar mark despite the defendant's assertion that "plaintiffs will be selling only to foreign nationals abroad and, therefore, will not be in direct competition with defendant who will be selling in this country." 156 U.S.P.Q. at 552. The court found it likely that the American public would believe defendant was "somehow connected" with plaintiffs. Id.

One possibly distinguishing factor in our case is the fact that our cigars would clearly indicate their non-Cuban origin on their packaging. We could argue that U.S. purchasers of premium cigars would be aware of the non-Cuban origin of our product and, being also aware of Cubatabaco's insistence upon the superiority of Cuban cigars, would never think that, e.g., Cubatabaco licensed a non-Cuban product under the COHIBA mark in order to gain access to the American market during the embargo. However, it is very hard to predict whether this argument would be found persuasive by a court.

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In Davidoff, the aforementioned Swiss-based Davidoff company successfully enjoined an American cigar company from using the DAVIDOFF name and mark in the U.S. 221 U.S.P.Q. at 468-9. Although the court determined that defendant's claim that plaintiff did not sell under its mark in the U.S. was controverted by the facts, 221 U.S.P.Q. at 467, * it also held that such an argument was inconsequential since the Paris Convention affords nationals of member-nations protection against unfair competition in other member-nations, and, confusion in the U.S. would "necessarily" result if defendant was not enjoined. 221 U.S.P.Q. at 468. The key evidence relied on by the Court in concluding that confusion was likely in the U.S. was a letter to plaintiff from the President of General Cigar warning plaintiff of defendant's activities. Id.

Here, it would be possible for Cubatabaco to establish a likelihood of confusion based on the aforementioned types of proof of a prior existing reputation for the Cuban COHIBA mark, at least among the high end of U.S. cigar purchasers. Under current legal trends, a court considering the issue might conclude that there is a likelihood of confusion among such a segment of cigar purchasers despite the sophistication of those purchasers. See Coach Leatherware Co. Inc. v. AnnTaylor Inc., 933 F.2d 162, 18 U.S.P.Q.2d 1907, 1914 (2d. Cir. 1991) (enjoinable likelihood of confusion between similarly shaped hang tags, bearing different marks, as used on designer handbags). However, it is our judgment based on experience that Cubatabaco would have great difficulty obtaining the evidence to prove the elements of its course of action. A scientifically conducted survey would probably be required, and we doubt that Cubatabaco is in a position to obtain such a survey. If it did, the survey results would probably be inconclusive.

On the other hand, utilization of Cubatabaco's COHIBA trade dress could present General Cigar with a much more difficult situation. The potential for confusion

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* Although at the time of this case, Davidoff was still selling Cuban cigars, the decision does not discuss this potential issue. Perhaps the U.S. sales referred to by the court were for some additional Davidoff products which, even at that time, were of non-Cuban origin.

among sophisticated purchasers would be increased, since they are considered to be the purchasers "who pay the most attention to" such relatively subtle source indicators as trade dress.* Id. Moreover, under the law of several states, notably New York, the copying of trade dress can be actionable without any separate proof of secondary meaning or likelihood of confusion. See Morex S.P.A. v. Design Institute America, Inc., 779 F.2d 799, 801-2 (2d Cir. 1985) (under New York unfair competition law, proof of deliberate copying of plaintiff's trade dress for its shelf units would support claim for relief since, in such a case, secondary meaning not required and the copying is itself adequate proof of likelihood of confusion); Perfect Fit Industries, Inc. v. Acme Quilting Co., 618 F.2d 950, 950-4 (2d Cir. 1980) (same re: plaintiff's mattress cover trade dress).

Finally, it is doubtful that a U.S. court would decline U.S. trademark protection to Cubatabaco solely because it is an instrumentality of a government which is officially considered hostile to the U.S. See Carl Zeiss Stiftung, v. VEB Carl Zeiss Jena,

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* On the other hand, use of the COHIBA trade dress would probably not support a separate claim of infringement of Cubatabaco's U.S. registered marks BEHIQUE and Design and BEHIKE and Design within a civil action, even if the parties' respective marks were considered confusingly similar due to their design elements. It would not appear that Cubatabaco could establish a protectable right for the BEHIQUE/BEHIKE mark in the U.S. based on familiararity among U.S. purchasers, as opposed to what may be the case for COHIBA. Accordingly, even if the U.S. registrations for these marks can be maintained through the filing of Section 8 affidavits for excusable non-use (relying on the trade embargo as an excuse for non-use in the U.S. which is beyond the registrant's control) the main value of these registrations would appear to be defensive (i.e. preventing the U.S. registration of confusingly similar marks). McCarthy, Trademarks and Unfair Competition §19:23 at 926 (1984).

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293 F.Supp. 892, 916 (S.D.N.Y. 1968), affirmed, 433 F.2d 686 (2d Cir. 1970):

> [T]he Court would not be barred by our government's non-recognition policy from awarding United States trademarks to citizens or residents of a non-recognized country [communist East Germany] found to be the owners of them ... .

2. Potential For Damages

Even though Cubatabaco does not and cannot make any sales in the U.S. which could provide the basis for a claim of lost sales, Cubatabaco could obtain money damages by proceeding under Section 43(a) of the Lanham Act (false designation of origin) and under the common law of unfair competition based on such theories as unjust enrichment. A likely basis for assessing such damages would be General Cigar's profits on sales under the subject mark. Section 35 of the Lanham Act. See also Maternally Yours v. Your Maternity Shop, 234 F.2d 538, 545 (2d Cir. 1956) (in an action for unfair competition under both the Lanham Act and New York law, because defendant adopted name with knowledge of plaintiff's mark, must account for profits even in areas of the country where it does not directly compete with plaintiff). However, in response to such a claim, General Cigar could maintain that it has at least a colorable right to use the COHIBA word mark in the United States and was therefore not acting in bad faith.

Obviously, the risk of monetary liability increases if General Cigar were to now utilize Cubatabaco's trade dress for its COHIBA product, since it would lend support to an argument that General Cigar was acting in bad faith, i.e. with an intention to mislead the public into confusing General Cigar's COHIBA product with Cubatabaco's. A finding of such bad faith could also lead to awards of enhanced damages (up to trebling) and attorney's fees within Lanham Act claims, including §43(a) claims, pursuant to §35 of the Act.

3. Potential Counterclaims And Defenses

If Cubatabaco were to proceed against General Cigar with regard to use of the COHIBA mark and/or trade dress, we could possibly assert several counterclaims and/or defenses. First, we could assert a counterclaim for infringement of your (at least putative)

priority U.S. right in the COHIBA mark. Even if this priority right is deemed to have been abandoned as discussed above, we might still successfully assert a counterclaim of unfair competition/false designation of origin if it can be proven that Cubatabaco is involved in the unlawful shipping of Cuban cigars into the U.S. under false markings and in knowing violation of the trade embargo, as Carlos Lugo has alleged, for example.

Moreover, if Cubatabaco were involved in such unlawful shipments of goods to the U.S. under the COHIBA trademark and/or trade dress, it may give rise to the equitable defense of unclean hands, at least for the purposes of precluding Cubatabaco's claim for monetary damages Bambu Sales Inc. v. Testini, 12 U.S.P.Q. 2d 1479 (E.D.N.Y. 1988) (court refused to dismiss unclean hands defense to charge of infringement of plaintiff's mark BAMBU for cigarette paper with regard to issue of damages, where defense was based on allegation that some of plaintiff's sales under subject mark were knowingly made in support of illegal re-sale for the purposes of drug use). Preclusion of injunctive relief on the basis of such an unclean hands defense is also possible, but less likely. See Bambu, supra (aforementioned unclean hands defense would not bar injunctive relief).

It is also possible that statements made to you by representatives of Cubatabaco recognizing that General Cigar owns the U.S. rights to the COHIBA word mark may give rise to the defense of acquiescence in connection with your use of the word mark. The basis of this defense is that once a party has engaged in affirmative conduct reflecting an acquiescence in another party's use of a mark, it should be equitably estopped from asserting any claims against such use. See Carl Zeiss, 293 F.Supp. at 917 ("[A]n assurance to the defendant, express or implied, that the plaintiff would not assert his trademark rights against the defendant" constititues acquiesence, which "may bar relief even where the plaintiff acts diligently..."). On the other hand, an acquiescence defense may be difficult to prove based on oral remarks. If possible, you should obtain a similar written recognition by Cubatabaco of General Cigar's U.S. rights to the COHIBA word mark.

C. Recommended Plan Of Action

Based on our foregoing analysis, we believe the most prudent plan of action likely to achieve General Cigar's market objectives is to launch the COHIBA product in two phases:

Phase I - After first obtaining written confirmation from Cubatabaco of General Cigar's exclusive right to use the COHIBA marks in the U.S., launch the product without the trade dress elements of Cubatabaco's product.

Phase II - Depending on the results of the actual product introduction, and Cubatabaco's reaction to it, modify the packaging to include one or more elements of the trade dress employed by Cubatabaco.

The risks associated with Phase I of the product launch would be minimal. General Cigar would obtain a foothold in the U.S. for the brand and establish a sound basis for securing a strong federal trademark registration. At a later date, the decision could be made as to whether there is any need to enter Phase II by adding trade dress features of the Cubatabaco product. If the decision is made to go forward, General Cigar would be in a much stronger position to defend its use of the trade dress against charges of likelihood of confusion and passing off because the COHIBA trademark, the primary source-identifying symbol on the package, will have been established as belonging to General Cigar.

We strongly recommend that you file a new U.S. trademark application, based either on use in commerce or intent-to-use, coinciding with the new launch of COHIBA product. If a new application for COHIBA depicts the mark in some stylized form, or even in block letters, it would not be deemed duplicative of the existing registration. The resulting new registration would not be vulnerable to any claims of earlier abandonment which may be asserted against the existing registration.

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Please call me if you have any questions or concerns about the foregoing.

Very truly yours,

HCM/SG:cm

Harry C. Marcus

Scott Greenberg

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COHIBA OPINION
EXHIBITS 1-20

Blumberg No. 5114
DEFENDANT'S
EXHIBIT
D 83

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Exhibit 1

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Alonso MENENDEZ et al., Owner-Plaintiffs,
The Republic of Cuba et al., Interventor-Plaintiffs,
v.
FABER, COE & GREGG, INC., et al., Defendants.

Nos. 61 Civ. 472, 61 Civ. 582, 61 Civ. 583, 61 Civ. 584, 61 Civ. 848, 61 Civ. 849, 61 Civ. 850, 61 Civ. 869 and 61 Civ. 3336.

United States District Court, S. D. New York.
March 17, 1972.
Supplemental Memorandum June 14, 1972.

Actions involving claim by owners of intervened Cuban cigar manufacturing businesses to recover moneys allegedly due from United States importers, claim by interventors for postintervention shipments to importers, claim by importers against interventors for payments made by mistake on account of preintervention shipments and claim by owners for infringement of trade marks. The District Court, Frederick van Pelt Bryan, J., held that owners were entitled to recover from importers for preintervention shipments, that importers were entitled to offset sum due owners and mistakenly paid interventors against sum due interventors for postintervention shipments, and that although importers and interventors infringed owners' trade marks and were guilty of unfair competition owners were not entitled to damages or an accounting.

Judgment accordingly.

1. International Law ⇐10.16

Interventors appointed to take over cigar manufacturing businesses which had been intervened by Castro government of Cuba were entitled to recover from American importers amounts due for postintervention shipments to them, less allowable offsets.

2. Sales ⇐359(3)

Evidence established that interventors appointed to manage cigar businesses intervened by Castro government of Cuba received payments made by United States importers after intervention for preintervention shipments.

3. International Law ⇐10.16

Owners of cigar businesses which had been intervened by Castro government of Cuba were entitled to be paid for preintervention shipments of cigars to United States importers.

4. International Law ⇐10.16

Act of state doctrine proscribes United States court from questioning validity of Cuban decrees and confiscations of property of Cuban nationals in Cuba by Cuban government thereunder and such confiscations are not within purview of Hickenlooper Amendment to Foreign Assistance Act. Foreign Assistance Act of 1961, § 620(e) (2), 22 U.S.C.A. § 2370(e) (2).

5. International Law ⇐10.16

Debts due and owing from United States importers for cigars imported prior to intervention of manufacturing plants by Castro government of Cuba were not property of factory owners located in Cuba at time of intervention and Cuban decrees of confiscation would not be given effect in courts of United States.

6. Property ⇐6

Situs of debt is located with debtor.

7. International Law ⇐10.10

Cuban currency regulations could not be given extraterritorial effect to bar rights which owners of intervened Cuban businesses had to recover from United States importers dollar amount due owners for preintervention shipments.

8. International Law ⇐10.14

Interventors' assumption of accounts payable of intervened Cuban businesses could not give validity in United States courts to Cuban decrees of expropriation purporting to affect property located within United States.

9. International Law ⇐10.16

Interventors who were appointed to operate cigar manufacturing businesses

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intervened by Castro government of Cuba did not have right to be paid for preintervention shipments received by United States importers and former owners of cigar manufacturing businesses could pursue their claims for such amounts as may be due from importers.

10. Estoppel ⇐95

Where United States importers of Cuban cigars knew that banks to which payments were made were no longer acting as agents for owners of intervened Cuban cigar manufacturing businesses, failure of owners to advise importers to cease making further payments in accordance with previous practice did not estop owners from pursuing claims against importers for amount due for preintervention shipments of cigars.

11. International Law ⇐10.26

Evidence established that banks which had formerly acted as agents for owners of intervened Cuban cigar manufacturing businesses were acting for interventors at time United States importers made payments to banks for preintervention shipments.

12. Principal and Agent ⇐137(1)

Doctrine of apparent authority or estoppel may be invoked by third person dealing with agent only to extent that it is reasonable for third person dealing with agent to believe that agent is authorized and third person must believe the agent to be authorized.

13. International Law ⇐10.26

Evidence established that United States importers of Cuban cigars knew that banks which had formerly acted as agents of owners in collecting payments for shipments were acting as agents for interventors who operated Cuban cigar businesses after intervention by Castro government of Cuba.

14. Sales ⇐193

Payments which were made by United States importers for preintervention shipments of Cuban cigars and which were made to banks which formerly acted as agents of intervened Cuban cigar manufacturing businesses or directly to interventors appointed by Cuban government to operate such businesses did not discharge importers' liability to owners of intervened businesses for price of preintervention shipments.

15. International Law ⇐10.26

United States importers of Cuban cigars which were held liable to owners of intervened Cuban cigar manufacturing businesses for preintervention shipments could set off amounts paid for preintervention shipments to interventors appointed by Cuban government to operate intervened businesses against amount due interventors for postintervention shipments. CPLR N.Y. 3005.

16. Payment ⇐84(1), 85(1)

Claims to recover moneys paid by mistake are not based on any agreement or assent of party charged or any contract relationship between payor and recipient of payment but are obligations arising out of unjust enrichment and are imposed by law in interests of reason and justice.

17. International Law ⇐10.14

Where United States importers of Cuban cigars claimed right to recover from interventors appointed to run intervened Cuban cigar manufacturing businesses for moneys paid interventors for preintervention shipments of cigars for which shipment importers were held liable to owners of intervened businesses, claims were not for breach of contract situated in Cuba and were not subject to Cuban act of state repudiating them. Foreign Assistance Act of 1961, § 620(e) (2), 22 U.S.C.A. § 2370(e) (2).

18. Interest ⇐39(1)

Party suing in contract for readily ascertainable sum generally is entitled to interest on his recovery of amount due as matter of right from date of claim accrued to date of verdict or judgment. CPLR N.Y. 5001.

19. Interest ⇐1

When allowance of interest turns on complicated and uncommon circumstances court, consistent with applicable law,

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should exercise measure of discretion to reach most equitable result on facts before it. CPLR N.Y. 5001.

20. Interest ⇐26

Where United States importers of Cuban cigars received after intervention of Cuban cigar manufacturing businesses did nothing to pay moneys due into court or to determine whether interventors appointed to run intervened businesses would voluntarily appear in United States court, interventors did not waive their rights to interest on their recovery for postintervention shipments and were entitled to such interest even though owners of intervened businesses had also sought to collect for such payments from importers. 28 U.S.C.A. § 1335; CPLR N.Y. 216, 314, 1006; Fed. Rules Civ.Proc. rules 22, 24, 67, 28 U.S.C.A.

21. Interest ⇐20

Owners of intervened Cuban cigar manufacturing businesses which sought recovery of agreed price of preintervention shipments to United States importers were entitled to interest on any sums found due. CPLR N.Y. 5001(a).

22. Interest ⇐20

United States importers which were liable to owners of intervened Cuban cigar manufacturing businesses for preintervention shipments and which had paid interventors for such shipments were entitled to interest on their recoveries against interventors. CPLR N.Y. 5001(a).

23. Trade Regulation ⇐71

Trademark rights are not destroyed by temporary suspension of business to which they are appurtenant due to causes beyond control of their owner.

24. Trade Regulation ⇐71, 544

Owners of intervened Cuban cigar manufacturing businesses did not lose their rights to trademarks by reason of suspension of their businesses nor did they lose their standing to enforce claims for infringement. Lanham Trade-Mark Act, §§ 32(1) (a), 43(a), 15 U.S.C.A. §§ 1114(1)(a), 1125(a).

25. Trade Regulation ⇐387

Four-month delay between time owners of intervened Cuban cigar manufacturing businesses came to America and time they notified United States importers to cease using their trademarks was not such laches as to preclude owners from bringing action for trademark infringement. Lanham Trade-Mark Act, §§ 32(1) (a), 43(a), 15 U.S.C.A. §§ 1114 (1) (a), 1125(a).

26. Trade Regulation ⇐331

Trademark infringement does not depend on whether product sold was actually inferior in quality to product represented by trademark and potential difference in quality arising from misdesignation of source of origin is enough. Lanham Trade-Mark Act, §§ 32(1)(a), 43(a), 15 U.S.C.A. §§ 1114(1) (a), 1125 (a).

27. Trade Regulation ⇐334

Where most of cigars shipped after intervention of Cuban cigar manufacturing businesses had been made while owners were operating factories but there still remained a number of critical steps in their processing before they were ready for sale or shipment, use of owners' trademarks on postintervention shipments was likely to cause confusion and mistake and to deceive consuming public and constituted infringement. Lanham Trade-Mark Act, §§ 32(1) (a), 43(a), 15 U.S.C.A. §§ 1114(1) (a), 1125 (a).

28. Equity ⇐65(2)

Trademark owner who deceived public by debasing quality of product for which his trademark stands may be barred by unclean hands from maintaining action for infringement. Lanham Trade-Mark Act, §§ 32(1) (a), 43(a), 15 U.S.C.A. §§ 1114(1) (a), 1125(a).

29. Trade Regulation ⇐544

Trademark owners' limited production of cigars bearing trademark but which were not of same quality as trademarked cigars did not preclude owners from recovering for trademark infringement in action against interventors appointed to run intervened Cuban cigar manufacturing businesses and against United States importers which sold cigars imported after intervention of industry. Lanham Trade-Mark Act, §§

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32(1) (a), 43(a), 15 U.S.C.A. §§ 1114 (1) (a), 1125(a).

30. Trade Regulation ⇐374

Fact that cigars to which trademarks were affixed were manufactured, boxed and labeled in Cuba and were shipped f. o. b. Havana did not absolve interventors appointed to run intervened Cuban cigar manufacturing businesses from liability for trademark infringement under the Lanham Act. Lanham Trade-Mark Act, §§ 32(1), 45, 15 U.S.C.A. §§ 1114(1), 1127.

31. Trade Regulation ⇐374, 445

International Convention for the Protection of Industrial Property does not insulate foreign citizens from liability for trademark infringement and unfair competition committed in United States. Convention of June 2, 1934, 53 Stat. 1748; Lanham Trade-Mark Act, §§ 32(1) (a), 43(a), 15 U.S.C.A. §§ 1114(1) (a), 1125(a).

32. Trade Regulation ⇐371

Remedies provided by Tariff Act provision relating to prohibition against importation of merchandise bearing American trademark and by Lanham Act provision relating to importation of goods bearing infringing marks are not exclusive remedies available against foreign manufacturer or importer who infringes United States registered trademarks in United States. Tariff Act of 1930, § 526, 19 U.S.C.A. § 1526; Lanham Trade-Mark Act, §§ 32(1) (a), 42, 43(a), 15 U.S.C.A. §§ 1114(1) (a), 1124, 1125(a).

33. Trade Regulation ⇐462

Exclusive dealer for trademarked product has no right to use that trademark on products manufactured by others.

34. Trade Regulation ⇐582

Evidence established that interventors appointed to run intervened Cuban cigar manufacturing businesses and United States importers which imported cigars from interventors violated Lanham Act by infringing owners' registered United States trademarks. Lanham Trade-Mark Act, §§ 32(1) (a), 43 (a), 15 U.S.C.A. §§ 1114(1) (a), 1125 (a).

35. Trade Regulation ⇐462

United States importers which imported cigars from interventors appointed to run intervened Cuban cigar manufacturing businesses and which resold such cigars which bore trademarks of owners of intervened businesses were guilty of unfair competition under New York law.

36. Trade Regulation ⇐642

Where there was little likelihood of any future violations of owners' trademarks, injunction against future violations would be denied. Lanham Trade-Mark Act, § 34, 15 U.S.C.A. § 1116.

37. Trade Regulation ⇐673

Despite what appears to be mandatory language of Lanham Act, granting or denial of accounting of profits depends on circumstances of particular trademark infringement case. Lanham Trade-Mark Act, § 35, 15 U.S.C.A. § 1117.

38. Trade Regulation ⇐673

Where owners of trademark covering Cuban cigars were not selling cigars during period when sales of cigars allegedly infringing their trademarks were made and sales of alleged infringing cigars occurred during brief period of time and there was no evidence that trademark owners' reputations or those of their trademarks were tarnished by sales or that sales made it difficult for owners to obtain financing to reestablish their businesses, court would not order accounting as to profits. Lanham Trade-Mark Act, § 35, 15 U.S.C.A. § 1117.

39. Trade Regulation ⇐672

Where owners of trademarks covering Cuban cigars were not selling cigars during period when sales of cigars allegedly infringing their trademarks were made and sales of alleged infringing cigars occurred during brief period of time and there was no evidence that trademark owners' reputations or those of their trademarks were tarnished by sales or that sales made it difficult for owners to obtain financing to reestablish their businesses, trademark owners were not entitled to damages on their claims for unfair competition under New York law.

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40. Sales ⟹23(1, 3)

Purchase order is offer to enter into contract which is accepted by seller when goods ordered are shipped.

41. Indemnity ⟹9(2)

Where purchase order of United States importer contained provision that Cuban exporter of cigars would indemnify importer from any loss, including attorneys' fees, which resulted from claim of trademark infringement, interventor appointed to run intervened Cuban cigar manufacturing business was liable to importer for attorney fees incurred in suit brought by owners of intervened businesses against importer for alleged trademark infringement.

42. Trade Regulation ⟹729

Importers who were fully aware of facts but continued to purchase cigars from interventors appointed to run intervened Cuban cigar manufacturing businesses and who had no contractual agreement with interventors to indemnify them for loss or attorneys' fees incurred in defense of trademark infringement action were not entitled to reimbursement of attorney fees incurred in defense of trademark infringement action brought by owners of intervened businesses.

On Supplemental Memorandum

43. International Law ⟹10.16

United States importer which was held liable to owners of intervened Cuban cigar businesses for preintervention shipments and which had made payment for such shipments to interventors appointed to run businesses was entitled to recover from interventors the amount by which payments for preintervention shipments exceeded importers liability to interventors for postintervention shipments.

Brush & Bloch, New York City (Jac M. Wolff, New York City, Monroe P. Bloch, of counsel), Hubbell, Cohen & Stiefel, New York City (Myron Cohen, Maurice B. Stiefel, Irving Newman, New York City, of counsel), for owner-plaintiffs.

Rabinowitz, Boudin & Standard, New York City (Victor Rabinowitz, Leonard B. Boudin, Kristin Booth Glen, David Rosenberg, New York City, of counsel), for interventor-plaintiffs.

Paul, Weiss, Goldberg, Rifkind, Wharton & Garrison, New York City (Allan Blumstein, David A. Rahm, New York City, of counsel), for defendant Faber, Coe & Gregg, Inc.

Strasser, Spiegelberg, Fried & Frank, New York City (Victor S. Friedman, Matthew Gluck, New York City, of counsel), for defendant Alfred Dunhill of London, Inc.

Solinger & Gordon, New York City (John C. Grosz, New York City, of counsel), for defendant Saks & Co.

OPINION

FREDERICK van PELT BRYAN, District Judge:

These nine consolidated actions were tried without a jury.[1] They involve complicated controversies arising out of the take-over by the Castro Government of Cuba of the five leading manufacturers of Havana cigars whose factories, businesses and principal assets were situated in Cuba, and whose products were shipped to importers in this country.

Three of these five Cuban business entities, F. Palicio y Compania, S.A. (Palicio), Tabacalera Jose L. Piedra, S.A. (Tabacalera) and Por Larranga, S.A. (Larranga), are corporations organized and existing under Cuban law. The fourth, Cifuentes y Compania (Cifuentes), is a Cuban partnership. The fifth, Menendez, Garcia y Compania, Limitada (Menendez) is an entity unfamiliar to American law, designated as a "limited liability company" or a "limited partnership" under Cuban law. At the time of the take-over substantially all of the stockholders, officers and directors of the three corporations, the partners in the partnership and the owners of the limited liability company were Cuban citizens residing in that country. None were American citizens.

1. Jurisdiction is properly based on diversity of citizenship and the trademark laws of the United States.

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For many years these entities manufactured, in Cuba, Havana cigars which were of the highest quality and reputation throughout the cigar-smoking world.[2] These cigars, sold under trademarks registered in the United States Patent Office, Cuba and other countries, were sold in large quantities to importers in the United States, principally the defendants, Faber, Coe & Gregg (Faber), Alfred Dunhill of London (Dunhill) and Saks & Company (Saks).

On September 15, 1960, the Castro Government of Cuba, acting under Cuban law, "intervened" these five entities—took possession of their businesses and assets and ousted the owners and those who had managed and controlled the enterprises on their behalf. The Cuban Government designated so-called "interventors" for each of the entities, who assumed complete possession and control of the businesses and assets and continued to operate them on behalf of the Government, to the exclusion of the officers, directors, shareholders, partners or other persons who otherwise would have continued to manage and conduct them.

The interventions, in practical effect, were complete confiscations. The owners were ousted without their consent from all properties and excluded from any participation in the businesses. Their rights to any receipts or profits were eliminated and no compensation was provided.

Subsequent to intervention, the interventors, acting on behalf of the Cuban Government, continued to manufacture cigars in the Cuban plants taken over and continued to export them under the same names and trademarks to the defendant-importers in the United States. The importers accepted the cigars shipped by the interventors but have not as yet paid for them and substantial sums remain due and owing for the purchase price of such cigars.

Following the interventions of September 15, 1960, most of those who had owned and controlled the five Cuban entities fled to the United States where they retained the New York law firm of Brush & Bloch to represent their interests. The nine actions now before me were commenced in this Court by Messrs. Brush & Bloch in the names and on behalf of the respective entities and their owners in the United States against the three defendant-importers. These plaintiffs sought (1) an injunction restraining the defendant-importers from infringing the plaintiffs' United States trademarks and from paying to anyone else the price of goods belonging to plaintiffs, originating from their plants, or bearing their United States trademarks; (2) an accounting, damages, and any sums found to be due to plaintiffs; and (3) the purchase price or value of cigars bearing plaintiff's trademarks and shipped from their plants in Cuba.[3]

Shortly after these nine actions were started, an action was brought in this Court in the names of these five Cuban entities by Rabinowitz & Boudin, a New York law firm, as attorneys for the interventors who had continued the operation of these businesses on behalf of the Cuban Government. Named as defendants were the members of the law firm of Brush & Bloch. Plaintiffs in that action sought (1) an injunction against Brush & Bloch restraining them from prosecuting the nine actions which they had commenced in this Court in the names of the entities; and (2) an order directing that the attorneys for the interventors, Rabinowitz & Boudin, be substituted as attorneys for the plaintiffs in the original nine actions.

The nine pending actions now before me were, for obvious reasons, held in abeyance pending final determination of the action brought by the interventors represented by Rabinowitz & Boudin against Brush & Bloch. The facts and the law in that case are fully discussed in

2. The brand names of these cigars are listed in footnote 15, *infra*.

3. Two other actions involving similar issues were commenced at the same time by Brush & Bloch but have not yet been tried.

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my opinion, F. Palicio y Compania, S.A., et al. v. Brush et al., 256 F.Supp. 481 (S.D.N.Y.1966), affirmed on opinion below, 375 F.2d 1011 (2d Cir.), cert. denied, Brush v. Republic of Cuba, 389 U.S. 830, 88 S.Ct. 95, 19 L.Ed.2d 88 (1967). It is unnecessary to repeat that discussion here. After extensive proceedings before me, final judgment in that action was entered holding that:

1. The interventors, through their attorneys Rabinowitz & Boudin, were entitled to pursue the claims for debts due from the American importers of Cuban cigars shipped to them by the interventors after intervention had taken place. The owners of the intervened entities were not entitled to pursue such claims.

2. The former owners, through their attorneys Brush & Bloch, were entitled to pursue claims for trademark infringement asserted in the pending actions and the interventors were not entitled to pursue such claims. However, the leave given to the owners to pursue the trademark infringement claims was not to be construed as a definitive holding that they were in fact the owners of the trademarks or were entitled to any rights thereunder. That issue remained to be litigated and determined in these actions together with questions of infringement.

Since the importers who are defendants in these nine pending actions were not parties to the action brought by the interventors against Brush & Bloch, and had not been heard, that decision was confined to rights as between the interventors, on the one hand, and the former owners of the entities, on the other. The defendant-importers were not precluded from raising and litigating in the nine pending actions any issues they might choose to raise between themselves and the sets of plaintiffs—the interventors and the owners of the entities.

Following the entry of final judgment in Palicio v. Brush & Bloch, appropriate steps were taken to adjust the posture of the nine actions now being decided, to conform to that decision. The nine actions were consolidated. The original plaintiffs (the owner-plaintiffs), represented by Brush & Bloch, were permitted to continue as parties plaintiff in the actions and to assert their claims for trademark infringement and unfair competition. The interventors and the Republic of Cuba (the interventor-plaintiffs) were permitted to intervene in the action as additional parties plaintiff and to assert claims for the purchase price of cigars shipped to the importer-defendants by the interventors after September 15, 1960, the date of intervention. These claims aggregated some $700,000, less various offsets claimed by the defendant-importers.

When Palicio v. Brush & Bloch was decided, it had been erroneously understood by all the parties to that action and by the Court that the amounts owed by the defendant-importers on the date of intervention for cigars shipped by the owner-plaintiffs prior to intervention were so small as to be of no significance. In an effort to avoid confusing further the already complex issues in that case, the interventors agreed to turn over to the owners this small sum and this issue was thus removed from that case. 256 F.Supp. 489, n. 8. For this reason, the question of who was entitled to pursue claims for the price of cigars shipped by the intervened entities before the intervention occurred was not passed upon in Palicio v. Brush & Bloch.

However, it subsequently developed that all parties in Palicio v. Brush & Bloch were under a complete misapprehension as to the facts on this subject. It now appears that the defendant-importers at the date of intervention had owed some $477,600 for shipments of cigars made prior to that date. The defendant-importers had paid out these amounts on the premise that such payments discharged their debts for such cigars. On the basis of these newly discovered facts, the parties in the actions now before the Court have asserted various claims, cross claims and counterclaims concerning the amounts due and owing for cigars shipped prior to inter-

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vention and the payments of such amounts made by the defendant-importers. These claims present an additional set of issues for decision in the cases at Bar.

Thus, the issues now before the Court in these cases fall into three general categories:

1. Claims of the interventor-plaintiffs against defendant-importers for the purchase price of cigars shipped by the interventors from Cuba subsequent to the intervention.
2. Claims arising out of shipments of cigars from Cuba to the defendant-importers by the intervened entities prior to the intervention on account of which the importers had made payments.
3. Claims of the owner-plaintiffs against the defendant-importers and the interventor-plaintiffs for trademark infringement and unfair competition.

The various claims will be dealt with seriatim.[4]

I. *Post-Intervention Shipments*

In view of my decision in Palicio v. Brush & Bloch, *supra*, that the interventors are entitled to pursue any claims for amounts due for cigars shipped subsequent to intervention and that the owners were not, such issues as there are as to such claims are solely between the interventors and the importers. There is little, if any, controversy as to these claims.

The importers concede that any amounts due and owing for post-intervention shipments are recoverable by the interventors subject to any offsets, cross claims or counterclaims to which the respective importers may be entitled. It has been stipulated that the unpaid purchase price for post-intervention shipments received by the respective importers is in the following amounts: Faber, $582,588.86; Dunhill, $92,949.70; Saks, $24,250.00.

Defendant Faber asserts offsets against the amounts due and owing by it for post-intervention shipments of $144,799.80 for defective cigars received and for promotional and other expenses incurred, both before and after intervention. Dunhill asserts offsets against the amount due and owing by it of $9,595.72 for similar items arising both before and after intervention. The validity and amount of these offsets are conceded both by the interventors and the owners, who have stipulated that, as between themselves, each is chargeable with such proportion of the offsets as their respective total recoveries in these actions bear to one another.

In addition, Faber claims an offset of approximately $20,000 against the interventors representing the value of assets in Cuba of a wholly-owned subsidiary concededly expropriated by the Cuban Government on September 15, 1960. However, since the principles governing resolution of this issue are still in process of litigation, Banco Nacional de Cuba v. First National City Bank, 270 F.Supp. 1004 (S.D.N.Y.1967), reversed, 431 F.2d 394 (2d Cir. 1970), cert. granted and case remanded for reconsideration, 400 U.S. 1019, 91 S.Ct. 581, 27 L.Ed.2d 630 (1971), reversed (adhering to original opinion), 442 F.2d 530 (2d Cir. 1971), motion for waiver of clerk's costs denied, 402 U.S. 940, 91 S.Ct. 1611, 291 L.Ed.2d 108 (1971), cert. granted, 404 U.S. 820, 92 S.Ct. 79, 30 L.Ed.2d 48 (1971), Faber and the interventors have stipulated that decision may be reserved on this claim of offset pending final determination of that case.

[1] I find, therefore, that the interventors are entitled to recover from the respective importers the amounts due for post-intervention shipments to them, less the proportion of the conceded offsets allowable to each defendant by stipulation of the parties and, with respect to

4. Hereafter, the owner-plaintiffs will be referred to as the owners, the interventor-plaintiffs as the interventors, and the defendant-importers as the importers.

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the claims against Faber, subject to resolution of Faber's claim of offset for the value of assets expropriated in Cuba. I so hold.

II. *Pre-Intervention Shipments*

It is undisputed that as of September 15, 1960, when intervention took place, there were substantial amounts due and owing from the respective importers for cigars shipped prior to that date by the Cuban entities which were intervened, in the following approximate amounts: Faber, $322,000; Dunhill, $148,600; Saks, $6,600. It is also undisputed that within three months following intervention the importers paid out these sums upon the premise that they were discharging their obligations to pay for such shipments. The importers claim that they made such payments to the interventors but the interventors do not admit this to be so, except to a limited extent.

As previously indicated (*supra*, pp. 533–534), at the time Palicio v. Brush & Bloch was decided, the parties to that action, for reasons that are not entirely clear, were apparently unaware either of the large amounts so due from the importers or that the importers had paid out these amounts subsequent to intervention. Thus, no questions with respect to amounts due for pre-intervention shipments were raised or passed upon in that case.

Subsequent to the final determination of Palicio v. Brush & Bloch, the owners became aware of the facts concerning the amounts due and owing and the payments made on account of pre-intervention shipments. They thereupon asserted in the actions now before me claims (1) to recover from the importers the amounts due and owing for cigars shipped prior to intervention upon the premise that the importers had the obligation to pay the owners for such shipments and that the payments to the interventors did not discharge the importers' obligations to pay the owners therefor, or (2) to recover from the interventors the amounts paid to them by the importers for cigars shipped prior to intervention on the premise that these amounts were in fact due and owing to them and had been improperly paid to and retained by the interventors.

The importers deny any liability to the owners for pre-intervention shipments. They claim that the payments by them to the interventors were properly made and fully discharged their obligations to pay for such shipments. If, however, the payments to the interventors did not discharge the importers' obligations to the owners, and they now are required to pay the owners for pre-intervention shipments, the importers claim they are entitled to recover from the interventors the amounts paid to them by mistake.

The interventors, in turn, maintain (1) that there is no proof that they received the payments for most of these shipments; (2) that if they did receive such payments, they had the right to be paid for such shipments and are entitled to retain the amounts so received, or (3) that, in any event, the sums so paid are not recoverable from them by either the importers or the owners.

A.

There is no doubt that the importers paid out the equivalent of the amount due and owing for pre-intervention shipments within some three months subsequent to intervention. However, before the legal effect of such payments can be determined, the question of who was entitled to receive such payments must be resolved, for if the interventors were entitled to be paid for such shipments, then payment was properly made to them and discharged the importers' obligations.

Prior to intervention, the importers had paid for shipments of cigars from the Cuban factories of the owners in three ways:

(1) Payment by check sent directly to the factories in Cuba;

(2) Payment to a New York bank, acting as collecting bank for a Cuban

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bank—the New York bank presenting a trade acceptance to the importer, who paid by check to the order of the New York bank when the trade acceptance became due; and

(3) Payment to a New York collecting bank as in (2) above, except that the importer's check was made payable to the order of the Cuban entity who had made the shipment and/or the collecting bank.[5]

After the interventions on September 15, 1960, the importers continued to make payments on account of the pre-intervention shipments in the same way and through the same channels as they had theretofore. The importers produced almost all of their cancelled checks on these transactions. These checks were payable to one of the Cuban entities or to a New York collecting bank, or to the entity and/or the New York collecting bank, depending on the method of payment used.

Where the importers' cancelled checks bear legible or identifiable endorsements or the records of the collecting bank indicate that the funds were transferred to Banco Nacional de Cuba, the interventors acknowledge that they received the payments. These payments amount to some $93,400. As to most of the cancelled checks however, aggregating some $384,000, the endorsements are illegible and the bank records reflecting the ultimate recipient of the payments are unavailable. The interventors do not admit that they received the $384,000 represented by these checks. They do not go so far, however, as to deny that they were the ultimate recipients of these amounts; their position is simply that they do not know whether they received them or not.[6]

There is no doubt that the New York banks, acting in these transactions as agents for collection of Cuban banks, paid out the funds paid to them by the importers in accordance with their usual business practices previously followed and in the regular course of business.[7]

It is equally plain that none of the monies in question were ever received by the owners or anyone on their behalf. Responsible executives of each of the owners, familiar with the facts, so testified. Their testimony is entirely credible and there is not a scintilla of evidence to contradict it.

[2] The interventors seized all the records of the owners' businesses in Cuba when they took over the Cuban offices and factories on September 15, 1960. The payments by the importers were made in accordance with long established practices and were destined for the Cuban factories. The interventors admittedly received a substantial portion of the funds and they are unable to deny or to submit any records to indicate that they did not receive the balance of such payments. Under all the circumstances here and on the evidence in this record, the only conclusion which can be reached is that the interventors received all of the payments for pre-intervention shipments made by the importers subsequent to intervention, and I so hold.

B.

[3] The interventors contend that they had the right to be paid the amounts due and owing by the importers for pre-intervention shipments and that the payments by the importers to them for such shipments were properly made. If that contention were correct, then the importers' obligations to pay for cigars

5. In some instances, the New York collecting bank transmitted the funds to an intermediate Canadian collecting bank for transmission to the ultimate recipient in Cuba.

6. Counsel for the interventors, after several trips to Cuba, represented that he was unable to secure any records relating to these transactions and stated that such records as there may have been in Cuba have been destroyed.

7. There is no evidence whatever to support the interventors' suggestion that the New York collecting banks may have retained any of these payments.

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shipped prior to intervention would have been discharged by payment to the interventors and the owners could not recover from the importers for such shipments. However, it was not the interventors but the owners who were entitled to be paid for such shipments.

The five Cuban entities taken over by the Cuban Government on September 15, 1960 were all organized under Cuban law and doing business in Cuba. Their plants and physical properties were on Cuban soil. Substantially all of the shareholders and other owners and the officers and directors were Cuban citizens and nationals residing in Cuba. The properties of the entities in Cuba were seized by the interventors under decree of the Cuban Government.

[4] Thus, these were confiscations by a foreign state of the property of its own nationals within the state and cannot be said to have been in violation of international law, "no matter how flagrant and regardless of whether compensation has been provided." Palicio v. Brush & Bloch, 256 F.Supp. at 487, and authorities there cited. Under Banco Nacional de Cuba v. Sabbatino, 376 U.S. 398, 84 S.Ct. 923, 11 L.Ed.2d 804 (1964), the act of state doctrine proscribes this Court from questioning the validity of the Cuban decrees and the confiscation of property of Cuban nationals in Cuba by the Cuban Government thereunder. Nor are such confiscations within the purview of the Hickenlooper Amendment to the Foreign Assistance Act of 1964, 22 U.S.C. § 2370(e) (2). "But rather within the specific exception excluding application of the amendment 'in any case in which an act of a foreign state is not contrary to international law'." Palicio v. Brush & Bloch, *supra*, 256 F. Supp. at 487.

It is for these reasons that I have held that the interventors are entitled to recover from the importers the amounts due and owing for cigars shipped to the importers by the interventors subsequent to intervention. (Part I, *supra*.) For the cigars so shipped were either on hand or were manufactured from tobacco which was on hand in the Cuban factories when they were seized. Thus, they consisted of physical property in Cuba in the possession of the Cuban Government through expropriation. The debts of the importers for such cigars were obligations to pay for tangible physical property then already in the possession of the interventors and shipped from Cuba by them. These debts were not in existence at the time of the seizure.

The debts of the importers for pre-intervention shipments are in quite a different posture. These debts are for the price of cigars owned by and in the possession of the owner-plaintiffs prior to intervention and shipped by them to the importers in the United States before intervention took place. Plainly, however, they were debts due to Cuban nationals at the date of intervention.

The question, then, is how these debts were affected by the confiscations and what effect, if any, the confiscations had on the power of this Court to enforce them. This depends, in turn, on where the debts are found to have been located.

If the debts were property of the owners, located in Cuba at the time of intervention, it may be that they were taken over by the Cuban Government when intervention occurred, in which case this Court would be powerless to question such confiscations for the reasons which have been discussed. If, on the other hand, the debts constitute property within the United States at the time of confiscation, quite different principles apply.

"When property confiscated is within the United States at the time of the attempted confiscation, our courts will give effect to acts of state 'only if they are consistent with the policy and law of the United States,'" Republic of Iraq v. First Nat'l City Bank, 353 F.2d 47, 51 (2d Cir. 1965), cert. denied, 382 U.S. 1027, 86 S.Ct. 648, 15 L.Ed.2d 540 (1966). As Palicio v. Brush & Bloch makes clear, "[a]cts of intervention and nationalization which do not afford compensation to the persons adversely af-

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fected are undoubtedly inconsistent with our policy and laws," and, quite plainly, the Cuban decrees of intervention deprived the owners of their property contrary to our policy against confiscation without compensation, 256 F.Supp. at 488.

[5] Here, the debts due and owing from the importers to the owners for pre-intervention shipments were not property of the owners located in Cuba at the time of intervention. Such debts were located in the United States and constituted property of the owners in this country. As to such property, the Cuban decrees of confiscation will not be given effect in our Courts.

[6] It is well established that the situs of a debt is located with the debtor. See Harris v. Balk, 198 U.S. 215, 25 S. Ct. 625, 49 L.Ed. 1023 (1905); Blackstone v. Miller, 188 U.S. 189, 23 S.Ct. 277, 47 L.Ed. 439 (1903); Curry v. McCanless, 307 U.S. 357, 59 S.Ct. 900, 83 L.Ed. 1339 (1939). Republic of Iraq v. First Nat'l City Bank, *supra*, so held as to a bank account in New York of the late King Faisal II of Iraq, which the Republican Government of Iraq had attempted to confiscate. King Faisal was a citizen of Iraq who had resided in and was present in the country at the time of his death. The Court held that the bank account constituted property in the United States, stating:

> "In this case . . . the bank account . . . [cannot] realistically be considered as being within Iraq simply because King Faisal resided and was physically present there at the time of his death. . . . So far as appears on this record, only a court in the United States could compel the bank to pay the balance in the account. . . . The property here at issue thus was within the United States." 353 F.2d at 51.

The court went on to hold that since this account was located here, it would not give effect to the Iraqi decree of confiscation, despite the act of state doctrine, since the decree was inconsistent with the policy and laws of this country.

Republic of Iraq is dispositive of the instant issue. The same principles preclude this Court's giving effect to the Cuban decrees of confiscation with respect to the debts for pre-intervention cigars situated in the United States.

The interventors' reliance on Texas v. New Jersey, 379 U.S. 674, 85 S.Ct. 626, 13 L.Ed.2d 596 (1965) is misplaced. In that case several of our states sought to escheat debts owed by the Sun Oil Company to 1,730 small creditors who had never appeared to collect them. Sun Oil was incorporated in New Jersey and had its principal place of business in Pennsylvania. The amounts owed were evidenced on the books of Sun's two Texas offices or were owing to persons whose last known address was in Texas. The Court held that "fairness among the States requires that the right and power to escheat the debt should be accorded to the State of the creditor's last known address as shown by the debtor's books and records." 379 U.S. at 680–681, 85 S.Ct. at 630. It is clear, however, that the Court did not lay down a general rule as to the situs of debts and that the opinion rested on special considerations primarily applicable to escheat. In conclusion, the Court stated:

> We realize that this case could have been resolved otherwise, for the issue here is not controlled by statutory or constitutional provisions or by past decisions, nor is it entirely one of logic. It is fundamentally a question of ease of administration and of equity. We believe that the rule we adopt is the fairest, is easy to apply, and in the long run will be the most generally acceptable to all the States.

379 U.S. at 683, 85 S.Ct. at 631. Moreover, even were Texas v. New Jersey capable of the sweeping construction contended for by the interventors, such a construction is foreclosed by the later decision of the Court of Appeals of this circuit in *Republic of Iraq, supra*.

Thus, the interventors' contention that they were entitled to be paid such debts

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by the importers and thus that the owners are precluded from recovering debts due from the importers for pre-intervention shipments must fail.

The interventors make a further rather involved contention based on the Cuban currency control regulations promulgated soon after the Castro Government came to power. This contention, a variation of the interventors' claims that they had the right to be paid for pre-intervention shipments, should be considered at this point, although it also bears on derivative claims of the importers against the interventors which are discussed *infra*.

What the interventors seek to accomplish by this contention in practical effect is to retain the payments made to them by the importers for pre-intervention shipments, even if they were not entitled to receive such payments. This they do by claiming that the Cuban currency control regulations bar the owners from obtaining judgment against the importers for the pre-intervention debts. If the owners cannot obtain judgment compelling the importers to pay them for these debts, the importers, then, would not have suffered any loss by reason of their payments to the interventors and would have no right to recovery against the interventors for such payments. The interventors would then be able to retain the payments so made to them, even if they were not entitled to be paid for such shipments.

Throughout most of 1960, prior to intervention, under these currency regulations, dollars which came from the United States to Cuba in payment for Cuban cigars sold to importers in the United States, passed through the hands of Banco Nacional de Cuba. The Bank retained the dollars on behalf of the Cuban Government and set up an equivalent credit in pesos to the account of the Cuban entity which had made the sale.

Thus, say the interventors, had intervention not occurred and had the owners continued to carry on their businesses in Cuba, the owners would have been able to receive only Cuban pesos for the cigars sold in the United States and would not have received the United States dollars paid by the importers. These would have been withheld for the account of the Cuban Government. From this, the interventors conclude that the owners are not entitled to recover from the importers the dollars which the importers owed for such cigars. At most, they say, the owners are entitled to recover the dollar value, as of the date of *judgment*, of the Cuban pesos which would have come into the hands of the owners had intervention not occurred and had they continued their businesses in Cuba. The interventors rather neatly conclude from this that since there is presently no rate of exchange between Cuban pesos and United States dollars and it has not been shown that the Cuban peso has any present value in terms of United States dollars, the owners can recover nothing from the importers and, in consequence, the importers can receive nothing from the interventors on their claims. *See infra*.

The validity of the Cuban currency control regulations in Cuba is not in question here. Currency control regulations of various types have long been employed by this and many other nations and such regulations have been applied in appropriate cases by the courts of many countries. *E. g.*, In Re Helbert Wagg & Co., Ltd. [1956] 1 All E.R. 129; Zivnostenka Banka National Corp. v. Frankman [1949] 2 All E.R. 671; Kahler v. Midland Bank, Ltd. [1949] 2 All E.R. 621. This is scarcely open to challenge. But it is quite plain that the Cuban regulations have no application in the cases at bar.

The interventors' argument, based on the Cuban currency regulations, ingenious though it may be, conveniently bypasses the operative facts in these cases and the legal conclusions which such facts compel.

These cases are not like Tillman v. Russo Asiatic Bank, 51 F.2d 1023 (2d Cir. 1931) and Pan-American Life Insurance Co. v. Blanco, 362 F.2d 167 (5th Cir. 1966), cited by the interventors,

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where debts were due in a foreign country payable in the currency of that country and thus plaintiffs could recover only what that currency was worth in this country on the date of judgment. See Deutsche Bank Filiale Nurnberg v. Humphrey, 272 U.S. 517, 47 S.Ct. 166, 71 L.Ed. 383 (1926).

Nor are these cases like In Re Helbert Wagg & Co. Ltd., *supra*. Without going into the complications of the *Wagg* case in detail, it may be noted that the debt there arose out of a loan secured by a mortgage on coal fields in Germany; the debt was situated in Germany where the debtor, a German company, resided and the loan agreement provided and the parties intended that their rights should be governed by German law. It was held that the debt had been extinguished by payment by the debtor of Reichmarks to the appropriate German governmental agency which were credited to the account of the creditor as German foreign exchange control legislation required.

[7] In the cases at bar, on the other hand, the debtors were corporations located in the United States; the debts were due for merchandise received here; were situated in the United States; and were enforceable here and suit was properly brought in the United States courts by parties present in the United States. The debts were payable in dollars, not in Cuban currency. The Cuban currency regulations, valid though they may be in Cuba, cannot be given extraterritorial effect to bar any rights which the owners may have to recover from the importers in our courts any dollar amounts due them for pre-intervention shipments.

Moreover, the practical effect of the interventors' theory would be to enable them to retain the payments made to them by the importers for pre-intervention shipments, even if not legally entitled to such payments under United States law. Thus, the interventors would have succeeded by indirection in confiscating these debts, even though this would be contrary to the laws and policy of this country. This would be an unconscionable result and will not be permitted.

[8] Finally, the interventors' contention that since they assumed the owners' accounts payable when they took over the Cuban factories, they are entitled to succeed to the owners' accounts receivable, is quite beside the point. Mere assumption of the accounts payable, for whatever reason, cannot give validity in the United States courts to Cuban decrees of expropriation purporting to affect property, such as the debts due from the importers for pre-intervention shipments located within the United States.

[9] I hold that the interventors did not have the right to be paid for pre-intervention shipments and that the owners are entitled to pursue claims for such amounts as may be due and owing from the importers therefor.

C.

The owners assert that the importers remain liable to them for the amounts which were due and owing on the date of intervention for pre-intervention shipments and that they are entitled to recover such amounts from the importers.

The importers deny such liability. They contend that the payments of the full amounts due for pre-intervention shipments which they made to the interventors constituted payment of these debts and fully discharged their obligations to the owners therefor. The importers' contention rests on three alternate grounds:

(1) That the banks to which payments were made were agents of the owners and thus payment to the banks was sufficient to discharge the obligations of the importers to the owners. *E. g.*, Johnson v. Donnell, 90 N.Y. 1 (1882); 43 N.Y. Jur., Payment, § 27;

(2) That even if these banks were no longer in fact the owners' agents following intervention, they nevertheless had apparent authority to accept payment and payment to one with apparent authority discharges the debtor. *E. g.*, Wangner

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v. Grimm, 169 N.Y. 421, 62 N.E. 569 (1901); 43 N.Y.Jur., Payment, § 27; and

[10] (3) That the owners' failure to advise the importers to cease making further payments to the collecting banks or the Cuban factories, as had theretofore been customary, estops the owners from now asserting their claims against the importers.

It is plain from the evidence in this record that none of these grounds has merit. The evidence establishes that following intervention, (1) the banks to which payments were made were no longer acting as agents for the owners; (2) the importers knew the banks were not acting as agents for the owners; (3) the failure of the owners to advise the importers to cease making further payments in accordance with previous practice does not estop the owners from pursuing these claims.

[11] Perhaps the best indication that the banks were not acting as agents for the owners is that no effort was made to transmit the funds paid by the importers to the owners. Instead, these funds were transmitted by the banks to the interventors. It is inconceivable that the banks were unaware of the intervention or that they thought they were still dealing with and on behalf of the owners. Most of these payments were made by the importers a considerable period after the September 15th interventions, principally in October, November and December, 1960. By this time, Cuban expropriations, including those of cigar factories, had been well publicized in the United States and must have come to the attention of the collecting banks. Indeed, many banks had branches in Cuba which were taken over by the Cuban Government under decrees of intervention at about the same time. On the basis of this record, it is quite plain that the banks were acting, and knew they were acting, on behalf of the interventors. When the payments by the importers to the collecting banks for pre-intervention shipments were made, the banks were agents of the interventors and not the owners.

The importers urge that, for an extended period, they had dealt with the banks as agents for the owners and that the banks therefore had apparent authority to accept payment on behalf of the owners in the absence of any word to the contrary. Moreover, claim the importers, responsible executives of each of the owners visited executive officers of the importers very shortly after the interventions and gave no indication that the importers were to cease making payments to the banks in accordance with their previous practice. In view of this and the stipulated fact that the first written communication from the owners demanding payment for the pre-intervention shipments was a letter from their counsel in early 1961, the importers say that the owners are estopped from now claiming that they are entitled to be paid for pre-intervention shipments. In effect, the importers maintain that their payments to the banks, as apparent agents of the owners, discharged their obligations for pre-intervention shipments and that the owners are estopped from denying this.

[12] It is plain, however, that the doctrine of apparent authority or estoppel may be invoked by a third person dealing with an agent (here the importers) "only to the extent that it is reasonable for the third person dealing with the agent to believe that the agent is authorized. Further, the third person must believe the agent to be authorized." Restatement, Second, Agency § 8, Comment and cases there cited.

The two cases relied upon by the importers, Louis Solomon, Inc. v. Deutsch, 123 Misc. 247, 205 N.Y.S. 33 (App. Term 1st Dep't 1924) and Herzfeld v. National City Bank of New York, 175 Misc. 534, 24 N.Y.S.2d 69 (Mun.Ct.N.Y.Co.1940), are not to the contrary. *Solomon* merely restates the general rule that an agent without actual authority may have apparent authority to receive payment. There, however, it was specifically noted

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that the defendant making payment had no knowledge that the agent lacked authority. *Herzfeld* has nothing to do with the sufficiency of payment to an agent. There, a purchaser of carpets in New York, in accordance with the terms of the contract tendered the purchase price in Belgian francs to a New York bank acting on behalf of the seller in Belgium. A United States currency regulation prevented the Belgian citizen from receiving the funds in Belgium. When the bank refused to accept the tender, the purchaser brought an action of replevin to recover the documents of title. It was held that the contract and the notification by the bank called for payment in francs and that plaintiff's tender was therefore sufficient. *Herzfeld* does not stand for the proposition that payment to a former agent known no longer to possess authority to act on the principal's behalf is sufficient to discharge the obligation to the principal.

In the cases at bar, the evidence establishes that the importers knew that the banks were not transmitting the money paid by them to the owners and thus were not acting as agents of the owners. It has been stipulated that the importers, shortly after intervention, became aware that the factory representatives through whom they were ordering cigars represented the interventors rather than the owners.[8] Thus, it can only be concluded that the importers knew of the intervention shortly after it occurred. Moreover, apart from this, there is ample evidence in the record to support the conclusion that the importers were well aware of the fact of intervention. Indeed, it appears that, on visiting the importers in New York, executives of the owners explained the consequences and effect of the interventions on their factories and businesses in Cuba. In these circumstances, it would strain credulity to suppose that the importers believed, or reasonably could have believed, that the payments which they made to the collecting banks in October, November and December, 1960 were ultimately being received by anyone other than the interventors.[9]

[13] I find the importers well knew that, following intervention, the collecting banks were acting as agents for the interventors and not the owners, and also knew that the payments they were making to the collecting banks were ultimately received by the interventors in Cuba. Obviously, the importers also knew that the payments they made directly to the Cuban factories were received by the interventors in Cuba. The importers have failed to show either that the collecting banks had apparent authority to act on behalf of the owners or that the owners are estopped from denying such authority.

[14] I hold that the payments made on account of pre-intervention shipments by the importers did not discharge the importers' obligations to make payment to the owners for such shipments. The importers remain liable to the owner-plaintiffs for the price of pre-intervention shipments of cigars and they are entitled to recover the amounts so due and owing from the importers.

D.

The finding that the importers are liable to the owners for pre-intervention shipments obviously makes it unnecessary to consider the alternative claims asserted by the owners against the in-

8. As to defendant Saks, the stipulation simply states that it learned of the decrees of intervention shortly after September 15, 1960.

9. The importers suggest that they continued to make payments as they had in the past because they were confused as to the respective legal rights of the owners and the interventors. Thus, the importers, in their post-trial briefs, say: "Standing in the middle were the importers. After September 15, 1960, they knew, of course, that they were dealing with new people, but new people selling the same product in the same fashion as before." In view of the lack of guiding precedent, the importers' uncertainty may be understandable; this, however, cannot alter the fact that they knew that the interventors and not the owners were receiving their payments

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terventors for monies received by the interventors for such shipments. However, that holding makes it necessary to decide the importers' claims against the interventors for the monies heretofore paid by them to the interventors on account of these shipments.

The importers contend that they made such payments in good faith in the belief that they were discharging their obligations to pay for the pre-intervention shipments. Since they were mistaken in that belief and are now required to pay the owners for these same shipments, the importers urge that they are entitled to reimbursement from the interventors by setting off these amounts against the amounts found to be due to the interventors for post-intervention shipments.

The interventors deny that these payments may be recovered from them by way of offset or otherwise. They first urge that since the payments were made voluntarily by the importers as a result of mistake of law, they are therefore not recoverable.[10]

It appears once to have been the general rule that money voluntarily paid, even though because of mistake, could be recovered only if the mistake was one of fact and not if it was one of law. The rule, however, was much criticized, *e. g.*, 5 Williston, Contracts, § 1581; 4 Fordham L.Rev. 466 (1935), and, in 1942, New York abolished the arbitrary distinction between mistakes of fact and law and removed any technical bar to recovery upon a mistake of law theory. The present New York statute, N.Y.C. P.L.R. § 3005, provides:

> When relief against a mistake is sought in an action or by way of defense or counterclaim, relief shall not be denied merely because the mistake is one of law rather than one of fact.

In accordance with the statute, relief on grounds of mistake of law may now be granted in New York. *E. g.*, Robida v. Mirrington, 1 Misc.2d 968, 149 N.Y.S.2d 152 (Sup.Ct.1956); Chase National Bank of City of New York v. Battat, 105 N.Y.S.2d 13 (Sup.Ct.1951); 157 Prince Street Corp. v. Michelini, 62 N.Y.S.2d 148 (Sup.Ct.1946), aff'd 271 App. Div. 777, 66 N.Y.S.2d 406 (App.Div. 1st Dep't 1946).

Mercury Machine Importing Corp. v. City of New York, 3 N.Y.2d 418, 165 N.Y.S.2d 517, 144 N.E.2d 400 (1957), relied on by the interventors, is clearly distinguishable. There, suit was brought for recovery of taxes paid under a statute later held unconstitutional. With two judges dissenting, it was held that in such circumstances *taxes* paid under "mistake of law" could not be recovered. Plainly, *Mercury Machine* was based on special policy considerations applicable to the area of taxation and public finance:

> When the exigencies of public finance are considered, differing in some respects from private transactions, against the background of the traditional rule that taxes cannot be recovered for mistake of law in the absence of duress or of protest, we have concluded to follow the decisions in the States of Connecticut and Kentucky which early recognized mistakes of law as affording ground for relief in certain cases between private parties, but, nevertheless, like other States, denied it in the case of tax refunds, in the absence of duress, where protest has not been lodged.

3 N.Y.2d at 429, 165 N.Y.S.2d at 523, 144 N.E.2d at 405.

In the case at bar, the only policy to be served by allowing the interventors to retain the funds paid under mistake

10. Citing Flower v. State, 65 Misc. 145, 121 N.Y.S. 96, aff'd 143 App.Div. 871, 128 N.Y.S. 208 (3rd Dep't 1911); Boss v. Hutchinson, 182 App.Div. 88, 169 N.Y.S. 513 (1st Dep't 1918); County Securities, Inc. v. Warwick Properties, Inc., 176 Misc. 272, 24 N.Y.S.2d 971 (Sup.Ct. Westchester Co. 1940), aff'd 263 App.Div. 964, 33 N.Y.S.2d 825, leave to appeal denied, 263 App.Div. 1008, 34 N.Y.S.2d 520 (App.Div.2d Dep't 1942), modified, 289 N.Y. 774, 46 N.E.2d 844 (1943); 5 Williston, Contracts § 1581 et seq.

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of law is that against the disturbance of settled transactions. Quite plainly, however, New York has determined that that policy is not determinative and may be outweighed by other factors. Moreover, it is difficult to see how that policy is furthered where, as here, recovery is sought only by way of set-off, rather than in an independent action for affirmative relief.

[15] Here, the payments by the importers to the interventors were voluntarily made in good faith because of understandable mistake. The interventors had no right to receive or retain such payments. Whether the mistake of the importers was one of fact or law or both makes no difference. The importers are entitled to recover the amounts so paid by way of set-off against the amounts found to be due to the interventors from the importers for post-intervention shipments, unless such recovery is barred for some other reason.

The interventors contend that even if the importers have established claims for relief against them on the ground of mistake, the importers cannot enforce such claims because of the act of state doctrine and the Cuban Currency Control Regulations. The contention with respect to the Currency Control Regulations has already been disposed of, Section B, *supra*, and needs no further discussion here.

The interventors' contention that the act of state doctrine bars recovery by the importers rests upon a different footing from their contention that under the doctrine they are entitled to payment for pre-intervention shipments. The interventors' position here is that even if, as I have held, the owners are entitled to recover the pre-intervention debts from the importers, nevertheless the act of state doctrine precludes the importers from recovering the payments made to the interventors by mistake. This, of course, would result in the importers paying twice for the pre-intervention shipments and, in practical effect, would permit the interventors by indirection to realize on the debts though, as I have held, this could not be accomplished by the confiscatory decrees of intervention.

The interventors' argument runs this way: The importers' claims against them are characterized as claims for breaches of implied contracts to repay to the importers the amounts paid by mistake. These breaches of contract are said to have occurred in Cuba where the interventors resided and where the funds representing the payments were eventually received. Since the obligations of the interventors to make repayment were obligations for such breaches of contract they had a situs in Cuba. The refusal of the interventors to honor these obligations was an act of the Cuban state repudiating obligations situated in that country. Thus, under the principles laid down in Banco Nacional de Cuba v. Sabbatino, 376 U.S. 398, 84 S.Ct. 923, 11 L.Ed.2d 804 (1964), this Court may not question that repudiation. Relying on French v. Banco Nacional de Cuba, 23 N.Y.2d 46, 295 N.Y.S.2d 433, 242 N.E.2d 704 (1968),[11] it is said, further, that the Hickenlooper Amendment[12] is not applicable here be-

11. In French, the plaintiff's assignor had invested a large sum in Cuban farm land. He was granted eight tax exemption certificates by the pre-Castro Cuban Government, entitling him to export without tax $150,000 as the proceeds from his Cuban investment. The certificates recited that upon presentation of a specified number of pesos to Banco Nacional, plaintiff's assignor was to receive a check for an equal amount in United States dollars, exempt from the tax on the exportation of money. In 1959 a Cuban Governmental regulation suspended the processing of tax exemption certificates and late in that year plaintiff's assignor was refused dollars for the pesos which he presented. Plaintiff brought suit in New York to recover the dollar amount of the certificates. The New York Court of Appeals, three judges dissenting, held the repudiation to be an act of state to which the Hickenlooper amendment was inapplicable and denied recovery.

12. . . . [N]o court in the United States shall decline on the ground of

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cause these are not cases "in which a claim of title or other right to *property*" is being asserted, but only claims for breaches of contract repudiated by acts of the Cuban State, which is governed by Sabbatino.

As I view these contentions, it is unnecessary to reach the somewhat troublesome question as to applicability of the Hickenlooper Amendment. For the interventors' act of state argument, based on *Sabbatino* and *French*, is unsound and unsupportable.

[16, 17] In the first place, the interventors' premise that the importers' claims to recover the monies paid by mistake are claims for breach of contract is incorrect. While claims of this nature are often referred to as arising out of a contract implied in law or in quasi contract, they are not contract claims in the true sense at all. They are not based on any agreement or assent of the party charged or any contract relationship between the payor and the recipient of the payment. Such claims are obligations arising out of unjust enrichment and are imposed by law in the interests of reason and justice. 17 C.J.S. Contracts § 6 (1963) and cases there cited. Thus, the importers' claims for relief are not, as the interventors' contend, claims for breach of contract situated in Cuba and therefore subject to a Cuban act of state repudiating them even assuming an act of state to that effect had taken place.

That these obligations arose out of the mistaken payment of debts due and owing in the United States by importers located here has already been made clear. All payments by the importers were made by check drawn against their accounts in banks in the United States. Most of the payments were made to collecting banks in the United States acting on behalf of the interventors. The funds from such checks as were sent directly to Cuba, could only be realized upon when collected from the drawee banks in the United States. I see no reason why these obligations should be affected by any acts of the Cuban Government.

Finally, it may be noted that there was no formal repudiation of these obligations by Cuban Government decree of general application or otherwise. This is in contrast to *French* where the repudiation of the tax exemption certificates was based on official decision of the Cuban Currency Stabilization Fund applying generally to all such certificates. Here, all that occurred was a statement by counsel for the interventors, during trial, that the Cuban Government and the interventors denied liability and had refused to make repayment. This statement was made after the interventors had invoked the jurisdiction of this Court in order to pursue their claims against the importers for post-intervention shipments. It is hard to conceive how, if such a statement can be elevated to the status of an act of state, *any* refusal by *any* state to honor *any* obligation at *any* time could be considered anything else.

To say that the refusal of the interventors to honor their obligations to repay the amounts by which they were unjustly enriched under the circumstances of these cases constituted a foreign act of state which must be given effect in our courts, would extend the act of state doctrine to unprecedented and unconscionable lengths. It would render nugatory the sound principle that our courts will not give extra-territorial effect to a confiscatory decree of a foreign state and thereby emasculate the public policy of the forum against confiscation. See Palicio v. Brush & Bloch, 256 F.Supp. at 487–488, and cases there cited.

the federal act of state doctrine to make a determination on the merits giving effect to the principles of international law in a case in which a claim of title or other right to property is asserted by any party . . . based upon (or traced through) a confiscation or other taking after January 1, 1959, by an act of that state in violation of the principles of international law. . . .
22 U.S.C. § 2370(e) (2)

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Accordingly, I hold that the importers may recover from the interventors by way of set-off the monies paid the interventors on account of pre-intervention shipments and that such recovery is not barred by the act of state doctrine.

Interest

There remain the questions of what, if any, interest should be awarded (a) to the interventors, on the amounts recovered from the importers for post-intervention shipments; (b) to the owners, on the amounts recovered from the importers for pre-intervention shipments; and (c) to the importers, on the amounts recovered from the interventors for monies paid by mistake.

A.

[18] A party suing in contract for a readily ascertainable sum generally is entitled to interest on his recovery of the amount due as a matter of right from the date the claim accrued to the date of verdict or judgment. *E. g.*, United States v. Eastern Air Lines, Inc., 366 F.2d 316 (2d Cir. 1966); Bank of China v. Wells Fargo Bank & Union Trust Company, 209 F.2d 467 (9th Cir. 1953); Restatement, Contracts § 337.

In New York, the rule is stated in CPLR § 5001, which provides that "[i]nterest shall be recovered upon a sum awarded because of a breach of performance of contract . . . ." and ". . . shall be computed from the earliest ascertainable date the cause of action existed . . . ."

The rule is based upon the premise that the party to whom the money is owed has been deprived of the use of the funds and can be made whole only by the award of interest. Conversely, the party owing the money has had the use of the funds he was obligated to pay, and should be required to pay compensation by way of interest therefor. De Long Corp. v. Morrison-Knudsen Co., 14 N.Y.2d 346, 251 N.Y.S.2d 657, 200 N.E. 2d 557 (1964); Kavares v. Motor Vehicle Accident Indemnification Corp., 29 A.D.2d 68, 285 N.Y.S.2d 983 (1967); Lesjac Realty Corp. v. Mulhauser, 43 Misc.2d 439, 251 N.Y.S.2d 62 (1964).

In the case at bar there was a readily ascertainable sum due to the interventors from the importers for the cigars sold and delivered post-intervention, payable according to the terms of the sales. These sums were not paid when due and the interventors have been deprived of the use of the money due them since that time while the importers have had the use of such money.

The importers, however, resist the application of the rule on the ground that unusual circumstances here have relieved them from the obligation to pay interest. They contend that, as parties faced with conflicting claims, they had no means of stopping interest, by disposing of the amounts due for post-intervention shipments through process in the courts without exposing themselves to the risk of double liability; that this was because of the course adopted by the interventors which, it is claimed, amounted to acquiescence in the retention of the amount due and that therefore interest did not accrue.

[19] There are circumstances in which the danger of exposure to double liability if the amount due is disposed of through court process, and acquiescence in the retention of the amount due may stop the running of interest. See Bank of China v. Wells Fargo Bank & Union Trust Company, *supra*; United States v. McDonald Grain & Seed Co., 135 F. Supp. 854 (D.N.D.1955); Fleschner Bros. v. Consolidated Edison Co. of New York, 279 App.Div. 69, 107 N.Y.S.2d 598 (1st Dep't 1951), aff'd, 304 N.Y. 815, 109 N.E.2d 471 (1952); N. Y. Life Ins. Co. v. Cooper, 76 F.Supp. 976, 979 (S.D.N.Y.1944); Equitable Life Assurance Soc. of United States v. Miller, 229 F. Supp. 1018 (D.Minn.1964).[13]

13. When the allowance of interest turns on complicated and uncommon circumstances the Court, consistent with the applicable law, should exercise a measure of discretion to reach the most equitable result on the facts before it. *Cf.* Riley v. General

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[20] The importers urge that the interventors, under the circumstances here, should be held to have waived or lost the right to interest given them by CPLR § 5001, even though this would yield a windfall to the importers. I do not agree.

It will be recalled that subsequent to September 15, 1960, the date of intervention, the importers made regular payments to the interventors for the amounts due for shipments of cigars, both pre-intervention [14] and post-intervention. In early 1961, however, the nine actions at bar were commenced against the importers by the owners, in the names of the expropriated Cuban entities seeking to recover the purchase price of all shipments of cigars which had been manufactured in the Cuban factories, both before and after intervention, as well as injunctive and other relief. The interventors were not made parties to these actions.

Shortly thereafter, however, the interventors commenced the Palicio v. Brush & Bloch action. That action was brought on behalf of the interventors in the names of the expropriated entities against the attorneys who had instituted the nine actions at bar against the importers. The interventors sought an injunction against the owners' attorneys, restraining them from prosecuting the actions at bar in the names of the plaintiffs and a direction that the interventors' attorneys be substituted as attorneys for the plaintiffs in these actions. The only issue presented there was whether the interventors or the owners were entitled to pursue the claims asserted against the importers in the nine actions at bar now for the purchase price of cigar shipments and the other claims asserted in these actions.

With respect to the post-intervention shipments, *Palicio* held that the interventors, and not the owners, were entitled to pursue the claims against the importers for post-intervention shipments in the actions at bar. 256 F.Supp. 494.

While *Palicio* was being litigated, these nine actions remained in abeyance and no steps were taken in them. The interventors did not seek to intervene in these actions nor was any effort made by the importers to bring them in. But it was obvious that if the interventors succeeded in establishing their right to pursue claims against the importers in *Palicio*, they would intervene in the nine actions at bar and proceed to judgment.

This, of course, is what happened subsequent to final judgment in *Palicio*, when the posture of the cases at bar was adjusted in accordance with that judgment. The interventors then became parties plaintiff to these actions and now have been held entitled to recover the amounts due for post-intervention shipments from the importers.

I do not see how, in these circumstances, the interventors can be said to have waived or lost their rights to interest. As I said in *Palicio*, the procedure followed there furnished

> . . . an expeditious and convenient means of securing the determination of the ultimate questions necessarily involved in this case. The interests of orderly judicial administration would not be served by requiring the interventors to move to intervene in each of the . . . actions now pending or to institute separate suits against the importers. In short, the present action is a sound vehicle for expeditiously determining basic issues of great importance to the parties involved with a minimum of inconvenience to those parties and to the court. 256 F.Supp. 485–486.

These issues went to the heart of the basic question on this aspect of the cases at bar, which was whether the owners

Mills, Inc., 346 F.2d 68, 72 (3d Cir. 1965); Okeechobee County, Fla. v. Nuveen, 145 F.2d 684, 687–688 (5th Cir. 1944), cert. denied 324 U.S. 881, 65 S.Ct. 1028, 89 L.Ed. 1432 (1945).

14. As I have held, the payments to the interventors for pre-intervention shipments were made by mistake since the owners were entitled to be paid therefor. Sections A–D, *supra*.

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or the interventors could recover the price of the post-intervention shipments, the amount of which was not seriously disputed by the importers. It can scarcely be imagined that the importers were not fully aware of this and its implications.

The interventors were representatives of a foreign government and not citizens or residents of or present in the United States for purposes of service, and thus could not be brought into these actions unless they voluntarily submitted to jurisdiction. The importers complain that they were unable to obtain jurisdiction over the interventors until they became parties to these cases after *Palicio* and that therefore none of the usual remedies by which they could have disposed of the amount due without exposure to double liability were available to them. This may well have been true, absent the interventors' consent to jurisdiction, in the case of such remedies as federal statutory impleader under 28 U.S.C. § 1335; interpleader under Rule 22, Fed.R.Civ.P.; and, perhaps, interpleader under N.Y.C.P.L.R. §§ 314 and 1006. *See* Cordner v. Metropolitan Life Ins. Co., 234 F. Supp. 765 (S.D.N.Y.1964). *But cf.* N.Y. C.P.L.R. § 216; Solicitor for Affairs of His Majesty's Treasury v. Bankers Trust Co., 304 N.Y. 296, 107 N.E.2d 455 (1952). Likewise, deposit in Court in the cases at bar under Rule 67, Fed.R. Civ.P. might not have been an effective remedy during the period before the interventors became parties to these actions unless the interventors had consented to appear.

But the importers made no effort to employ any of such remedies or to determine whether the interventors, represented by responsible counsel in *Palicio* were willing to appear. Moreover, even when the interventors became parties to these actions after *Palicio*, the importers made no effort to deposit the amount due in Court when it was clearly safe for them to do so. They were content to sit on their rights and let matters take their course. This is scarcely consistent with their position that they had no choice but to retain the funds.

Even more significantly, the importers, with full knowledge that the interventors were parties plaintiff in *Palicio* and that issues vital to the post-intervention claims in the cases at bar were being litigated in that case in this very Court, made no attempt to intervene there pursuant to Rule 24, Fed.R.Civ.P. Had the importers done so and intervention been allowed, deposit of the amount due in Court in that action pursuant to Rule 67, Fed.R.Civ.P. would have adequately protected them. Moreover, there is nothing to show that the interventors would have opposed such an application had it been made. If the interventors had done so and been successful in their opposition and thus prevented the importers from disposing of the funds in *Palicio*, this would have lent substantial support to the importers' claim that they were unable to protect themselves against exposure to double liability. Any such support is now quite lacking in the record.

I hold that under the circumstances here the interventors did not lose or waive their rights to interest on their recovery for post-intervention shipments and are entitled to such interest from the date of commencement of Palicio v. Brush & Bloch.

B.

The claims of the owners for interest on their recoveries against the importers and of the importers for interest on their recoveries against the interventors do not require extended discussion.

[21] The owners' recoveries against the importers are in contract for the agreed price of pre-intervention shipments. Thus, under the New York Statute, CPLR § 5001(a), the owners have the right to interest on such recoveries. There is nothing in the facts and circumstances here which would justify holding that the owners waived or lost that right, a holding which would be highly inequitable.

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The importers take the position that "[T]he owners' claim for interest assumes significance only if the Court should find that the importers still owe the owners for pre-intervention shipments but that the importers may not recover those monies from the interventors." and that, "[O]f course, if the Court should find that the importers have a valid claim over against the interventors, then it is the interventors, the receipients of those payments, not the importers, who must bear the ultimate burden to pay interest on those funds."

The position taken by the importers is essentially correct and the interventors do not seriously question this. Plainly, the owners are in no way responsible for the mistake of the importers in making payments to the wrong parties for the pre-intervention shipments. As I have held, such payments did not discharge the importers' contract obligations to the owners for such shipments. Nor did they deprive the owners of the right to interest on their recoveries given them by law.

On the other hand, the importers, having paid out to the interventors an amount equivalent to the sums due to the owners because of mistake made in good faith, in practical effect were deprived of the use of that amount of money. It is the interventors who have had the use of such money ever since the payments to them were made.

That interest may be allowed on a recovery of this nature is quite clear. N. Y. CPLR § 5001(a), 5 Weinstein, Korn & Miller, New York Civil Practice, ¶¶ 5001.04, 5001.06. Whether in these cases such interest may be awarded as a matter of law or in the exercise of the Court's discretion may not be entirely clear but makes little, if any, difference here. For it is quite plain in the facts and circumstances of these cases that the equities require the Court, in the exercise of its discretion, to award interest to the importers on their recoveries against the interventors.

[22] I hold that the owners are entitled to interest on their recoveries against the importers and that the importers are entitled to interest on their recoveries against the interventors. In each such instance, interest will run from the date of the commencement of the actions at bar.

Additional Findings

A few disputes of fact left undetermined by stipulation of the parties relating to items listed in the schedules contained in Exhibit A remain to be resolved. As to these disputes, I find as follows:

1. Cifuentes has not established that the shipments listed on schedule B–1, amounting to $7,340.65, were shipped to Dunhill on or before September 15, 1960, the date of intervention, and is not entitled to recover from Dunhill therefor.

2. Palicio has established that the shipment represented by item #1 of schedule C–1, amounting to $984.50, was made to Dunhill prior to September 15, 1960 and is entitled to recover from Dunhill therefor.

3. Menendez has established that the shipment represented by item #12 of schedule E–1, amounting to $9,573.50, was made to Faber prior to September 15, 1960 and is entitled to recover from Faber therefor.

4. Palicio has established that the shipment represented by item #8 of schedule G–1, amounting to $6,945.33, was made to Faber prior to September 15, 1960 and is entitled to recover from Faber therefor.

5. Larranga has established that the shipment represented by item #6 of schedule H–1, amounting to $10,180.05, was made to Faber prior to September 15, 1960 and is entitled to recover from Faber therefor.

6. Menendez has established that it sent and Faber received the shipments represented by items #1 and #12 of schedule E–1, amounting to $20,315.50, and is entitled to recover from Faber therefor.

7. Faber has established that it paid the interventors for shipments represented by item #9 of schedule E–1 ($24.25); items #3, #6 and #7 of schedule F–1,

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totaling $25,455.80; items #1 and #2 of schedule G-1, totaling $8,866.75; and item #3 of schedule H-1 ($12,584.31), and is entitled to set off these amounts from the interventors' recovery.

The recoveries of the various parties will be adjusted to reflect these findings.

III. Trademark Infringement and Unfair Competition.

When intervention took place, the owners had held trademarks for many years on each of the major brands of cigars they produced and sold, which were registered in the United States Patent Office, in Cuba and in a number of other countries.[15] In their original complaints in the nine actions now before me, the owners asserted claims against the importers for infringement of these trademarks and unfair competition based on the continuing sale by the importers of cigars bearing these marks which the importers purchased from the interventors, subsequent to intervention.

In Palicio v. Brush & Bloch, *supra*, the interventors contended that the owners were not entitled to pursue these trademark claims against the importers, primarily on the ground that the trademarks were an integral part of the owners' businesses in Cuba which had been taken over by the Cuban decrees of intervention and that this Court was therefore proscribed by the act of state doctrine from questioning such takings. That contention was rejected. I held that the owners were entitled to pursue the claims for trademark infringement and unfair competition against the importers which they had asserted in the present nine actions.

However, since the importers were not parties to the *Palicio* case, that decision was confined to rights as between the owners and the interventors. The issues as to whether the owners were in fact entitled to any rights under the trademarks as against the importers and whether there had been any infringement remained to be litigated and determined in the actions now before me.

When the posture of the present actions was adjusted to conform to the *Palicio* decision, the owners, in addition to their claims against the importers for infringement and unfair competition, which had been initially asserted, also asserted separate claims for trademark infringement and unfair competition against the interventors. I now turn to these claims of the owners against the importers and the interventors.

A.

For many years prior to intervention, the owners sold cigars under their trademarks throughout the United States and other parts of the world. These cigars were recognized in the tobacco trade and in the cigar-smoking world as the finest and most expensive made. They were manufactured from tobacco grown on premier plantations in the Vuelta Abajo region of Cuba, generally considered to be the best area in the world for producing highest grade cigar tobacco. This region is peculiarly and uniquely endowed for producing fine tobacco, due to a combination of the quality of its soil, climatic conditions, rainfall and distance from the sea insulating it from the adverse effects of salt air on the tobacco. Efforts to produce tobacco of comparable quality in Vuelta Abajo soil transplanted to other parts of Cuba have been unsuccessful and Cuban seed planted in other parts of the world has failed to produce tobacco of comparable quality.

The cigars sold under these trademarks were known in the trade as "clear Havana", *i.e.*, the entire cigar, including the wrapper, was made from Cuban

15. The trademarks claimed to have been infringed are the following: "H. Upmann" and "Monte Cristo", owned by Menendez, Garcia y Compania, Limitada (Menendez, Garcia); "Partagas" and "Ramon Allones", owned by Cifuentes y Compania (Cifuentes); "Por Larranaga", owned by Por Larranaga, Fabrica de Tabacos, S.A. (Por Larranaga) and "Hoyo De Monterey", "Belinda", and "Punch", owned by F. Palicio y Compania, S.A. (Palicio).

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tobacco. Thus, a prime factor in the outstanding quality of these cigars was the tobacco used in their manufacture.

In addition, the Cuban entities were family businesses with a long tradition of producing great cigars. Those who owned and directed the operations of the entities were highly skilled and experienced in the techniques of cigar manufacture and this was reflected in the high quality of the product.

The owners and the importers spent large sums each year to advertise and promote these cigars in this country. These efforts were successful. The reputations of the cigars bearing these trademarks were firmly established and generally recognized. Sales steadily increased and in the years immediately prior to intervention millions of these cigars were being sold annually in the United States.

Following intervention, the tobacco factories, now under the sole direction and control of the interventors, continued the manufacture of cigars. Those who had previously owned and operated the factories left them for the last time on September 15 when intervention occurred or, in some cases, the next day. They no longer had any connection with the factories or businesses in Cuba. There is little, if anything, in the record concerning the manner in which the interventors carried on operations, though the interventors claim that the manufacturing process continued in the same way as before and that they continued to turn out cigars of the same quality. There is no evidence that the quality of the product deteriorated during the period involved here.

Most of the cigars shipped by the interventors to the importers between September 15, 1960 and February, 1961, had been made up prior to September 15 and were on hand as inventory when the takeover occurred. However, a number of critical steps, such as, selection, pressing, packing, fumigating, cellophaning and boxing, still had to be taken by the interventors before the cigars were ready for shipment. Only a small portion of the cigars in the inventory had been through these critical steps and were ready for shipment at the time of intervention.

The transfer of control to the interventors does not seem to have seriously interrupted the flow of cigars to the importers or their distribution in this country. The cigars were shipped by the interventors in the same packaging and under the same registered trademarks as the owners had used. Nothing was done to indicate to the purchaser that the cigars had come from factories which had been taken over by the Cuban Government or that they were being made or processed by anyone other than the owners.

Relations between the importers and the interventors appear to have been harmonious during this period. The business patterns which had been established by the owners and the importers were continued after takeover. Orders were taken and filled, credit was extended and payment was made in the manner theretofore customary. All shipments were made f. o. b. Havana. Until March, 1961, shortly after shipments to the importers ceased, the interventors continued to employ as their United States sales representatives the same people who had previously represented the owners. These representatives actively solicited the sale of cigars exported by the interventors.

For reasons not entirely clear, relations between the importers and interventors eventually cooled. The last shipment to the importers was made in February, 1961. After that date, all shipments of Cuban cigars were channeled through one R. C. Wood and RCW Supervisor, an entity specifically set up in the United States by the Cuban Government for that purpose. There is nothing in the record as to the nature and extent of the operations of Wood and RCW Supervisor.

On February 7, 1962, the United States declared an embargo against further trade with Cuba. Proc. 3447; 27 Fed.Reg. 1085, note following 22 U.S.C.

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A. § 2370. The importation of cigars from Cuba then ceased.

It is plain that after intervention occurred, the owners no longer had any means of obtaining tobacco grown in the Vuelta Abajo region or, indeed, any Cuban tobacco. Thus, they could not have manufactured or sold cigars made of such tobacco under their registered trademarks or otherwise, even if the manufacturing facilities had been available to them. The owners' registered trademarks have not been assigned or used to any significant extent by the owners since intervention, with the exception of those formerly owned by Palicio.

Palicio assigned the trademarks "Belinda" in 1963 and "Hoyo de Monterey" and "Punch" in 1966. The assignments reserve any rights Palicio may have to recover for prior infringements. The assignees have manufactured, in Florida, and sold cigars, mainly of Honduran tobacco, under these trademarks since the assignments. Several hundred thousand of these cigars are currently sold annually. Palicio's financial interest is limited to small royalties.

The trademarks "Ramon Allones" and "Partagas" were used on 250 cigars shipped to this country in July, 1967 by Temple Hall, Ltd. of Kingston, Jamaica, a firm employing Ramon Cifuentes as technical adviser. These cigars were a blend of Jamaican, Mexican and Connecticut tobaccos, the same blend used in other Temple Hall cigars sold under different brand names. It appears that the small shipments under these two trademarks were merely samples and no further shipments have occurred, apparently for the reasons that the owner was awaiting the determination of its trademark rights in this litigation.

Similarly, in 1966 Menendez shipped some 250 cigars to the United States, manufactured in the Canary Islands and containing no Cuban Tobacco but bearing the "Upmann" and "Monte Cristo" trademarks. Jose M. Garcia, one of the Menendez partners, conducts this Canary Islands operation which produces cigars from a blend of the best non-Cuban tobaccos from several countries of the world. These cigars, comparable in price to those formerly manufactured by his firm in Cuba, are sold in this country under trademarks other than those involved in this case, with the exception of the small sample shipment just mentioned.

Jorge Palicio and Ramon Cifuentes have acted as consultants for tobacco firms. With the exception of those already mentioned, none of the trademarks involved here have been used by an owner since intervention.

B.

The owners contend that the facts establish a clear case of trademark infringement under Sections 32(1) (a) [16] and 43(a) [17] of the Lanham Act (15 U.

16. § 1114. *Remedies; infringement; innocent infringement by printers and publishers*

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

17. § 1125. *False designations of origin and false descriptions forbidden*

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or

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S.C. §§ 1114(1) (a) and 1125(a)) and of unfair competition under New York State law.[18]

The following facts have been firmly established:

1. At the time of commencement of these actions, the owners owned and for many years had owned the United States registered trademarks in suit.

2. For many years these trademarks had represented to the cigar trade and the cigar-smoking public in the United States cigars made of Cuban tobacco from the Vuelta Abajo region, manufactured by the respective owners in their Cuban factories with the skill and care which the owners had acquired through long experience in these businesses.

3. After the Cuban businesses and factories were expropriated by the Cuban Government, the interventors continued to ship cigars from the factories in Cuba to the United States, in the same packaging and bearing the identical trademarks which had previously been used by the owners.

4. The cigars so imported were sold by the importers to customers in the United States under such trademarks.

C.

The importers urge that, taking into account all the facts and circumstances in these cases, there was no infringement by them and also assert that, even if infringement occurred, they cannot be held liable to the owners therefor. They say, further, that, even assuming liability for infringement, the owners have suffered no damage by reason thereof and are not entitled to any recovery or relief.

The interventors take essentially the same position and, in addition, urge that there are special considerations applicable to them which bar recovery.

(1)

The importers and the interventors contend that the owners have lost any rights which they possessed in the trademarks involved here and thus have no standing to enforce claims for infringement. They rely on the general proposition that trademark rights can exist only appurtenant to a going business and cannot exist "in gross" or in abstract, citing such cases as Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 36 S.Ct. 357, 60 L.Ed. 713; United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 39 S.Ct. 48, 63 L.Ed. 141; Rogers v. Ercona Co., 107 U.S.App.D.C. 295, 277 F.2d 94 (1960); Family Circle, Inc. v. Family Circle Associates, Inc., 332 F.2d 534, 549 (3rd Cir. 1964); American Foods, Inc. v. Golden Flake, Inc., 312 F.2d 619, 625 (5th Cir. 1964).

This contention rests on two prongs. The first is that after the seizures occurred and the owners fled to the United States, they never again engaged in the business of manufacturing cigars to which the trademarks could be appurtenant. The second is that, in any event, the trademarks were identified exclusively with cigars made of the finest grade of Vuelta Abajo Cuban tobacco and that since the owners were no longer able to obtain such tobacco they could not have engaged in a business to which these trademarks were appurtenant, even had they wanted to. The argument is not well taken.

It must be remembered that we are dealing here with claims for infringement of trademark during a very limited four and one-half month period, from

procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

18. Jurisdiction over these claims for relief is based on 28 U.S.C. §§ 1331 and 1338.

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September 15, 1960 to early February, 1961, when the post-intervention shipments on which the infringement claims are based occurred. The rights of the owners must be viewed in the light of the situation at that time and not as of the time of trial, many years later. Viewed in that light, the argument that the owners had lost any rights to enforce these claims has little substance.

In February, 1961, the owners had been ousted for less than 5 months from the businesses which they had successfully carried on for many years. They had fled to this country and were uncertain of what they would be able to do and were groping for solutions. The interventions were plainly a major disaster with highly traumatic overtones. There is nothing in this record to indicate that the owners had any intention of abandoning the manufacture of cigars which had been the livelihood of their families for generations.

As I pointed out in Palicio v. Brush and Bloch, 256 F.Supp. at 492, the owners had the right to continue business here in the names of the confiscated entities and such rights were not extinguished by the confiscation of their Cuban properties. They were certainly entitled to a reasonable period to determine whether they could do so.

Moreover, it could scarcely be said during that period that it would be impossible for them to obtain Cuban tobacco, on which there was then no embargo, in the future, or even to resume association with their businesses in Cuba. Among the many possibilities were a change in the policy or in the composition of the government of Cuba, the failure of the interventors to operate the factories effectively thus necessitating recall of the owners to Cuba in a managerial capacity, or the finding of an independent source of supply of Cuban tobacco. It will serve no useful purpose to explore these possibilities further or to discount them in terms of hindsight. It is quite plain that in this short period the conclusion that the businesses of the owners to which the trademarks were appurtenant, were abandoned or no longer existed or existed only in gross, is unwarranted.

[23] The proof in the cases at bar only serves to confirm the conclusion reached in Palicio v. Brush & Bloch that the owners neither had the intent to abandon nor did they abandon their trademarks at the time the rights asserted in these cases accrued, 256 F. Supp. 492, and cases there cited. Trademark rights are not destroyed by temporary suspension of the business to which they are appurtenant due to causes beyond the control of their owner as the cases dealing with liquor during the Prohibition era clearly illustrate. *See* Kelly Liquor Co. v. National Brokerage Co., 102 F.2d 857 (C.C.P.A.1939), Hannis Distilling Co. v. George W. Torrey Co., 32 App.D.C. 530 (1909); G. F. Heublein & Bros. v. Bushmill Wine & Products Co., 55 F.Supp. 964 (M.D.Pa. 1944); Bisceglia Bros. Corp. v. Fruit Industries, Ltd., 20 F.Supp. 564 (E.D. Pa.), aff'd, 101 F.2d 752 (3 Cir., 1937); Mack & Milans, Legal Status of Liquor Trade-marks and Trade Names Since Repeal, 2 Geo.Wash.L.Rev. 415 (1934). *See also* Carl Zeiss Stiftung v. VEB Carl Zeiss, Jena, 293 F.Supp. 892 (S.D. N.Y.1968), modified, 433 F.2d 686 (2d Cir. 1970), cert. denied, 403 U.S. 905, 91 S.Ct. 2205, 29 L.Ed.2d 680 (1971).

Cases relied on by the interventors (cited at p. 553, *supra*) are in no way to the contrary. In these cases the parties asserting trademark rights never had businesses to which the marks could become appurtenant. They merely reflect the general rule that trademark rights do not come into being until there is a business established which uses them.

To hold that the trademark rights which the owners assert, were extinguished under the facts and circumstances here would run directly counter to the dual goals of the Lanham Act of providing protection both to the rights

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of trademark owners and to consumers against confusion and deception.[19]

[24] The owners did not lose their rights to these trademarks by reason of the suspension of their businesses, nor have they thereby lost their standing to enforce their claims for infringement.

(2)

It is argued that there is no liability to the owners for infringement or, in the alternative, that nothing may be recovered if infringement occurred because the owners were guilty of laches in asserting their rights and acquiesced in the use of their marks by the interventors and the importers.

[25] These arguments are largely based on the facts which have just been discussed concerning the owners' conduct during the brief period from their arrival in this country in late September or early October, 1960, and the cease and desists demands sent by their attorneys some four months later, in early February, 1961. Considering the parlous circumstances in which the owners found themselves and their conduct during the period, I can see no basis on which they can be said to be guilty of laches or acquiescence.

The importers were made fully aware of all the facts by the owners during October, 1960. It is apparent that the factual picture and the legal picture were highly confusing. The owners had had no adequate opportunity to evaluate the situation nor to consult adequately with their lawyers. It would be wholly unreasonable to require them to make specific cease and desist demands during that period. They acted with reasonable celerity under the circumstances.

There is no indication that had they made such specific demands either the interventors or the importers would have ceased using the trademarks. The indications are quite to the contrary. It can scarcely be imagined that the interventors, who had just arbitrarily seized the owners' businesses, would heed any protests from the owners. It is highly unlikely that the importers, who had established relations with the interventors and with the Christmas market approaching, would have done so either. In fact, one of the importers received and accepted a shipment from the interventors after receiving the cease and desist demand. Neither the interventors nor the importers have shown any prejudice as a result of the owners' understandable short delay in taking affirmative steps to assert their rights.

I hold that the owners acted with reasonable promptness in asserting their rights and are not chargeable with laches or acquiescence.

(3)

The contention is made that there was no infringement here because the post-intervention cigars sold under these trade names were manufactured by the owners and were merely part of the inventory seized from the owners by the interventors. It is urged from this that the cigars actually reflect the source of origin and that since the likelihood of confusion as to source of origin, which is the foundation of a trademark infringement action under the Lanham Act, 15 U.S.C. § 1114(1), did not exist, no infringement took place. The case is ingeniously likened to that of one who steals a Ford car and sells it, who may be liable for conversion but not infringement of the Ford trademark.[20]

The attempted analogy is not consonant with the facts here. It ignores the

19. In fact, the contention made here is not unlike a claim of loss of trademark rights because of temporary suspension of business due to major natural catastrophe. Such a proposition is patently unsound.

20. *See generally* 3 Callman, Unfair Competition, Trademarks, and Monopolies, § 84.1(b) & (c). *Compare* Prestonettes v. Coty, 264 U.S. 359, 44 S.Ct. 350, 68 L.Ed. 731 (1924) *and* Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 67 S.Ct. 1136, 91 L.Ed. 1386 (1947) *with* Bourjois & Co. v. Katzel, 260 U.S. 689, 43 S.Ct. 244, 67 L.Ed. 464 (1923).

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fact that while most of the cigars shipped after intervention had been made up while the owners were operating the factories, a number of critical steps in their processing still had to be taken by the interventors before they were ready for sale or shipment. There were steps in which the owners' peculiar skill, experience and techniques were of great importance. Thus, these cigars were not salable, finished products, seized from the owners. A substantial and critical part of the manufacturing process remained to be accomplished and this portion of the manufacture was done under direction and control of the interventors and not the owners.

The trademarks indicated to the consuming public both that the cigars were made from the highest grade Vuelta Abajo Cuban tobacco and that the owners were the source of origin. The marks also indicated that the cigars had been made by the owners with the same skill, care and expert techniques which had been employed during many years and which were part of the reputation for excellence which the cigars enjoyed. The owners' trademarks affixed to the cigars shipped by the interventors misrepresented both that the owners were the source of origin and that the cigars had been produced by the owners with the same skills and expert techniques which had always been employed and on which the reputation for excellence of cigars bearing such trademarks had been based in substantial part. The owners and all that they represented no longer stood behind these cigars as the consumer was led to believe.

[26] While there was no significant evidence that the quality of the cigars shipped by the interventors had deteriorated to any substantial degree, the potential for such deterioration was there. Infringement does not depend on whether the product sold was actually inferior in quality to the product represented by the trademark. The potential difference in quality arising from misdesignation of source of origin is quite enough. *E.g.*, 3 Callman, Unfair Competition, Trademarks and Monopolies § 82.2(a), at 774.

[27] The use of the owners' trademarks on the post-intervention shipments was likely to cause confusion and mistake and to deceive the consuming public and thus constituted infringement.

(4)

The interventors' contention that the owners should be barred from relief by the unclean hands doctrine is not well taken.

Two sample shipments of 125 cigars each, containing no Cuban tobacco, respectively bearing the Menendez, Garcia trademarks "Ramon Allones" and "Partagas", apparently were made to the importers in 1966.

Two similar sample shipments of 125 cigars each, bearing respectively the Cifuentes "Upmann" and "Monte Cristo" trademarks, were made to the importers in 1967. These were the only shipments of cigars bearing these trademarks. Apparently, no more were shipped because Menendez, Garcia and Cifuentes were awaiting the outcome of this litigation.

The contention that Menendez, Garcia and Cifuentes are barred from relief by unclean hands is based solely on these shipments.

[28] There is no doubt that a trademark owner who deceives the public by debasing the quality of the product for which his trademark stands may be barred by unclean hands from maintaining an action for infringement. *See* Worden v. California Fig Syrup Co., 187 U.S. 516, 23 S.Ct. 161, 47 L.Ed. 282 (1903); Mulhens & Kropff, Inc. v. Ferd. Muelhens, Inc., 43 F.2d 937 (2d Cir.), cert. denied, 282 U.S. 881, 51 S.Ct. 84, 75 L. Ed. 777 (1930); 4 Callman, Unfair Competition, Trademarks and Monopolies § 87.1(b) et seq. Note, The Besmirched Plaintiff and the Confused Public: Unclean Hands in Trademark Infringement, 65 Colum.L.Rev. 109 (1965).

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[29] But there is not the slightest evidence that by making these very small sample shipments to the importers a number of years after these actions had been commenced, Menendez, Garcia and Cifuentes deceived or intended to deceive anyone. There is nothing to show that these cigars were sold even to the importers, much less to the public. In fact, all the evidence points to the contrary. There is no support in this record for the contention that Menendez, Garcia and Cifuentes were guilty of unclean hands.

Palicio assigned its trademarks "Belinda" and "Hoyo de Monterey" in 1963, and "Punch" in 1966. Cigars bearing these trademarks and containing only Honduran tobacco were thereafter manufactured by the various assignees in Tampa, Florida and have since been sold in not insubstantial quantities. The boxes in which these cigars were sold did not indicate that they were made of Cuban tobacco but merely that the tobacco was imported and plainly stated that the cigars were manufactured in Florida.

On the basis of these facts, it is asserted that Palicio should be denied recovery because of unclean hands.

The infringements complained of here occurred in late 1960 and early 1961, more than two years before Palicio made the first assignments of its trademarks. Palicio expressly reserved its rights to pursue these claims. There is no evidence of any substance that Palicio had any control over the assignees or can be held responsible for their conduct.

The burden of establishing the defense of unclean hands is on the party asserting it. 4 Callman, Unfair Competition, Trademarks and Monopolies § 87.1(b) (4) and cases there cited. I hold that the defense of unclean hands as against Palicio has not been sustained.[21]

(5)

[30] The interventors contend that since the cigars to which the trademarks were affixed were manufactured, boxed and labelled in Cuba and were shipped f. o.b. Havana, the Lanham Act has no application to the infringement claims against them. There is no merit to this contention.

The facts are that the cigars were shipped by the interventors to the United States with the full knowledge and intention that they would be sold to consumers in this country. Indeed, the interventors employed three sales representatives to promote such sales. Any confusion or deception arising from the interventors' use of the owners' United States marks, was upon persons purchasing the cigars in this country. The infringement and the resulting harm complained of by the owners occurred not in Cuba but here.

> [I]n cases of trade-mark infringement and unfair competition, the wrong takes place not where the deceptive labels are affixed to the goods or where the goods are wrapped in the misleading packages, but where the passing off occurs, i. e., where the deceived customer buys the defendant's product in the belief that he is buying the plaintiff's.

Vanity Fair Mills v. T. Eaton Co., 234 F.2d 633, 639 (2d Cir.), cert. denied, 352 U.S. 871, 77 S.Ct. 96, 1 L.Ed.2d 76, rehearing denied, 352 U.S. 913, 77 S.Ct. 144, 1 L.Ed.2d 120 (1956). *See also* 4 Callman, Unfair Competition, Trademarks and Monopolies, § 100.2(a) (2) at

21. Moreover, it may be noted that by the time the assignees began the distribution of cigars bearing the trademarks formerly owned by Palicio, the embargo against importations from Cuba had been in effect for some time and had been widely publicized. The importation of Cuban cigars and tobacco ceased when the embargo went into effect. It is at least doubtful whether the discriminating smokers who bought cigars bearing these trademarks, were not fully aware that Cuban cigars and Cuban tobacco were no longer obtainable in this country and that the cigars they bought from the assignees were not made of Cuban tobacco.

No attempt was made to show that deception had occurred and there is no proof that anyone was, in fact, deceived.

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2235; Rappaport, Trade-mark and Unfair Competition in International Conflict of Laws: An Analysis of the Choice of Law Problem, 20 U.Pitt.L.Rev. 1, 29 (1958).

The Lanham Act provides that any person who shall "use in commerce" a registered mark belonging to another "shall be liable in a civil action by the registrant for the remedies" provided in the statute, 15 U.S.C. § 1114(1). "Commerce" is defined as "all commerce which may lawfully be regulated by Congress." 15 U.S.C. § 1127. Here, the interventors used the registered marks of the owners in commerce in the United States lawfully subject to regulation by Congress. There is no question of giving extraterritorial effect to the Lanham Act as the interventors contend.[22]

Steele v. Bulova Watch Co., Inc., 344 U.S. 280, 73 S.Ct. 252, 97 L.Ed. 252 (1952), relied on by both parties, appears to expand somewhat the territorial scope of the Lanham Act and supports rather than casts doubt on the conclusion reached here. In applying the Lanham Act where the effects of the acts complained of were felt in this country, the Court said:

> Viewed in its context, the holding in [American Banana Co. v. United Fruit Co., 213 U.S. 347 [29 S.Ct. 511, 53 L. Ed. 826] (1909)] was not meant to confer blanket immunity on trade practices which radiate unlawful consequences here, merely because they were initiated or consummated outside the territorial limits of the United States. . . . [T]he crux of the complaint . . . is . . . [that] petitioner by his "own deliberate acts, here and elsewhere, . . . brought about forbidden results within the United States."

Id. at 288, 73 S.Ct. at 256–257.

Moreover, it is abundantly clear that the application of the Lanham Act to the facts here is entirely consistent with international law. *See* Restatement, American Foreign Relations Law, § 38; *cf.* Steele v. Bulova Watch Co., Inc., 344 U.S. 280, 73 S.Ct. 252, 97 L.Ed. 252 (1952); United States v. Holophone Co., 119 F. Supp. 114 (S.D.Ohio 1954), aff'd per curiam, 352 U.S. 903, 77 S.Ct. 144, 1 L.Ed.2d 114 (1956).

It is quite plain that the Lanham Act governs the infringement claims at bar, and I so hold.

(6)

The other contentions advanced by the interventors are patently without merit and need little, if any, discussion.

(a)

[31] The International Convention for the Protection of Industrial Property (Paris Union), 53 Stat. 1748 (1883, as revised June 2, 1934), T.S. No. 941, to which both the United States and Cuba are parties, does not affect these cases in any way. The Convention does not insulate foreign citizens from liability for trademark infringement and unfair competition committed in this country, as the interventors appear to claim.

(b)

[32] The remedies provided by Section 526 of the Tariff Act of 1930, 19 U.S.C. § 1526, Section 42 of the Lanham Act, 15 U.S.C. § 1124, are not, as the interventors urge, the exclusive remedies available against a foreign manufacturer or importer who infringes United States registered trademarks in this country. There is nothing in either statute which remotely indicates that the remedies they provide are or were intended to be the only remedies available. It is clear that the general provisions of the Lanham Act may be invoked against foreign citizens who in-

22. *Cf.* Vanity Fair v. T. Eaton Co., *supra*, and George W. Luft Co. v. Zande Cosmetic Co., 142 F.2d 536 (2d Cir.), cert. denied, 323 U.S. 756, 65 S.Ct. 90, 89 L.Ed. 606 (1944), where, conversely, the courts refused to give trademark infringement relief where the acts complained of initiated in the United States but took effect or were consummated in other countries.

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fringe United States trademarks in this country, whether or not resort has been had to the remedies provided in 19 U.S.C. § 1526 and Section 42 of the Lanham Act.

(c)

The interventors' act of state argument, as applied to the claims for trademark infringement and unfair competition, was fully disposed of in Palicio v. Brush & Bloch, 256 F.Supp. 490–493. Nothing more on that subject is required here. American Banana Co. v. United Fruit Company, 213 U.S. 347, 29 S.Ct. 511, 53 L.Ed. 826 (1909), relied on by the interventors, is not to the contrary and is not in point.

(7)

[33] Dunhill argues that, as the exclusive dealer for Menendez, Garcia "Monte Cristo" cigars, it had the right to use that trademark while the exclusive dealership contract remained in effect and therefore cannot be held to have been an infringer. This argument and Dunhill's attempt to draw support for it from Zwack v. Kraus Bros. & Co., 133 F.Supp. 929 (S.D.N.Y.1955), aff'd in part and remanded, 237 F.2d 255 (2d Cir. 1956), is more ingenious than meritorious. Neither of the opinions in Zwack lend the slightest support to Dunhill's position. An exclusive dealer for a trademarked product has no right to use the trademark on products manufactured by others. *See, e. g.*, Flexitized, Inc. v. National Flexitized Corporation, 335 F.2d 744 (2d Cir. 1964), cert. denied, 380 U.S. 913, 85 S.Ct. 899, 13 L.Ed.2d 799; *cf.* Monsanto Chemical Co. v. Perfect Fit Products Co., 349 F.2d 389 (2d Cir. 1965), cert. denied, 383 U.S. 942, 86 S.Ct. 1195, 16 L.Ed.2d 206.

(8)

[34] I find that each of the owners has established that both the importers and the interventors violated the Lanham Act by infringing the owners' registered United States trademarks for their respective brands of cigars.

D.

[35] It necessarily follows from this finding that it has also been established that the importers were guilty of unfair competition under New York law. This is so whether the New York law of unfair competition "is governed by essentially the same principles" which govern trademark infringement under the Lanham Act, Avon Shoe Co. v. David Crystal, Inc., 279 F.2d 607, 614 (2d Cir.), cert. denied, 364 U.S. 909, 81 S.Ct. 271, 5 L.Ed.2d 224 (1960); Chester Barrie, Ltd. v. Chester Laurie, Ltd., 189 F.Supp. 98, 103 (S.D.N.Y.1960), or is considerably broader and covers "a wide variety of situations to insure that 'one may not misappropriate the results of the skill, expenditures and labors of a competitor'." Flexitized, Inc. v. National Flexitized Corporation, *supra*, 335 F.2d at 781 *citing*, Electrolux Corp. v. Val-Worth, Inc., 6 N.Y.2d 556, 567, 190 N.Y.S.2d 977, 986, 161 N.E.2d 197, 203 (1959).

E.

The owners seek injunctive and monetary relief. The question of what relief they are entitled to must next be determined.

(1)

The owners seek an injunction against future violations of their trademark rights under Section 34 of the Lanham Act, 15 U.S.C. § 1116. It is plain that they are not entitled to such relief at this time.

The last shipment of cigars bearing these trademarks to any of the importers was made in February, 1961. All shipments by the interventors to the United States ceased when the embargo against Cuban goods went into effect in February, 1962. As far as the record here shows, there have been no sales of cigars bearing these trademarks in the United States by the importers or the interventors for many years.

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[36] Plainly, there is no likelihood of any violations of the owners' United States rights by the importers or the interventors in the foreseeable future. Under these circumstances, the issuance of an injunction would be an empty gesture. No ground for injunctive relief has been shown and such relief must be denied.

(2)

Under Section 35 of the Lanham Act 15 U.S.C. § 1117, the owners "subject to the principles of equity" are entitled to recover "any damages sustained" because of the infringements.

The owners have been unable to show that they sustained any damage by reason of the infringements here. During the relatively brief period after intervention with which we are concerned, the owners were not engaged in the cigar business. They were not selling Cuban cigars or any others. Thus, they did not suffer any diversion of business which might have come to them but for the use of their marks by the importers and interventors.

Moreover, there is no evidence that the owners' reputations or those of their trademarks were tarnished or impaired in any way by the post-intervention sales of cigars bearing their marks. There is no evidence of any substance that the cigars shipped and sold after intervention were inferior in any respect to those on which the owners had built their reputations and goodwill. Phoenix Manufacturing Co. v. Plymouth Mfg. Co., 286 F.Supp. 324, 331 (D.Mass. 1968). Indeed, it is probable that the continued use of the marks in the post-intervention period was beneficial rather than otherwise. The marks were kept before the consuming public and the diminution in goodwill which might have resulted had they disappeared from the market did not occur.

There is no evidence to support the owners' claim that the continuing sales of the cigars shipped by the interventors made it difficult for them to obtain the financial support necessary to re-establish their businesses here and thus deprived them of sales which they otherwise would have been able to make. Moreover, after intervention the owners were unable to obtain the Cuban tobacco required to manufacture cigars which could properly bear their marks. This made it impossible for them to continue making sales to their former customers, whether they obtained financial backing or not.

(3)

Section 35 provides for recovery "subject to the principles of equity" of "defendant's profits". It further provides that

> [i]f the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum . . . shall constitute compensation and not a penalty.

[37] It is well established that, despite what appears to be the mandatory language of the statute, the granting or denial of an accounting of profits depends on the circumstances of the particular case. The most recent and definitive pronouncement in this Circuit on when an accounting may be granted is in Monsanto Chemical Co. v. Perfect Fit Products Mfg. Co., *supra*. There defendant was found to have deliberately infringed plaintiff's trademark "Acrilan". However, the trial court declined to award an accounting on the grounds that the parties were not competitors. On appeal the critical issue was whether the facts justified an accounting.

The Court of Appeals considered the two views on the propriety of an accounting in trademark infringement suits then generally prevailing. The narrower and more conventional view, expressed in Durable Toy & Novelty Corp. v. J. Chein & Co., 133 F.2d 853 (2d Cir.), cert. denied, 320 U.S. 211, 63 S.Ct. 1447, 87 L.Ed. 1849 (1943), was that an ac-

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counting "is justified only to the extent that injury is shown already to have been suffered." 349 F.2d at 392.

> "An accounting has been thought proper only as an indirect measure of the plaintiff's injury, that is, only if some relationship between the infringer's profits and the plaintiff's injury can be inferred. As a result accountings have been limited to cases in which the parties are competing for trade and the defendant's trade may thus be presumed to have been diverted from the plaintiff."

Id. at 392.[23] Since the owners were not selling cigars during the period in which the infringements occurred and were in no sense damaged by the infringements, an accounting would plainly be denied under this view.

The second view awarded an accounting on "the principles of unjust enrichment" on the theory that the trademark right is an intangible property right. Id. at 392. *See* Baker v. Simmons Co., 325 F.2d 580, 582 (1st Cir. 1963); Blue Bell Co. v. Frontier Refining Co., 213 F.2d 354, 362–363 (10th Cir. 1954); Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U.S. 251, 36 S.Ct. 269, 60 L. Ed. 629 (1916).

Prior decisions of this Circuit had squarely rejected the view that the trademark right was an intangible property right, *see* Durable Toy & Novelty Corp. v. J. Chein & Co., *supra*, and had apparently adopted the view that an accounting was proper only where damages could be presumed and thus only where the parties were competitors. *See* Admiral Corp. v. Penco, Inc., 203 F.2d 517 (2d Cir. 1953); Triangle Publications, Inc. v. Rohrlich, 167 F.2d 969 (2d Cir. 1948). *But cf.* Maternally Yours, Inc. v. Your Maternity Shop, Inc., 234 F.2d 538, 545 (2d Cir. 1956), Dad's Root Beer v. Doc's Beverages, 193 F.2d 77, 82–83 (2d Cir. 1951) allowing an accounting where the parties marketed similar products but in different geographical markets.[24]

The Court in Monsanto, viewing the purposes of the Lanham Act as protection of the public from deception and of the trademark owner from piracy, overruled *Durable Toy, Admiral,* and *Triangle Publications* insofar as they were contrary and adopted the more flexible approach of *Dad's Root Beer* and *Maternally Yours,* "which refer to the traditional discretion of a court of equity in adapting its relief to the case before it." 349 F.2d at 395.

Relying on factors peculiar to the case, the Court granted an accounting for the following reasons: First, despite the difficulties of proof "it seems obvious that there must have been some economic injury to Monsanto, such as loss of sales to legitimate producers and the loss of the good will of some of the retail purchasers of Perfect Fit's inferior 'Acrilan' mattress pads." *Id.* at 396.

Moreover, the public interest required an accounting under the circumstances present there. Only by granting an accounting would the infringement be made sufficiently unprofitable as to deter future infringements. The need for deterrence was found to be particularly acute as to defendant Perfect Fit, which had "taken up trademark infringement as its principal line of business." *Id.* at 396.[25]

The Court concluded:

> "We do not hold that it is irrelevant whether the parties are in direct competition; compensation for diverted trade is one important purpose which an accounting may serve. To restrict accountings to this single purpose, however, fails to take account of the other purposes served by the trademark law. Under the circumstances of this case, a judgment limited to an

23. *See* Restatement, Torts, § 747; Note, 1963 Wash.U.L.Q. 243.

24. The *Monsanto* opinion cast doubt on the soundness of the distinction in terms of policy or precedent. *Id.* at 395.

25. Perfect Fit had egregiously misused the Acrilan trademark on numerous occasions.

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injunction is clearly inadequate to deter those who deliberately engage in commercial piracy which defrauds thousands of consumers and injures a trade name built up at considerable cost by legitimate means."

Id. at 397.

[38] *Monsanto* makes it plain that an accounting of profits is not required merely because infringement has been proven and that whether or not an accounting should be granted is dependent upon a variety of factors. Viewing the facts and circumstances in the cases at bar in the light of the facts referred to in *Monsanto*, it is clear to me that accounting not only is not required here but would not be appropriate.

If an accounting were granted in these cases, it is difficult to conjure up a case where it should not be granted. The trademarks were used by both the importers and the interventors in good faith and in the honest and reasonable belief they were entitled to use them. As has been pointed out, there was confusion as to the legal rights of the various parties. There is no evidence that either importers or interventors wilfully and intentionally set about to use marks which they knew belonged to others or to deceive the public in any way.

Though there was plainly at least technical infringement, there is no significant evidence that the cigars sold after intervention under the marks were inferior to those previously sold by the owners or that the consumers purchasing them received anything less than what they expected or bargained for. *Cf.* Phoenix Manufacturing Co. v. Plymouth Mfg. Co., 286 F.Supp. 324, 331 (D. Mass.1968).

Moreover, as has been pointed out, the owners were not damaged by the infringement. No sales which they otherwise would have made were diverted from them. Neither their reputations nor their marks were stained or damaged in any way. Viewed realistically, whatever damage was sustained by the owners came about because of the expropriations of their businesses in Cuba, which this Court is proscribed from questioning, and not because of the trademark infringements.

Thus, in these cases, there is no evidence of wrongful intent, harm to the public or damage to the owners arising from the infringements.

In contrast, *Monsanto* involved a deliberate and successful design to trade on the good will of the plaintiff's marks and to deceive the consuming public by one whose principal line of business was trademark infringement. As a result, the public was defrauded and economic loss was inflicted on the plaintiff. There an accounting was fully justified, if not essential, as a deterrent to further such conduct and to effectuate the purposes of the statute.

In the cases at bar an accounting would serve little purpose other than to provide the owners with a windfall and to punish the importers and interventors for acts done without wrongful intent.

[39] What has already been said as to denial to the owners of relief under the Lanham Act makes it plain that they are not entitled to damages or an accounting on their claims of unfair competition under New York law. *See* Electrolux Corp. v. Val-Worth, *supra*; Flexitized Inc. v. National Flexitized Corp., *supra*.

F.

Saks contends that the interventor of Menendez, Garcia is obligated by contract to indemnify it for the costs, including counsel fees, of defending the trademark infringement claims.[26]

The post-intervention shipment made to Saks and the prior shipments made by the owner were made pursuant to purchase orders which had printed on the back, among other terms the following:

(14)—You agree to protect, indemnify and hold us harmless from any

26. It has been stipulated that the counsel fees incurred by Saks in defending the trademark claims up to January 14, 1969 amount to $3,000.

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claim, loss, damage, charge, cost and expense, including attorneys' fees, which may result to us from any claim of infringement of patents, copyrights or trademarks or claim of unfair competition, in connection with the merchandise covered by this order . ."

At the top of the back of the order is the heading, in large boldface capital letters, "ADDITIONAL TERMS, CONDITIONS AND INSTRUCTIONS—PLEASE READ." The front of the order states:

> We hereby order the merchandise, supplies or services described above, subject to the terms, conditions and instructions printed and written on the face and reverse sides hereof.

[40] It is well-settled that a purchase order is an offer to enter into a contract which is accepted by the seller when the goods ordered are shipped. *E.g.*, Williston, Sales (Rev. ed.) § 56, at 13; Restatement, Contracts § 52.

The Menendez, Garcia interventor contends that he could not reasonably have been expected to have been aware of the quoted terms on the back of the order because they were in small print, difficult to read and in English rather than Spanish. He urges, therefore, that he is not bound thereby.

None of this is persuasive. The expropriated factory was carrying on extensive business with American importers. The order forms used in that business, including the Saks form, were all in English and were the same as had been used previously. There is not a scintilla of evidence that the interventor, to say nothing of his employees who were dealing with the details of the transactions, had any difficulty in understanding English.

All the terms on the reverse side of the purchase order are in the same type under a heading which could not have been missed, warning that they should be read. The terms are printed and not at all illegible.

[41] No good reason has been shown why the terms and conditions of the order should not have been fully understood by the shippers. By shipment of the goods, the Menendez, Garcia interventor became contractually bound by the terms of the order. He is obligated under such terms to indemnify Saks for its reasonable counsel fees and Saks is entitled to recover the amount of such fees from him.

[42] The contention of Dunhill and Faber that they are also entitled to recover counsel fees for defending the infringement claim from the interventors is in a different posture. In contrast to the Saks purchase order, the Dunhill and Faber orders made no reference whatsoever to such indemnification and there is no contract obligation to that effect.

Dunhill and Faber were fully aware of the facts as they continued to purchase cigars from the interventors and should have been as aware as the interventors of any possible legal consequences of so doing. Their claims for indemnification of counsel fees are wholly without substance or merit and are in all respects denied.

* * *

In conclusion, it may be noted that the other points raised by the parties, including statute of limitation questions, have been considered and have been deemed so lacking in merit as to require no discussion. It should also be noted that dollar amounts referred to in this opinion are approximate only and are subject to correction in the final judgment.

This opinion constitutes my findings of fact and conclusions of law in these cases.

Settle judgment on thirty days' notice.

SUPPLEMENTAL MEMORANDUM

BRYAN, District Judge:

In my opinion of March 17, 1972 in these cases, I held that the defendant importers are entitled to set off the amounts paid by them to the interventors on account of pre-intervention shipments for which the importers were held liable to

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the owners against the amounts owed by them to the interventors for post-intervention shipments.

Apparently, the amounts paid by defendant Dunhill to the interventors on account of pre-intervention shipments are greater than the amounts which Dunhill owed the interventors for post-intervention shipments. Dunhill paid out a total of approximately $148,600 to the interventors on account of pre-intervention shipments for which Dunhill is liable to the owners. Yet, the amounts owed the interventors by Dunhill for post-intervention shipments total only some $93,000. The other defendant-importers are not in this position since the amounts that these importers paid out to the interventors for pre-intervention shipments are less than the amounts these importers owe the interventors for post-intervention shipments. Consequently, Dunhill has moved for a finding that it is entitled to affirmative judgment on its counterclaims against the respective interventors for the differences between the amounts paid out on account of pre-intervention shipments and the amounts owed the interventors for post-intervention shipments, instead of being limited to offsetting the amounts previously paid against the amounts owed.

The interventors have submitted no papers in opposition and do not appear to oppose this application. The owners take the position that my original opinion should not be disturbed, but apparently do not oppose Dunhill's application, either, and indeed could not well do so.

[43] No reason has been advanced why Dunhill's application for such affirmative judgments against the interventors should not be granted, nor do I see any. The same considerations which led me to hold Dunhill entitled to offset the amounts in question against the amounts due to the interventors now impels the conclusion that Dunhill is entitled to affirmative relief for the differences between the amounts it owed to the respective interventors and the amounts previously paid to the interventors on account of pre-intervention shipments which the owners are entitled to recover from Dunhill.[1] I so find.

The judgments in these cases will reflect this finding and will be settled on 20 days' notice. Proposed judgments will be submitted within 15 days from the date of filing of this supplemental memorandum. Separate judgments will be entered for each of the three groups of cases which have been consolidated for all purposes. Thus, separate proposed judgments will be submitted for settlement for each of the following consolidated actions:

(1) 61 Civil 472, 582, 583, 584

(2) 61 Civil 848, 849, 850, 869

(3) 61 Civil 3336

IT IS SO ORDERED.

William F. BOYER, Plaintiff,

v.

STATE OF WISCONSIN, United States of America, et al., Defendants.

No. 72-C-19.

United States District Court,
E. D. Wisconsin.
June 9, 1972.

Civil rights action. On motions to dismiss, the District Court, Myron L. Gordon, J., held that complaint alleging that state, county, judge and private persons "through their actions" in connection with involuntary commitment of plaintiff deprived him of due process and equal protection failed to state a claim upon which relief could be granted.

Motions granted.

See also, D.C., 55 F.R.D. 90.

1. No questions with respect to execution of such judgments are before me and I express no view on that subject.

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4. In this case, defendants' interest in security which is furthered by Rule 207 does not outweigh plaintiff's interest in the free exercise of his religious freedom.

5. Rule 207 is not the method of achieving security which least restricts the exercise of religious freedom.

6. All findings of fact which are herein labeled as conclusions of law shall be deemed to be findings of fact.

IT IS THEREFORE ORDERED AND ADJUDGED that Rule 207 be declared unconstitutional and invalid, and that defendants be enjoined from enforcing the same, to the extent that such regulation and its enforcement prevents the growing of long hair and a beard by a sincere adherent of a recognized religion which requires long hair and a beard as one of its fundamental tenets.

IT IS FURTHER ORDERED that defendants immediately cease any punitive actions which are being taken against plaintiff as a result of his failure to comply with Rule 207.

IT IS SO ORDERED.

CUBAN CIGAR BRANDS N. V., Plaintiff,

v.

UPMANN INTERNATIONAL, INC., Defendant.

No. 77 Civ. 345.

United States District Court, S. D. New York.

July 20, 1978.

Owner of trademark used in sale of cigars sought declaratory and injunctive relief under Lanham Act and common law and defendant sought dismissal of complaint and requested declaratory judgment permitting it to use its marks without interference. The District Court, Weinfeld, J., held that: (1) evidence did not establish that plaintiff had been guilty of laches in asserting its claim of infringement, and (2) where defendant blatantly misused its trademarks in attempting to procure use of trade name alone, to prevent plaintiff's continued use, to blur whatever distinctions existed between the parties' products and to trade upon renown and reputation of plaintiff, defendant could not claim that its marks were incontestable or protect them from cancellation.

Defendant enjoined from continued use of its marks and use of plaintiff's trade name alone or as part of its corporate name and registrations for defendant's marks cancelled.

1. Trade Regulation ⇐448

Laches is a defense in suit under Lanham Act, even where trademark is incontestable. Lanham Trade-Mark Act, §§ 15, 32(1), 34, 15 U.S.C.A. §§ 1065, 1114(1), 1116.

2. Trade Regulation ⇐576

In trademark infringement action, burden of proving defense of laches is on party asserting it. Lanham Trade-Mark Act, §§ 15, 32(1), 34, 15 U.S.C.A. §§ 1065, 1114(1), 1116.

3. Trade Regulation ⇐576

In trademark infringement case, defendant's proof of laches defense must show that plaintiff knew of defendant's use of its mark, that plaintiff inexcusably delayed in taking action with respect thereto and that defendant will be prejudiced by permitting plaintiff inequitably to assert its right at time action is brought. Lanham Trade-Mark Act, §§ 15, 32(1), 34, 15 U.S.C.A. §§ 1065, 1114(1), 1116.

4. Trade Regulation ⇐385

Laches may be defense to trademark infringement action seeking an injunction. Lanham Trade-Mark Act, §§ 15, 32(1), 34, 15 U.S.C.A. §§ 1065, 1114(1), 1116.

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5. Trade Regulation ⇐385

Mere delay in asserting rights does not alone constitute laches and alleged infringer must show more to interpose a successful defense in trademark infringement action. Lanham Trade-Mark Act, §§ 15, 32(1), 34, 15 U.S.C.A. §§ 1065, 1114(1), 1116.

6. Trade Regulation ⇐387

Mere lapse of time does not constitute laches barring injunctive relief in trademark infringement case. Lanham Trade-Mark Act, §§ 15, 32(1), 34, 15 U.S.C.A. §§ 1065, 1114(1), 1116.

7. Trade Regulation ⇐576

While trademark infringer claiming laches need not be in total ignorance of another's mark, it must be able to demonstrate absence of any intent to confuse and deceive public and there must be lack of evidence showing scheme to foist on public products of defendant as those of plaintiff. Lanham Trade-Mark Act, §§ 15, 32(1), 34, 15 U.S.C.A. §§ 1065, 1114(1), 1116.

8. Trade Regulation ⇐599

In trademark infringement action involving use of variations of name as trademark in sale of cigars, evidence did not establish that plaintiff had been guilty of laches in asserting its claim of infringement and evidence established that defendant's use of name in its trademarks had been in bad faith, so as to preclude its asserting defense of laches. Lanham Trade-Mark Act, § 15, 15 U.S.C.A. § 1065.

9. Trade Regulation ⇐253

Where plaintiff's trademark was used nationwide before registration of defendant's marks, the defendant's marks were not incontestable as against mark of plaintiff. Lanham Trade-Mark Act, § 15, 15 U.S.C.A. § 1065.

10. Trade Regulation ⇐282

That defendant's use of trademark may be enjoined by plaintiff does not alone mean that the defendant's trademarks may be cancelled. Lanham Trade-Mark Act, § 14(c), 15 U.S.C.A. § 1064(c).

11. Trade Regulation ⇐282

Where infringer blatantly misused its trademarks in attempting to prevent plaintiff's continued use of its similar mark, to blur whatever distinctions existed between parties' products and to trade upon renown and reputation of plaintiff, defendant could not claim that its marks were incontestable or protect them from cancellation. Lanham Trade-Mark Act, § 14(c), 15 U.S.C.A. § 1064(c).

12. Trade Regulation ⇐70

Fact that trademark holder was intervened by Cuban government and thus prevented from exporting its brand of cigars to United States until shortly before it brought trademark infringement action did not constitute an abandonment of its trademark. 28 U.S.C.A. §§ 1332, 1338; Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

Watson, Leavenworth, Kelton & Taggart, New York City, for plaintiff; Frank J. Colucci, Leslie D. Taggart, Howard B. Barnaby, Jr., William R. Liberman, New York City, of counsel.

Bader & Bader, New York City, for defendant; I. Walton Bader, New York City, of counsel.

OPINION FINDINGS OF FACT AND CONCLUSIONS OF LAW

WEINFELD, District Judge.

This trademark infringement action involves variations on the name "Upmann" as a mark used in the sale of cigars.[1] Plaintiff, owner of the mark "H. Upmann," seeks declaratory and injunctive relief under the Lanham Act[2] and the common law: (a) cancelling defendant's federal registration of the marks "Carl Upmann" and "Upmann's Repeater" and (b) enjoining defendant's further use of these marks, the name "Upmann" alone as a mark, and its recently

1. Jurisdiction is founded upon 28 U.S.C. §§ 1332, 1338

2. 15 U.S.C. §§ 1051 *et seq.*

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adopted corporate name, "Upmann, International, Inc." Interposing various defenses such as laches, abandonment and the incontestability of its marks, defendant seeks to dismiss the complaint and requests a declaratory judgment permitting it to use its marks without interference. Defendant also counterclaims, alleging that plaintiff had committed various antitrust and United States tax law violations which require cancellation of plaintiff's mark and an award of treble damages in its favor. The antitrust and tax law claims, for which defendant demanded a trial by jury, were severed from the trademark issues which were tried to the Court.

[1] At the close of a two-day trial, the Court indicated that there was no question but that there was "likelihood of confusion" under the Lanham Act [3] and cases construing it.[4] Plaintiff was thus entitled to the injunctive relief sought, unless one of the defendant's defenses could be sustained—specifically, whether plaintiff was guilty of laches [5] and whether the defendant's use of Upmann in its marks was in bad faith so as to preclude its asserting that defense. Answering the first question negatively and the second affirmatively, the Court grants plaintiff its requested relief.

I

A. The Parties, Individually

Simply stated, H. Upmanns manufactured in pre-Castro Cuba were among the world's finest cigars. First registered in this country on December 17, 1912 to H. Upmann & Co. of Havana, Cuba (Registration No. 89,518),[6] the mark and business were acquired by Menendez, Garcia y Compania ("Menendez Garcia"), a Cuban limited liability partnership,[7] on or about August 2, 1939. Although its reputation even then was that of a fine, expensive, hand-made cigar, its sales volume was not commensurate with its reputation, and Menendez Garcia sought to change that situation.

Their efforts met with great success. By 1959, H. Upmann had garnered nearly 80% of the premium cigar market in Cuba and by volume was the largest brand exported. Packaged in attractive cedar boxes, espe-

3. Section 32 of the Lanham Act, 15 U.S.C. § 1114(1).

4. *See, e. g., Grotnan, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1336 (2d Cir. 1975), *Kiki Undies Corp. v. Promenade Hosiery Mills, Inc.*, 411 F.2d 1097, 1099 (2d Cir. 1969), *cert. dismissed*, 396 U.S. 1054, 90 S.Ct. 707, 24 L.Ed.2d 698 (1970); *Mushroom Makers, Inc. v. R. G. Barry Corp.*, 441 F.Supp. 1220, 1225 (S.D.N.Y.1977), *aff'd*, 580 F.2d 44 (2d Cir. 1978), *Stix Prods., Inc. v. United Merchants & Mfrs., Inc.*, 295 F.Supp. 479, 486 (S.D.N.Y.1968)

Indeed, despite its contention at trial that the marks are not confusingly similar, defendant had earlier argued precisely the opposite. In a petition to cancel plaintiff's mark filed prior to the commencement of this action, *see* text accompanying notes 14 and 40 *infra*, defendant swore that the registration (other than its own) of a mark "bearing the word UPMANN constitutes a cloud on" its title and that "on information and belief, the words CARL UPMANN and H. UPMANN utilized on identical goods are confusingly similar to one another." At trial, defendant offered no convincing explanation for these inconsistent positions.

5. It is clear from both the statute and the cases that laches is a defense even where a mark is incontestable under 15 U.S.C. § 1065. *See* 15 U.S.C. § 1116 (Court has power "to grant injunctions, according to the principles of equity"); *Roto-Rooter Corp. v. O'Neal*, 513 F.2d 44 (5th Cir. 1975); *John Wright, Inc. v. Casper Corp.*, 419 F.Supp. 292 (E.D.Pa.1976); *Haviland & Co. v. Johann Haviland China Corp.*, 269 F.Supp. 928 (S.D.N.Y.1967); *Polaroid Corp. v. Polarad Elec. Corp.*, 182 F.Supp. 350 (E.D.N.Y. 1960), *aff'd*, 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961).

6. The registration was renewed on December 17, 1952, and was republished on February 9, 1954; and combined affidavits under sections 8 and 15 of the Lanham Act, 15 U.S.C. §§ 1058, 1065, were filed on April 22, 1959. The registration was most recently renewed on December 17, 1972 and is presently outstanding and uncancelled.

7. As noted in a prior case involving plaintiff's assignor, a Cuban limited liability partnership is "an entity unfamiliar to American law." *F. Palicio y Compania, S. A. v. Brush*, 256 F.Supp. 481, 483 (S.D.N.Y.1966), *aff'd*, 375 F.2d 1011 (2d Cir.), *cert. denied*, 389 U.S. 830, 88 S.Ct. 95, 19 L.Ed.2d 88 (1967). Unless otherwise required by the text, reference to plaintiff in this opinion shall be deemed to include its predecessors.

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cially for luxury store distribution, H. Upmanns were sold throughout the United States by leading cigar importers and distributors as a premium product. Menendez Garcia spent about $50,000-$70,000 per year on direct advertising which appeared in magazines such as the *New Yorker* and *Fortune* and in the financial press; the American importers also advertised in their catalogues and with the news media. In its last full year of business in Cuba, Menendez Garcia exported to this country more than five million cigars at a wholesale price in excess of one and one-half million dollars; the cigars were then sold for between 50¢ and $1.25 per cigar, according to grade.

In 1960, the Menendez Garcia organization was intervened (in effect, confiscated) by the Castro government.[8] The principals, joined by a number of their skilled employees, fled Cuba for Spain and, in Las Palmas, Canary Islands, formed Compania Insular Tabacalera ("CIT"), along with investors including some of those previously interested in Menendez Garcia and a number of new, additional interests. For a while, they continued to manufacture cigars with Cuban-grown tobacco, but after the United States embargo on Cuban goods took effect,[9] CIT began to experiment with blends of Santo Domingo, Brazil, Cameroon, Sumatra and Connecticut tobacco. These cigars were sold under trademarks other than H. Upmann, in part because of ongoing litigation concerning ownership of the mark with various importers and the Cuban government,[10] which, following its intervention, continued to export cigars under the H. Upmann name. CIT, however, continued to test various blends, in an effort to market a non-Cuban tobacco cigar of equally high quality as the Cuban version under the name H. Upmann once the ownership issue was resolved. Although there were various shipments of non-Cuban H. Upmanns made prior to 1975, these were *de minimis* and were made for the sole purpose of testing various blends. In November 1975, however, having emerged victorious on the ownership issue, thus entitled to the exclusive right to use H. Upmann,[11] and having developed a satisfactory blend of non-Cuban H. Upmann cigars, CIT began shipments in earnest. The return of H. Upmann to the American market was greeted with great acclaim in the press and renewed consumer acceptance.

Plaintiff acquired the business, the H. Upmann mark, as well as another former Menendez Garcia brand in 1976, for which it paid $1,000,000, although CIT continues manufacturing. Since plaintiff's acquisition, sales have been at the rate of approximately 300,000 per month; the retail prices are twice what they were in 1959. Plaintiff continues to advertise through television, magazines and newspapers, and distributors likewise continue to promote the product. Having successfully passed through rebirth, H. Upmann now enjoys the revival of its reputation as one of the premium cigars sold in this country.

Defendant's tale is rather less illustrious. The earliest use for which any evidence was offered at trial was the early 1930's, although the applications filed in 1954 for

8. Among the various reported litigations relating to the Cuban intervention of the cigar industry are *Alfred Dunhill of London, Inc. v. Republic of Cuba*, 425 U.S. 682, 96 S.Ct. 1854, 48 L.Ed.2d 301 (1976). *Garcia v. Montecristi Cigar Co.*, 409 F.2d 14 (5th Cir. 1969). *Menendez v. Faber, Coe & Gregg, Inc.*, 345 F.Supp. 527 (S.D.N.Y.1972), *aff'd sub nom. Menendez v. Saks & Co.*, 485 F.2d 1355 (2d Cir. 1973), *cert. denied*, 425 U.S. 991, 96 S.Ct. 2201, 48 L.Ed.2d 815 (1976). *F. Palicio y Compania, S. A. v. Brush*, 256 F.Supp. 481 (S.D.N.Y.1966), *aff'd*, 375 F.2d 1011 (2d Cir.), *cert. denied*, 389 U.S. 830, 88 S.Ct. 95, 19 L.Ed.2d 88 (1967); *R. C. W., Supervisor, Inc. v. Cuban Tobacco Co.*, 220 F.Supp. 453 (S.D.N.Y.1963).

9. *See* Presidential Proclamation No. 3447, 27 Fed.Reg. 1085 (1962).

10. *E. g., Menendez v. Faber, Coe & Gregg, Inc.*, 345 F.Supp. 527 (S.D.N.Y.1972), *aff'd sub nom. Menendez v. Saks & Co.*, 485 F.2d 1355 (2d Cir. 1973), *cert. denied*, 425 U.S. 991, 96 S.Ct. 2201, 48 L.Ed.2d 815 (1976). *F. Palicio y Compania, S. A. v. Brush*, 256 F.Supp. 481 (S.D.N.Y.1966), *aff'd*, 375 F.2d 1011 (2d Cir.), *cert. denied*, 389 U.S. 830, 88 S.Ct. 95, 19 L.Ed.2d 88 (1967).

11. *See* cases cited in note 10 *supra*.

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what eventually became registrations numbered 648,113 and 648,144 for the marks Carl Upmann and Upmann's Repeater respectively, claim use in interstate commerce dating back to 1871. As told by Antonio Suarez, registrant of the marks and defendant's assignor and principal witness at trial, the history of the marks is as follows. In the early 1930's, a Tampa, Florida firm employing Suarez received a contract to manufacture the Carl Upmann line from what was then Carl Upmann, Inc., headed by one Carl Julius Upmann who was said to be a descendant of the cigar's namesake. Carl Upmann, Inc., a New York entity, was succeeded by another corporation, Upmann & Suarez, in 1941 which continued the sale (such as there was) of Carl Upmann cigars, using the same labels, bands, displays, etc. left over from Carl Upmann, Inc. Upmann & Suarez was dissolved in 1946 or 1947, however, and Suarez moved to Tampa where, according to his testimony, he continued the manufacturing and sale of Carl Upmann cigars and Upmann's Repeaters under the name of Antonio Suarez y Compania. Suarez applied to register the marks in 1954. After various difficulties were overcome,[12] the Patent Office accepted the registrations and published the marks in June of 1955. In 1962, Suarez filed a combined affidavit under Sections 8 and 15 of the Lanham Act, 15 U.S.C. §§ 1058, 1065.

Suarez has no records of his business either with Upmann or alone, and consequently, there is lack of or insufficient evidence upon which accurately to determine the extent of business done by him under the marks. Indeed, the only documentary proof of any sales whatsoever during the entire time Suarez owned or worked with the marks consists of a handful of orders covering a limited period in 1947. The evidence does support a finding that Carl Upmann or Upmann's Repeater never achieved acceptance by the smoking public that even came close to approaching the fame and financial success of H. Upmann. Whatever distribution of these cigars that may have been made was indeed sparse.

In 1963, Suarez sold his rights in the marks Carl Upmann and Upmann's Repeater to Zelick Gimelstein, owner of Zelick's Tobacco Corporation of Miami Beach, Florida. Gimelstein arranged shortly thereafter for the manufacture and sale of the cigars. When Zelick died in 1971, he was succeeded by his son Alex, chief executive of the defendant, who also testified at trial.

Defendant's cigars are presently manufactured in and imported from Honduras; at the time defendant acquired the marks, however, it arranged for their manufacture by a Tampa, Florida firm. Intermittent advertising in trade journals began in 1972, and was expanded somewhat in 1974. No advertising was done in the general media. The only evidence of sales offered goes back to 1966.[13] From that point until 1974, sales of both brands combined never went above 222,000 annually and, in fact, averaged approximately 115,120. In 1974, however, they rose to 465,000; in 1975, approximately 587,000 and in 1976, approximately 1,007,700 were sold. The 1977 sales are placed at over 1,474,200.

But 1974 was significant to defendant for another reason. In that year, Alex Gimel-

12. *See* text p 1095 *infra*

13. At trial, defendant's counsel offered six cartons of receipts and promised that he would prepare, with plaintiff, a breakdown of sales reflecting the receipts "during the luncheon recess." Counsel also promised to do this subsequent to the completion of trial. While noting that the breakdown should have been disposed of prior to trial, the Court acquiesced. When he delivered copies of the post-trial briefs and proposed findings, counsel promised that the breakdown would be delivered within a few days. After the reply papers were submitted, counsel still had not provided the breakdown. On July 12, six weeks after the conclusion of the trial, the Court set a deadline of July 14, 1978, extended until Monday, July 17, 1978, for the submission of these figures.

When submitted, there were still disputes between the parties concerning the amounts of sale. Even resolving all such disputes in defendant's favor, the above figures represent the totality of business done since 1966 under these marks. It should also be noted that Carl Upmann sales account for by far the bulk of the total figures; in fact, in 1966, there were no sales of Upmann's Repeater whatsoever.

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stein caused the incorporation of defendant under its present name, Upmann International, Inc. In July 1975, it applied to the Patent Office to register the mark of Upmann alone. Later, in September 1975, defendant commenced proceedings to cancel a number of former Cuban cigar marks, including H. Upmann, which had not yet resumed bulk sales in this country, claiming that the marks were abandoned, and with respect to H. Upmann, that it was confusingly similar to defendant's own marks.[14] The proceeding against H. Upmann was dismissed when defendant failed to clarify internal inconsistencies in its application.[15] Proceedings on defendant's application to register Upmann alone, to which H. Upmann objected, were suspended when this suit was commenced.

B. Prior Interaction of the Parties

Suarez admitted that basically from the time he began with the Carl Upmann and Upmann's Repeater marks, he knew of the H. Upmann cigar. Whether the converse was also true—indeed, whether plaintiff knew of defendant's marks at all—is less clear.

According to Suarez, he was approached in the early 1940's by one Feuyo in New York City regarding a proposal for the sale of the Carl Upmann trademark and business to Menendez Garcia, but as the proposal did not include any job opportunity for his partner, Carl Julius Upmann, Suarez rejected it. Jose Garcia, plaintiff's principal witness and Menendez Garcia's principal, never heard of this alleged proposal.

Garcia had heard, however, that in the mid-1950's, Suarez approached Menendez Garcia through his partner, Alonso Menendez, concerning a proposal for the sale of the marks of Carl Upmann and Upmann's Repeater. Suarez admitted there were never any negotiations, and Garcia testified that the company rejected the offer, "because we had never seen any of those cigars in the market."

Suarez thereafter applied to register the marks. Despite knowledge of the H. Upmann mark, Suarez falsely swore that "no other person, firm, corporation or association . . . has the right to use such trademark . . . or in such near resemblance thereto as might be calculated to deceive." Registration was initially refused in part because of the H. Upmann mark. Responding to that rejection, Suarez disclaimed any designs on "the surname 'Upmann' apart from" its use with either Carl or Repeater and further suggested that "[b]oth H. Upmann and Carl Upmann are distinctively different and no confusion can arise." Despite what appears to be a patent case of confusion, the Office apparently agreed with Suarez and passed the two marks for publication in May 1955.

Acting through its authorized trademark agent, Menendez Garcia filed oppositions in 1957 against the registrations of Carl Upmann and Upmann's Repeater. For reasons unknown, however, these oppositions were not perfected and were dismissed for the opposer's failure to respond. Garcia testified that he personally did not know of either the registration or of Menendez Garica's opposition. And, as noted above, Garcia knew of no sales with these marks.

In 1966, in connection with still another Patent Office proceeding,[16] Menendez Garcia's successor CIT deposed Suarez. Although wholly unrelated to the marks there at issue, Suarez did describe some of his past use with the Carl Upmann mark and his sale of the mark to Zelick Gimelstein in 1962 or 1963.

In 1975, when defendant sought registration of the mark "Upmann" alone, plaintiff objected and filed its notice of opposition in the Patent Office. As noted above, this

14. *See* note 4 *supra*

15. In its petition, defendant listed Alex Gimelstein as the company's president. The notary public's certificate, however, stated that Gimelstein was the company's secretary. After clarification was requested and no response was offered within a reasonable time, the petition was dismissed.

16. *Suarez v. Compania Insular Tabacalera, S.A.*, 157 U.S.P.Q. 712 (T.T.A.B.1968).

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suit was then commenced suspending the Patent Office proceedings.

II

[2-4] Defendant's proof in its laches defense [17] must show that plaintiff had knowledge of defendant's use of its marks, that plaintiff inexcusably delayed in taking action with respect thereto, and that defendant will be prejudiced by permitting plaintiff inequitably to assert its rights at this time.[18] Obviously, whether the claim is sufficient to bar relief, " 'depends upon a consideration of the circumstances of each particular case and a balancing of the interests and equities of the parties.' " [19] Relying primarily on language in early Supreme Court cases, however, plaintiff argues that laches is never a defense to an action seeking an injunction—only to a claim for an accounting.[20] The Supreme Court itself, however, has repeatedly upheld the defense in an injunctive action [21] and the lower courts, explicitly and implicitly, have rejected the position urged by plaintiff.[22] Thus, "[w]here a person entitled to exclusive use of a trademark is guilty of unreasonable delay in asserting his rights against an infringer or junior user, . . . a court of equity has the discretionary power, after weighing the respective interests of the parties, to deny injunctive relief or an accounting." [23] But it is equally true that "the courts will more readily deny the dilatory plaintiff an accounting than an injunction." [24]

A. Knowledge

Little need be said about the Feuyo approach to Suarez in the early 1940's. Whether or not the offer was in fact made, which itself is questionable, there has been no showing that Menendez Garcia had any knowledge of Suarez or Carl Upmann at that time, much less that they authorized anyone to offer to purchase the latter from the former.

17. It is clear that the burden of proving the defense is on the party asserting it. *See, e. g., John Wright, Inc. v. Casper Corp.*, 419 F.Supp. 292, 322 (E.D.Pa.1976).

18. *See, e. g., Jenn-Air Corp. v. Penn Ventilator Co.*, 464 F.2d 48, 49-50 (3d Cir. 1972); *John Wright, Inc. v. Casper Corp.*, 419 F.Supp. 292, 322 (E.D.Pa.1976); *Alfred Dunhill of London, Inc. v. Kasser Distillers Prods. Corp.*, 350 F.Supp. 1341, 1364-65 (E.D.Pa.1972), *aff'd mem.*; 480 F.2d 917 (3d Cir. 1973); 4 R. Callman, The Law of Unfair Competition, Trademarks and Monopolies, § 87.3(a), at 121 (3d ed. 1970).

19. *Carl Zeiss Stiftung v. VEB Carl Zeiss, Jena*, 433 F.2d 686, 703 (2d Cir. 1970), *cert. denied*, 403 U.S. 905, 91 S.Ct. 2205, 29 L.Ed.2d 680 (1971), *aff'g and quoting* 293 F.Supp. 892, 917 (S.D.N.Y.1968) (Mansfield, J.).

20. *See Menendez v. Holt*, 128 U.S. 514, 523, 9 S.Ct. 143, 145, 32 L.Ed. 526 (1888) ("Mere delay or acquiescence cannot defeat the remedy by injunction in support of the legal right, unless it has been continued so long and under such circumstances, as to defeat the right itself."); *McLean v. Fleming*, 96 U.S. 245, 253, 24 L.Ed. 828 (1877) ("Equity courts will not, in general, refuse an injunction on account of delay in seeking relief, where the proof of infringement is clear, even though the delay may be such as to preclude the party from any right to an account for past profits.")

21. *French Republic v. Saratoga Vichy Spring Co.*, 191 U.S. 427, 24 S.Ct. 145, 48 L.Ed. 247 (1903); *Saxlehner v. Eisner & Mendelson Co.*, 179 U.S. 19, 21 S.Ct. 7, 45 L.Ed. 60 (1900).

22. *See, e. g., Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331 (2d Cir. 1975); *Carl Zeiss Stiftung v. VEB Carl Zeiss, Jena*, 433 F.2d 686 (2d Cir. 1970), *cert. denied*, 403 U.S. 905, 91 S.Ct. 2205, 29 L.Ed.2d 680 (1971); *Polaroid Corp. v. Polorad Elec. Corp.*, 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961); *Anheuser-Busch, Inc. v. Du Bois Brewing Co.*, 175 F.2d 370 (3d Cir. 1949), *cert. denied*, 339 U.S. 934, 70 S.Ct. 664, 94 L.Ed. 1354 (1950); *Coca-Cola Co. v. Howard Johnson Co.*, 386 F.Supp. 330 (N.D.Ga.1974); *Haviland & Co. v. Johann Haviland China Corp.*, 269 F.Supp. 928 (S.D.N.Y.1967).

23. *Carl Zeiss Stiftung v. VEB Carl Zeiss, Jena*, 433 F.2d 686, 703 (2d Cir. 1970), *cert. denied*, 403 U.S. 905, 91 S.Ct. 2205, 29 L.Ed.2d 680 (1971), *aff'g and quoting* 293 F.Supp. 892, 917 (S.D.N.Y.1968) (Mansfield, J.).

24. 4 R. Callmann, The Law of Unfair Competition, Trademarks and Monopolies, § 87.3(b), at 124 (3d ed. 1970); *accord, Coca-Cola Co. v. Howard Johnson Co.*, 386 F.Supp. 330, 334 (N.D.Ga.1974) ("The Court views the cases as stating the principle contended for by plaintiff as being generally, but not always, true.")

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Suarez's approach to Menendez and Menendez Garcia's filing of opposition proceedings at most can be said to indicate that Menendez Garcia may have been aware that someone was attempting to claim rights to the marks Carl Upmann and Upmann's Repeater. But they do not demonstrate that there was any awareness on plaintiff's assignor's part of any sales with either mark which would justify the seeking of injunctive relief.[25] Indeed, Garcia's testimony was to the contrary and, as noted above, defendant offered no evidence other than Suarez's testimony to establish that there were any sales of which to be aware. Similarly, in the 1966 deposition of Suarez, although he recounted his entire history in the cigar business, including his involvement with Upmann & Suarez and his own business, Suarez also testified that he stopped manufacturing either brand in 1962 or 1963 when he sold whatever stock he had on hand to Zelick Gimelstein. There was no showing that there were then any sales with the marks or that plaintiff knew or should have known of any. Indeed, after observing Suarez's demeanor and considering the totality of testimony, I am persuaded that, aware of the valuable good will which attached to the trade name and mark H. Upmann, Suarez deliberately engaged in a program to simulate the H. Upmann name and then to get the owning interest to buy him off—a variant of the strike suit—failing which he then sold his interest in Carl Upmann and Upmann's Repeater to the defendant's predecessor.

[5, 6] But even assuming that plaintiff's predecessor did have sufficient knowledge of the Carl Upmann or Upmann's Repeater marks in 1957 when an agent, in the name of Menendez Garcia, filed opposition proceedings to defendant's marks,[26] it cannot be said that its failure to act further at that time was inexcusable. Not long after that proceeding was commenced, the Castro takeover drove the Menendez Garcia organization to the Canary Islands. The expenditure of time and capital required to rebuild the business necessarily caused attention and energy to be focused there and away from any alleged infringing activities in this country. Moreover, it was only in 1973, after prevailing at trial and on appeal in the bitterly contested and extended litigation with the Cuban government and others,[27] that plaintiff was even assured it still had a mark to protect.[28] Indeed, that very litigation, which extended over a period of more than ten years, establishes that plaintiff was a vigilant defender of its rights. Under the circumstances, whatever delay may be charged to plaintiff in asserting its rights was certainly excusable. Moreover, mere delay does not alone constitute laches;

25. *Cf. La Societe Anonyme des Parfums LeGalion v. Jean Patou, Inc.*, 495 F.2d 1265, 1270 n.5 (2d Cir. 1974) (Friendly, J.) ("The Lanham Act does not create the trademark right; it only recognizes the right acquired through use.")

26. There is some controversy concerning whether publication of a mark should constitute sufficient notice for purposes of a laches defense. *Compare Hylo Co. v. Jean Patou, Inc.*, 215 F.2d 282, 42 C.C.P.A. 723 (1954) *and Willson v. Graphol Prods. Co.*, 165 F.2d 446, 35 C.C.P.A. 857 (1948) (constructive notice from publication for purposes of laches defense), *with Valmor Prods Co. v. Standard Prods. Corp.*, 464 F.2d 200 (1st Cir. 1972) *and* 4 R. Callmann, The Law of Unfair Competition, Trademarks and Monopolies, § 87.3(b)(1), at 128 (3d ed. 1970) (constructive notice not found from publication) *See also Chandon Champagne Corp v. San Marino Wine Corp.*, 335 F.2d 531, 535 (2d Cir 1964) (Friendly, J.) (questioning whether *Willson v. Graphol Prods. Co., supra*, "goes too far in attributing to an earlier registrant constructive notice of a subsequent infringing registration"). Here, however, the fact that opposition proceedings were commenced indicates that Menendez Garcia was aware of Suarez's registration.

27. *See* cases cited in note 10 *supra*.

28. In this regard, it is also appropriate to note that a trademark owner is not bound to take on more than one infringer at a time. *See, e. g., Electronic Communications, Inc. v. Electronic Components for Industry Co.*, 443 F.2d 487, 490 (8th Cir.), *cert. denied*, 404 U.S. 833, 92 S.Ct. 80, 30 L.Ed.2d 63 (1971); *Alfred Dunhill of Lohdon, Inc. v. Kasser Distillers Prods. Corp.*, 350 F.Supp. 1341, 1365 (E.D.Pa.1972), *aff'd mem.*, 480 F.2d 917 (3d Cir. 1973).

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to interpose a successful defense, an alleged infringer must show more.[29]

B. Prejudice

Defendant's sales, even in that portion of time for which evidence was introduced, were never extensive. That, of course, does not mean that plaintiff was free to disregard defendant with impunity until such time as defendant's efforts made the threat sufficiently immediate to warrant action.[30] But until 1972, defendant did no advertising; after that date and until 1974, it advertised only intermittently in trade journals. And until 1974, defendant did virtually the same amount of annual business.[31] Obviously, the defense of laches requires more by way of showing prejudice than the simple fact that the business continued during the period of delay.

The year 1974 marks the first real rise in defendant's sales and a slight increase in its advertising, which, however, was still limited to the trade journals. But even were the Court to accept defendant's apparent suggestion that the period from 1974 to 1977 would constitute sufficient delay for laches and that the rise in sales would demonstrate sufficient prejudice for laches,[32] defendant's other activities in that period and earlier, to which the increase in sales is more properly attributable than to added advertising, preclude defendant's assertion of that defense.[33]

C. Good Faith

[7, 8] "Estoppel by laches is not available as a defense to a defendant who intended the unfair competition,"[34] and thus "[i]n asserting the defense of estoppel the defendant should be required to establish his own good faith."[35] While an infringer claiming laches need not be in total igno-

29. It is clear that mere lapse of time does not constitute laches barring injunctive relief. *See, e. g., Carl Zeiss, Stiftung v. VEB Carl Zeiss, Jena*, 433 F.2d 686, 704 (2d Cir. 1970), *cert. denied*, 403 U.S. 905, 91 S.Ct. 2205, 29 L.Ed.2d 680 (1971); *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 614 (7th Cir. 1965); *Standard Oil Co of Colorado v. Standard Oil Co.*, 72 F.2d 524, 527 (10th Cir. 1934); *Alfred Dunhill of London, Inc. v. Kasser Distillers Prods. Corp.*, 350 F.Supp. 1341, 1364–65 (E.D. Pa.1972), *aff'd mem.*, 480 F.2d 917 (3d Cir. 1973), 4 R. Callmann, The Law of Unfair Competition, Trademarks and Monopolies, § 87.-3(b), at 125 (3d ed 1970) (and cases there cited).

30. *Polaroid Corp. v. Polarad Elec. Corp.*, 287 F.2d 492, 498 (2d Cir.) (Friendly, J.), *cert. denied*, 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961), *Thomas J. Carroll & Son Co. v. McIlvaine & Baldwin*, 183 F. 22, 27 (C.C.A.2d 1910) (L. Hand, J.), *Valvoline Oil Co. v. Havoline Oil Co.*, 211 F. 189, 195 (S.D.N.Y.1913).

31. In *Anheuser-Busch, Inc. v. Du Bois Brewing Co.*, 175 F.2d 370 (3d Cir. 1949), *cert. denied*, 339 U.S. 934, 70 S.Ct. 664, 94 L.Ed. 1354 (1950), a split panel upheld a defense of laches where, although there had been no appreciable increase in defendant's sales through the years, the majority found sufficient prejudice in defendant's considerable sums spent in advertising. Judge Goodrich dissented, solely on that ground. Supporting Judge Goodrich's position, *see Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 615 (7th Cir. 1965), where the court stated that if prejudice for laches "could consist merely of expenditures in promoting the infringed name, then relief would have to be denied in practically every case of delay."

32. *But see Miss Universe, Inc. v. Patricelli*, 271 F.Supp. 104, 110 (D.Conn.), *aff'd*, 386 F.2d 997 (2d Cir. 1967) ("the doctrine of laches is inapposite in this case where the evidence makes plain a history of slow encroachment upon plaintiff's preserve, of increasingly direct competition, and of sudden promotional expansion aimed at exploitation of a market created by plaintiff."); *accord, Independent Nail & Packing Co. v. Stronghold Screw Prods., Inc.*, 205 F.2d 921, 927 (7th Cir.), *cert. denied*, 346 U.S. 886, 74 S.Ct. 138, 98 L.Ed. 391 (1953); *John Wright, Inc. v. Casper Corp.*, 419 F.Supp. 292, 323 (E.D.Pa.1976); *A. T. Cross Co. v. Jonathan Bradley Pens, Inc.*, 355 F.Supp. 365, 370–71 (S.D.N.Y.), *aff'd*, 470 F.2d 689 (2d Cir. 1972).

33. Given that "[t]he determinative factor" in assessing a claim of prejudice "is the injury to which the defendant . . . will be subjected if the injunction is issued," 4 R. Callmann, The Law of Unfair Competition, Trademarks and Monopolies, § 87.3(b)(1) at 131 (3d ed. 1970), it is relevant to note that defendant has introduced other, non-infringing brands, the sales of which appear to be increasing.

34. *Id.* § 87.3(b)(2), at 138.

35. *Id.* at 139.

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rance of another's mark,[36] it must be able to demonstrate the absence of any intent to confuse and deceive the public;[37] there must be a lack of evidence showing a scheme to "foist upon the public the [products] of the defendant as those of" the plaintiff.[38] Defendant has not met its burden. Indeed, the evidence points to the opposite conclusion: defendant stopped just this side of actually claiming to be the prior manufacturer of plaintiff's cigar.

A 1972 brochure for the Carl Upmann and Upmann's Repeater cigars contained, as described by Gimelstein, a "little story," which began with the following: "Fine Havana cigars are not really gone, they have just moved to Honduras for the Duration." It goes on to describe the cigars as being made by "Cuban expatriates experts" and assures that they will "please the most discriminating smoker and relieve the disappointed consumer who longs for fine Havana cigars." Carl Upmann cigars were never manufactured in Havana; their manufacturing was moved from Tampa to Honduras, and the move had nothing to do with the "Duration." This "little story" could only be designed to suggest to those familiar with Menendez Garcia and its products, that Carl Upmann, "hand-made by Cuban expatriates experts," was, "for the Duration" the authorized substitute for the H. Upmann cigar. In 1974, although changing the brochure somewhat, the legend still began, "Fine Havana cigars are alive and well in Honduras."

The year 1974, with the corporate name changed to Upmann International, Inc., also marked the beginning of defendant's more active encroachment on plaintiff's preserve. First, rather than perpetuating the slight distinction existing between the two companies' marks, defendant sought to blur them completely by removing the only distinctive features of its own—the Carl preceding or the Repeater following—and then use the word Upmann alone. Second, even more egregious and demonstrative of lack of good faith, is defendant's effort to have cancelled—on precisely the same ground which had been rejected in the litigation with the Cuban government and others,[39] that the marks were abandoned—H. Upmann and two other marks. Obviously, if the marks had been abandoned there would be no bar to defendant's use, providing, of course, it did not attempt to pass the cigars as coming from their original Cuban manufacturers. Equally obvious, however, is that the owners could have been discovered and the vitality of the marks ascertained by simply checking the Patent Office file and writing to the owner listed therein; there was no call for defendant to file cancellation proceedings.

That the proceedings were filed along with defendant's other actions in this case, indicates an attempt, in effect, to corner the market on the Cuban cigar names. Gimelstein testified that these "names mean a lot in this industry." Gimelstein also knew that the public tended to confuse his cigars with plaintiff's—in fact, he had so sworn in defendant's petition to cancel the H. Upmann mark.[40] If it succeeded in getting H. Upmann out of the way, defendant would be the one and only Upmann left, and would be free to trade on the good will that H. Upmann had enjoyed—a calculated effort to appropriate the prior user's mark and good will. Defendant has tried to move its name and mark as close as possible to what it perceived to be the legal line, rather than keeping its mark and use distinct and separate; its misperception of where that line lies, evidencing as it does an intent to confuse and to deceive the public,

36. *See, e. g., Anheuser-Busch, Inc. v. Du Bois Brewing Co.*, 175 F.2d 370, 376-77 (2d Cir. 1949), *cert. denied*, 339 U.S. 934, 70 S.Ct. 664, 94 L.Ed. 1354 (1950) ("Mere knowledge, of course, does not constitute fraud."); *cf. Haviland & Co. v. Johann Haviland China Corp.*, 269 F.Supp. 928, 936-37, 956 (S.D.N.Y.1967) (and cases there cited)

37. *See* cases cited in note 36 *supra*.

38. *French Republic v. Saratoga Vichy Spring Co.*, 191 U.S. 427, 439, 24 S.Ct. 145, 148, 48 L.Ed. 247 (1903).

39. *See* cases cited in note 10 *supra*.

40. *See* note 4 *supra*.

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prevents it from asserting laches in this case,[41] even if it could prove the defense, which as indicated above, it cannot. But defendant argues that its use cannot be enjoined for its marks are incontestable.

III

Having filed the prescribed affidavits under Sections 8 and 15 of the Lanham Act, 15 U.S.C. §§ 1058, 1065, defendant contends that its marks Carl Upmann and Upmann's Repeater are incontestable and their use cannot be enjoined. This argument, however, presumes that defendant purchased a mark which did not infringe upon any existing prior to its registration and that it used its mark in good faith. Neither presumption is correct.

[9] Section 15 of the Lanham Act, 15 U.S.C. § 1065, provides in pertinent part that a mark registered and supported by the proper affidavits is incontestable

> except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of the publication under this chapter of such registered mark.

Plaintiff's mark was used nationwide prior to 1954 when defendant's marks were registered. As such, defendant's marks are not incontestable as against that of plaintiff for, since defendant's use infringes plaintiff's valid common law rights obtained long prior to defendant's registration,[42] it has no shield of incontestability in a suit by plaintiff to enforce that mark.[43]

[10] That defendant's use may be enjoined by plaintiff, however, does not alone mean that the marks may be cancelled.[44] But even a so-called "incontestable" mark may be cancelled and its use enjoined when the provisions of Section 14(c), 15 U.S.C. § 1064(c) are satisfied.[45] Under that section a mark is subject to cancellation "at any time . . . if the registered mark is

41. *See, e. g., Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1344 (2d Cir. 1975); *Baker v. Simmons Co.*, 307 F.2d 458, 466 n.4 (1st Cir. 1962); *My-T-Fine Corp. v. Samuels*, 69 F.2d 76, 78 (2d Cir. 1934). As stated in *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 615 (7th Cir. 1965), "[i]t is only . . . where the delay is so prolonged and inexcusable that it amounts to a virtual abandonment of the right by the plaintiff for a long period of time that the balance of the equities would favor the knowing infringer."

42. *See Burger King of Florida, Inc. v. Hoots*, 403 F.2d 904, 907 (7th Cir. 1968).

43. Perhaps the leading case construing this portion of 15 U.S.C. § 1065 is *Casual Corner Assoc. v. Casual Stores of Nevada, Inc.*, 493 F.2d 709 (9th Cir. 1974), where the Court held that to come within the exception under this section, a party must show (1) that its use of the mark began before its adversary's mark was registered and published, and (2) there has been continuing use since that time. Clearly, the first has been established here. The second, however, is somewhat less apparent, given that Court's holding that continuing use, as that term is used in the statute, is not the equivalent of non-abandonment, when H. Upmann's enforced absence from the United States market is considered. However, in determining non-use in that case, the Court indicated that a party could bridge the gap in actual sales if sufficient showing were made of good will remaining after the use was halted and that the party had the intent to resume use. In this case, that the good will H. Upmann enjoyed continued is evident from the press coverage it received when it reappeared on the American scene (plaintiff's exhibit 13–c) and the tremendous volume sold by CIT and plaintiff since sales resumed. And the Menendez Garcia organization and its successors clearly intended to continue use of H. Upmann as evidenced by their fight to keep the mark and the development of new blends. Finally, given the unusual circumstances entirely beyond the control of plaintiff or its predecessors which brought about whatever break there was in H. Upmann's sales, it would be inequitable to prevent plaintiff's assertion of its right herein.

44. *See, e. g., Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366, 374–75 (7th Cir.), *cert. denied*, 429 U.S. 830, 97 S.Ct. 91, 50 L.Ed.2d 94 (1976) ("Section 1064, not incontestability under § 1065, 'protects the registrant from cancellation of his trademark by a prior user claiming superior rights,' because prior use is not a ground for cancellation under § 1064.").

45. 4 R. Callmann, The Law of Unfair Competition, Trademarks and Monopolies, § 97.3(c)(2) at 602 (3d ed. 1970).

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being used by . . . the registrant so as to misrepresent the source of the goods . . . in connection with which the mark is used."

[11] As stated above, the defendant here has blatantly misused these marks, attempting, via its brochures and efforts to procure the use of Upmann alone and to prevent plaintiff's continued use, to blur whatever distinctions exist between the parties' products, and trade upon the renown and reputation of plaintiff. Indeed, this effort to confuse the public extends to the packaging of the cigars themselves: while defendant's mark for Carl Upmann as registered is written in all capitals arranged horizontally, as used on its cigar boxes, the word Carl is in script and the word Upmann, emphasized in bold capital letters, is in an arc similar to that used by plaintiff. Defendant, by misusing its marks and encouraging the public to recognize its products as those of plaintiff, cannot claim that the marks are incontestable or protect them from cancellation.[46]

IV

[12] There remain but a few incidental issues to be decided and the appropriate relief to be granted. Defendant's plea that the Court cancel plaintiff's mark is denied. As our Court of Appeals has held, the fact that plaintiff was intervened by the Cuban government and thus prevented from exporting H. Upmanns to this country until recently does not constitute an abandonment of the mark.[47] Similarly, defendant's argument that plaintiff misrepresents the source of their product must be rejected. Each box of cigars made by CIT contains a brochure explaining the Menendez Garcia company's leaving Cuba and establishing itself in Las Palmas, Canary Islands. Moreover, given the wide publicity attending the Cuban boycott and the return of the non-Cuban H. Upmann, it is doubtful whether "the discriminating smokers who bought cigars bearing these trademarks, were not fully aware that Cuban cigars and Cuban tobacco were no longer obtainable in this country and that the cigars they bought . . . were not made of Cuban tobacco."[48] Finally, defendant's charge that plaintiff has debased the quality of its goods is spurious. It is sufficient to note: (1) the management of the Canary Islands company is in large measure made up of former Cuban employees or those trained by them; (2) plaintiff's quality control is impressive as is its fifteen-year effort to develop a cigar worthy of bearing the H. Upmann name; and (3) as our Court of Appeals has stated with respect to this mark, it cannot be assumed that "the American public would be deceived if the marks were now used on a high-quality non-Cuban tobacco."[49]

In sum, defendant is enjoined from continued use of the marks Carl Upmann or Upmann's Repeater, and the use of Upmann alone as a trademark or as part of its corporate name. Registrations numbered 648,113 and 648,144 for the marks Carl Upmann and Upmann's Repeater, respectively, are ordered cancelled.[50]

The foregoing shall constitute the Court's Findings of Fact and Conclusions of Law. Judgment upon notice may be entered accordingly.

46. *H. H. Scott, Inc. v. Annapolis Electro-acoustic Corp.*, 195 F.Supp. 208, 217 (D.Md.1961); 4 R. Callmann, The Law of Unfair Competition, Trademarks and Monopolies, § 87.3(c)(2) at 603 (3d ed. 1970).

47. *See* cases cited in note 10 *supra*.

48. *Menendez v. Faber, Coe & Gregg, Inc.*, 345 F.Supp. 527, 557 n.21 (S.D.N.Y.1972), *aff'd sub nom. Menendez v. Saks & Co.*, 485 F.2d 1355 (2d Cir. 1973), *cert. denied*, 425 U.S. 991, 96 S.Ct. 2201, 48 L.Ed.2d 815 (1976).

49. *Menendez v. Saks & Co.*, 485 F.2d 1355, 1377 (2d Cir. 1973), *cert. denied*, 425 U.S. 991, 96 S.Ct. 2201, 48 L.Ed.2d 815 (1976).

50. 15 U.S.C. § 1119.

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bitrators coming from among the other Exchange members would very probably have had dealings in the ordinary course of business with the other party to the arbitration.[5] A similar result was reached in Cook Industries v. C. Itoh & Co., *supra*. That case involved arbitration of a dispute over a contract to purchase corn between Cook Industries, the same company as in the present case, and C. Itoh & Co., another grain dealer. After an award in favor of C. Itoh & Co., Cook sought to have it vacated on the ground that one of the arbitrators was an employee of a third corn trading firm, which had had substantial dealings with C. Itoh. The court rejected this claim, noting that there were only a limited number of corn traders, that they often dealt with each other, and being a trader itself, Cook must have known of these dealings.

Unlike the *Garfield* and *Cook* cases, the record in the present case, as it now stands, does not justify a holding that Sanko knew or should reasonably have known, of the undisclosed dealings. *See* Cook Industries v. C. Itoh & Co., supra at 108. Sanko and Cook were not members of a single closely-knit trading group. Moreover, Sanko had a very limited presence in the United States. Only two of its officers resided here. Furthermore, Sanko's officers and its agents have denied in affidavits any knowledge of or discussions concerning contacts Besman might have had with Cook or its attorney. Although we conclude that there is no basis in the present record for the reliance placed by the appellee on our decisions in *Garfield* and *Cook*, the district court, on remand, should, of course, give full consideration to any further evidence which supports Cook's argument that Sanko did, in fact, know or have reason to know of Besman's undisclosed business relationships.

Reversed and remanded.

5. The court emphasized, however, that its holding did not extend to dealings between the other party to the arbitration and the arbitrator which were not in the ordinary course of Exchange business and of which Garfield therefore could not have been presumed to be aware.

La SOCIETE ANONYME des PARFUMS LE GALION, Plaintiff-Appellant,

v.

JEAN PATOU, INC. and Michael Stramiello, Jr., Collector of Customs of the Port of New York, Defendant-Appellee.

No. 530, Docket 72-2409.

United States Court of Appeals, Second Circuit.

Argued Feb. 22, 1974.

Decided April 9, 1974.

French perfume manufacturer brought suit against American perfume manufacturer challenging defendant's ownership rights in a perfume trademark for which defendant had obtained a registration. The United States District Court for the Southern District of New York, Lee P. Gagliardi, J., 353 F. Supp. 291, dismissed the complaint, and plaintiff appealed. The Court of Appeals, Friendly, Circuit Judge, held that since defendant's registration had expired and had not been renewed plaintiff's demand for cancellation of registration as well as claim for injunctive relief was moot, that damage claim based on alleged false or fraudulent registration was sufficient to afford ground for federal jurisdiction, that, in any event, diversity of citizenship based on common law of trademarks provided a sufficient jurisdictional basis, that right to exclusive use of the trademark derives from its appropriation and subsequent use in the market place, that defendant's minimal use was not sufficient to constitute bona fide commercial use, that minimal use of mark was not sufficient to confer rights on defendant even in light of customary practice of perfumers to reserve a name and carry out trademark maintenance programs, that pendency of legal proceedings concern-

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ing validity of mark did not constitute a valid defense to claim that defendant's use of mark had been only token and that remand was required to determine whether dismissal of prior suit was with prejudice and, if so, whether rigid application of res judicata was warranted.

Reversed and remanded.

1. Trade Regulation ⇐294

Where American perfume manufacturer's trademark registration had expired and had not been renewed French perfume manufacturer's request for cancellation of registration as well as claim for injunctive relief had become moot. Lanham Trade-Mark Act, § 42, 15 U.S.C.A. § 1124; Tariff Act of 1930, § 526(a), 19 U.S.C.A. § 1526(a).

2. Trade Regulation ⇐153

Foreign use is ineffectual to create trademark rights in the United States. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

3. Trade Regulation ⇐422

The Lanham Trade-Mark Act does not provide jurisdiction or a substantive remedy for general common-law unfair competition claims. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

4. Courts ⇐359.1(11)

Where the Lanham Act is not the source of the trademark claim sued on state law applies. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

5. Trade Regulation ⇐71

Trademark use is a general common-law requirement of trademark rights; federal registration does not alter the basic common-law use requirement. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

6. Trade Regulation ⇐135

The Lanham Act does not create a trademark right; it only recognizes the right acquired through use. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

7. Trade Regulation ⇐264

A claim of no right to a trademark does not arise under the Lanham Act if the trademark claim stems from common-law rights. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

8. Trade Regulation ⇐422

Provision of Lanham Act governing civil liability for false or fraudulent representation of trademark could be read to encompass claim asserted by French perfume manufacturer against American perfume manufacturer, which never made serious effort to merchandise trademarked perfume, for accounting of all damages caused by defendant in preventing importation of plaintiff's perfume, which bore the same trade name. Lanham Trade-Mark Act, § 38, 15 U.S.C.A. § 1120.

9. Trade Regulation ⇐264, 422

Provision of Lanham Act forbidding false designations of origin or false description or representation of goods or services is intended to reach false advertising violations and not false registration claims. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1225(a).

10. Trade Regulation ⇐65

Right to exclusive use of a trademark derives from its appropriation and subsequent use in the marketplace; the user who first appropriates the mark obtains an enforceable right to exclude others from using it as long as the initial appropriation and use are accompanied by an intention to continue exploiting the mark commercially. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

11. Trade Regulation ⇐71, 153

Adoption and a single use of a mark may be sufficient to entitle the user to register the mark; however, more is required to sustain the mark against a charge of nonusage. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

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12. Trade Regulation ⇐153

To prove bona fide usage, the proponent of a trademark must demonstrate that his use of the mark has been deliberate and continuous, not sporadic, casual or transitory. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

13. Trade Regulation ⇐153

Some 89 sales of trademarked perfume by American perfume manufacturer in a 20-year period did not constitute the kind of a bona fide use intended to afford a basis for trademark protection; even if by some touch of managerial or accounting wizardry the American manufacturer had managed to turn a net profit of a few dollars on such sales its use of trademark would still not constitute good faith commercial exploitation sufficient to operate as bar to French perfume manufacturer's importation of its perfume, which bore the same trademark.

14. Trade Regulation ⇐71

Practice of the perfume industry in reserving trademarks through trademark maintenance programs did not provide legitimate excuse for American perfume manufacturer's 89 sales of trademarked perfume in a 20-year period; token sales program engaged in was by its very nature inconsistent with a present plan of commercial exploitation and was more akin to a purely defensive use and thus insufficient to obtain enforceable rights in the mark sufficient to preclude French perfume manufacturer from marketing its product, which bore the same trade name.

15. Trade Regulation ⇐71

A trademark maintenance program cannot in itself justify a minimal sales effort, or the requirement of good faith commercial use would be read out of trademark law altogether.

16. Courts ⇐89

Determining what constitutes sufficient use for trademark ownership purposes is a case-by-case task.

17. Trade Regulation ⇐71

Balance of the equities played an important role in deciding whether American perfume manufacturer's limited use of trademark was sufficient to warrant trademark protection; fact that American manufacturer's conduct had barred foreign competitor from marketing a well-established product in United States, without promoting any compensating public interest, required close scrutiny of propriety of American manufacturer's "use."

18. Trade Regulation ⇐71

There are circumstances under which nonuse or limited use of a trademark would be justified by legal challenges; however, a party with a shaky claim cannot justify a course of minimal usage by arguing that its very conduct might someday draw litigation.

19. Trade Regulations ⇐71

Where for about half the 23 years since American perfume manufacturer adopted trademark French perfume manufacturer had been engaged in litigation with American manufacturer in one form or another as regards validity of former's claim to trademark but in remaining period American manufacturer's behavior had been no more aggresive than while suits had been pending, American manufacturer's argument that its limited use of mark was due to fear that French manufacturer might rekindle dispute cut too broadly; additional sales activity, particularly during period in which no suits were pending, would have strengthened American manufacturer's hand.

20. Judgment ⇐654

Under normal circumstances, an action dismissed for failure to prosecute and without any indication that dismissal is without prejudice has res judicata effect regardless of whether suit is based on diversity of citizenship or federal question jurisdiction. Fed.Rules Civ.Proc. rule 41(b), 28 U.S.C.A.

21. Federal Civil Procedure ⇐1837

If order dismissing an action for failure to prosecute is silent as to

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whether dismissal is with or without prejudice, dismissal should not be held to be an adjudication on the merits if local court rule under which action was dismissed provides otherwise. Fed. Rules Civ.Proc. rule 41(b), 28 U.S.C.A.

22. Courts ⟹406.9(9)

Remand was required to determine whether dismissal, for failure to prosecute, of French perfume manufacturer's 1956 suit seeking declaratory relief as regards its right to import name brand perfume was res judicata of its right to maintain 1966 suit seeking similar relief against the same defendant, in view of fact that there might have been evidence outside face of dismissal order, which was silent as to whether dismissal was with prejudice, indicating that dismissal was to be without prejudice.

23. Judgment ⟹634

Since doctrine of res judicata is intended to serve the aims of fairness and efficient judicial administration it need not be applied mechanically where those ends would not be served; res judicata principles, if applied inflexibly, can at times result in unwarranted hardship.

24. Judgment ⟹654

Even if dismissal, for failure to prosecute, of French perfume manufacturer's 1956 suit seeking declaratory relief that would permit it to import its named brand perfume and give its trademark rights in name was with prejudice, trial court was required to determine whether such dismissal was res judicata of French manufacturer's right to maintain 1966 suit seeking similar relief against the same defendant; in making such consideration, trial court was to consider any change in defendant's conduct between the two suits, any actual prejudice defendant might have suffered because of delay in adjudication and effect, if any, of expiration of defendant's trademark registration, as well as public interest considerations bearing on application of res judicata.

Arthur A. March, New York City, for plaintiff-appellant.

Alex Friedman, New York City (Martin J. Beran, David A. Weinstein, and Blum, Moscovitz, Friedman & Kaplan, New York City, of counsel), for defendant-appellee Jean Patou, Inc.

Before LUMBARD, FRIENDLY and TIMBERS, Circuit Judges.

FRIENDLY, Circuit Judge:

Plaintiff LeGalion, a French perfume manufacturer, has for years sold its perfume under the trademark "SNOB" in a number of foreign countries. The sales have been substantial, amounting in one recent five-year period to almost $2,000,000. LeGalion has been unable to sell SNOB in the United States, however, because in 1951 defendant Patou,[1] an American perfume manufacturer, obtained a trademark registration for SNOB in this country. Pursuant to § 42 of the Lanham Act, 15 U.S.C. § 1124,[2] Customs officials subsequently refused to permit LeGalion to import its

1. Plaintiff stipulated to the dismissal of the action as to defendant Stramiello, Collector of Customs at the Port of New York, prior to trial. The U. S. Attorney agreed that if the court should determine that plaintiff was the rightful owner of the SNOB trademark, Stramiello would do nothing to prevent the importation of plaintiff's perfumes.

2. This reads in relevant part:

> No article of imported merchandise . . . which shall copy or simulate a trade-mark registered in accordance with the provisions of this chapter . . . shall be admitted to entry at any customhouse of the United States.

A parallel provision in the Tariff Act of 1930, 19 U.S.C. § 1526(a), provides:

> It shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent Office . . . and if a copy of the certificate of registration of such trade-mark is filed with the Secretary of the Treasury . . . .

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SNOB perfume because of the conflict with defendant's registered mark. In spite of the registration, Patou has never made a serious effort to merchandise SNOB; between 1950 and 1971, it sold only some 89 bottles of SNOB,[3] and it engaged in no advertising or other sales efforts on behalf of the product. Patou's sales of SNOB between 1951 and 1969 generated a "gross profit" of only about $100, on retail sales of less than $600.

In 1956, LeGalion filed suit in the District Court for the Southern District of New York, seeking declaratory relief that would permit it to import its SNOB brand and give it trademark rights in the name. LeGalion claimed that Patou had never used the SNOB trademark sufficiently to sustain its claim of ownership. After Patou filed its answer, however, plaintiff took no further steps to prosecute the case, and it was dismissed by Judge Herlands in 1958.

After a hiatus of some seven years, LeGalion brought a second action in the United States Patent Office in 1965 seeking cancellation of Patou's SNOB registration. Again LeGalion did nothing to bring the case to trial, and it was dismissed in 1967.

Continuing in its languorous course, plaintiff in 1966 filed another complaint in the District Court for the Southern District of New York, demanding essentially the same relief as the 1956 complaint. Specifically, LeGalion sought to force the Collector of Customs to permit the importation of its SNOB perfume and requested declaratory relief, damages, cancellation of Patou's SNOB registration, and "such other and further relief as to this Court may seem just." After more delay, the case finally came to trial in July, 1972. In a six-page memorandum decision, Judge Gagliardi held that although Patou's sales of SNOB were minimal, they were sufficient to maintain its trademark rights, and thus to block the importation of LeGalion's product. The court based its conclusion on three grounds. First, it found that the sales program was not a sham: each sale was profitable, and each was effected on order from a *bona fide* customer. On that basis the court distinguished Merry Hull & Co. v. Hi-Line Co., 243 F.Supp. 45 (S.D.N.Y. 1965), where the plaintiff's practice of distributing its product only to relatives, friends, and employees was held not to constitute a *bona fide* commercial use of the trademark. Second, it held that Patou's minimal use of its SNOB trademark was sufficient "in the light of the customary practice of perfumers to 'reserve' a name and to carry on trademark maintenance programs," 353 F.Supp. at 293. The court noted that the difficulty of finding new and attractive trade names for perfumes had caused manufacturers to hold a number of potential trade names in reserve until such time as the company might decide to begin large-scale distribution of the product under that name. Minimal *bona fide* use for the purpose of trademark protection, the court wrote, is all the law requires. Finally, the district court held that the pendency of legal proceedings since 1956 concerning the validity of Patou's SNOB mark constituted a valid defense to LeGalion's claim that Patou's use of the mark had been only token in nature. From the district court's judgment for defendants, 353 F.Supp. 293 (S.D.N.Y.1972), plaintiff brought this appeal.

I.

[1-9] At the outset we must consider the related problems of jurisdiction and mootness. In its complaint, LeGalion alleged jurisdiction under the

3. Defendant Patou urges that its sales were in fact somewhat greater—as much as 10 bottles per year! While this would make no significant difference, we accept the district court's finding that Patou "produced and sold in the United States in a very limited amount a perfume called SNOB . . . with total sales from 1951 to 1969 of 72 bottles . . . . Seventeen bottles were sold to retail stores between 1969 and 1971." 353 F.Supp. at 292.

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Lanham Act and on the basis of diversity of citizenship. However, Patou's registration for SNOB expired on January 2, 1971, and its counsel stipulated at trial that the registration had not been renewed. The demand for cancellation of the defendant's 1951 registration is therefore moot. Since the Lanham Act section that bars importation of a product bearing a conflicting trademark applies only if the established mark is registered, the claim for injunctive relief would also appear moot. With those two major claims out of the case, plaintiff has shifted its ground somewhat: on appeal, it has requested that the court grant a declaratory judgment that Patou has no rights to the SNOB trademark.[4] That request falls fairly within the scope of the catch-all paragraph in its complaint, but it does not arise under the Lanham Act if Patou's only remaining trademark claim stems from common law rights.[5] The last possible basis for federal question jurisdiction is plaintiff's request for "an accounting of all damages caused by the defendant Jean Patou, Inc. in preventing the importation . . . of plaintiff's perfumes." The Lanham Act contains no specific provision for recovery of damages in this context. However, § 38 of the Act, which provides a damages remedy for injuries suffered in consequence of a false or fraudulent registration, might be read to extend to plaintiff's claim,[6] *cf.* Landstrom v. Thorpe, 189 F.2d 46 (8 Cir.), cert. denied, 342 U.S. 819, 72 S.Ct. 37, 96 L.Ed. 620 (1951); D. M. & Antique Import Corp. v. Royal Saxe Corp., 311 F.Supp. 1261, 1272 (S.D.N.Y.1970). While it appears that the damages claim is at least sufficient to afford a ground for federal jurisdiction, it may not be necessary to reach that issue, since diversity of citizenship appears to provide

4. Plaintiff has not pressed on appeal the claim in its complaint that it should be declared the owner of the SNOB trademark. It is well settled that foreign use is ineffectual to create trademark rights in the United States. Calimafde, Trademarks and Unfair Competition, § 4.10 (1970).

5. This court has long held that the Lanham Act does not provide jurisdiction or a substantive remedy for general common law unfair competition claims. American Automobile Ass'n, Inc. v. Spiegel, 205 F.2d 771 (2 Cir. 1953), cert. denied, 346 U.S. 887, 74 S. Ct. 138, 98 L.Ed. 391 (1953); Vanity Fair Mills, Inc. v. T. Eaton Co., Ltd., 234 F.2d 633 (2 Cir. 1956), cert. denied, 352 U.S. 871, 77 S.Ct. 96, 1 L.Ed.2d 76 (1956). The Eighth and Ninth Circuits have read § 44 of the Act, 15 U.S.C. § 1126, very broadly, interpreting it as providing a federal remedy, and through § 39, 15 U.S.C. § 1121, federal jurisdiction in any unfair competition suit. Stauffer v. Exley, 184 F.2d 962 (9 Cir. 1950); Pagliero v. Wallace China Co., 198 F.2d 339 (9 Cir. 1952); Iowa Farmers Union v. Farmers' Educ. & Coop. Union, 247 F.2d 809 (8 Cir. 1957). The majority of the circuits have followed this circuit's view. Allen v. Barr, 196 F.2d 159, 161 (6 Cir. 1952); L'Aiglon Apparel, Inc. v. Lana Lobell, Inc., 214 F.2d 649 (3 Cir. 1954); Royal Lace Paper Works, Inc. v. Pest-Guard Prods., Inc., 240 F.2d 814 (5 Cir. 1957); see Developments in the Law—Trade-Marks and Unfair Competition, 68 Harv.L.Rev. 814, 878–81 (1955).

Where the Lanham Act is not the source of the right sued upon, state law applies. Artype, Inc. v. Zappulla, 228 F.2d 695 (2 Cir. 1956); Maternally Yours, Inc. v. Your Maternity Shop, Inc., 234 F.2d 538, 540–541 n. 1 (2 Cir. 1956). In this case, however, the choice of law presents no real problems, since trademark use is accepted as a general common law requirement, with no discernible modulations from jurisdiction to jurisdiction. Federal registration similarly does not alter the basic common law requirement of use. The Lanham Act does not create the trademark right; it only recognizes the right acquired through use. Radio Shack Corp. v. Radio Shack, Inc., 180 F.2d 200 (7 Cir. 1950); Vandenburgh, Trademark Law & Procedure § 2.10 (2d ed. 1968).

6. In its pretrial memorandum plaintiff attempted to bring its damages claim under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), on the ground that defendant had "falsely represented that it is possessed of the right to prevent the importation into the United States of the plaintiff's perfumes." That effort seems wide of the mark. Section 43(a) is intended to reach false advertising violations, not false registration claims. L'Aiglon Apparel, Inc. v. Lana Lobell, Inc., *supra*, 214 F.2d 649; Alum-A-Fold Shutter Corp. v. Folding Shutter Corp., 441 F.2d 556, 557 (5 Cir. 1971).

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a sufficient jurisdictional basis.[7] It seems highly likely that plaintiff will be able to sustain its allegation that there is more than $10,000 in controversy; if this should be challenged, the district court on remand should determine this and make whatever other factual inquiries may be necessary to resolve any remaining doubts on the question of jurisdiction.[8]

II.

Beyond the jurisdictional question, this case presents several difficult questions concerning trademark law and the principles of res judicata. The difficulties relating to trademark law stem from the tension between providing relative security to a business in maintaining its trademarks and preventing a business with only a nominal claim to a valuable trademark from barring its use by a party with a substantial financial stake in using the mark.

[10–12] Under familiar trademark principles, the right to exclusive use of a trademark derives from its appropriation and subsequent use in the marketplace. The user who first appropriates the mark obtains an enforceable right to exclude others from using it, as long as the initial appropriation and use are accompanied by an intention to continue exploiting the mark commercially. Trade-Mark Cases, 100 U.S. 82, 94, 25 L.Ed. 550 (1879); United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 39 S.Ct. 48, 63 L.Ed. 141 (1918); Kohler Manufacturing Co. v. Beeshore, 59 F. 572, 576 (3 Cir. 1893); Worden v. Cannaliato, 52 App.D.C. 254, 285 F. 988, 990 (1924); American Foods, Inc. v. Golden Flake, Inc., 312 F.2d 619 (5 Cir. 1963); Restatement (Second) of Torts § 719, comment *b* (tent.draft 1963). The Supreme Court wrote in the *United Drug Co.* case, 248 U.S. at 97, 39 S.Ct. at 50:

> There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed. The law of trademarks is but a part of the broader law of unfair competition; the right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his; and it is not the subject of property except in connection with an existing business.

Adoption and a single use of the mark may be sufficient to entitle the user to register the mark, see Maternally Yours, Inc. v. Your Maternity Shop, Inc., *supra*, 234 F.2d 538; Montgomery Ward & Co. v. Sears, Roebuck & Co., 49 F.2d 842, 18 CCPA 1386 (1931); Fort Howard Paper Co. v. Kimberly-Clark Corp., 390 F.2d 1015, 1017, 55 CCPA 947, cert. denied, 393 U.S. 831, 89 S.Ct. 99, 21 L.Ed.2d 101 (1968); Community of Roquefort v. Santo, 443 F.2d 1196, 58 CCPA 1303 (1971). But more is required to sustain the mark against a charge of nonusage. Xtra, Inc. v. Warren Petroleum Corp., 175 U.S.P.Q. 660 (Trademark Trial & App. Bd. 1972); Arnold, A Philosophy on the Protections Afforded by the Patent, Trademark, Copyright and Unfair Competition Law, 54 Trademark Rep. 413, 431 (1964); Kegan, Trademark "Use" —Fact or Fiction, 55 Trademark Rep. 175 (1965). To prove bona fide usage,

7. If, for some reason not now apparent, diversity of citizenship should prove unavailable as a jurisdictional basis, the district court would have to consider whether to exercise pendent jurisdiction over the common law claims on the basis of the damages claim.

8. Plaintiff stated in its pretrial memorandum that Patou had reapplied for the SNOB registration through its parent corporation. As of late 1972, according to plaintiff, the application was still pending. If the registration has since been granted, the district court should consider permitting LeGalion to amend its complaint to include a claim based on the new registration, in order to facilitate disposing of this case as efficiently as possible.

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the proponent of the trademark must demonstrate that his use of the mark has been deliberate and continuous, not sporadic, casual or transitory, 3 Callmann, Unfair Competition, Trademarks & Monopolies § 76.2(d) (1969).

Plaintiff claims that the minimal use in this case was not sufficient to constitute the bona fide use of the trademark necessary to confer rights upon Patou, particularly since by obtaining its registration Patou succeeded in completely excluding LeGalion's established product from the American market. Defendant in turn relies essentially on the three grounds adopted by the district court: that the 89 sales were all profitable, arms-length transactions; that the practice of reserving trademarks through trademark maintenance programs provided a legitimate excuse for Patou's minimal use; and that the pendency of legal proceedings independently justified its failure to exploit the mark energetically.

[13] None of these grounds is persuasive. While the district court termed the 89 sales in 20 years "bona-fide," we cannot agree that such a meager trickle of business constituted the kind of bona fide use intended to afford a basis for trademark protection. The court found that the sales were profitable in that they produced a total "gross profit" of $100 over the twenty-year period. However, it is inconceivable that Patou could actually have experienced anything but a substantial per unit loss in bottling, labeling, handling, and shipping its SNOB perfume at the rate of one and two bottles per order. Simply maintaining accurate records of the sales of SNOB would easily have eaten up the $100 "gross profit" over the twenty-year period. Even if it should happen that by some touch of managerial or accounting wizardry Patou has managed to turn a net profit of a few dollars on its sales of SNOB, its use of the trademark would still not constitute good faith commercial exploitation. It is true, as defendant contends, that trademark rights have often been upheld in spite of modest sales programs, see, *e. g.*, Kathreiner's Malzgaffee Fabriken v. Pastor Kneipp Medicine Co., 82 F. 321 (7 Cir. 1897); Sheila's Shine Products, Inc. v. Sheila Shine, Inc., 486 F.2d 114, 123 (5 Cir. 1973); In re Beatrice Foods Co., 166 U.S.P.Q. 431 (C.C.P.A.1970); E. I. duPont de Nemours v. Big Bear Stores, Inc., 161 U.S.P.Q. 50 (Trademark Bd. 1969); Adam Hat Stores, Inc. v. Lefco, 44 F.Supp. 442 (E.D.Pa.1942); aff'd, 134 F.2d 101 (3 Cir. 1943); California Spray-Chemical Corp. v. Ansbacher Siegle Corp., 55 U.S.P.Q. 298 (Comm'r of Patents 1942). In those cases, however, the trademark usage, although limited, was part of an ongoing program to exploit the mark commercially. In numerous other cases, where no present intent has been found to market the trademarked product, minimal sales have been held insufficient to establish trademark rights. *See, e.g.*, LeBlume Import Co. v. Coty, 293 F. 344, 351 (2 Cir. 1923) (occasional sales so infrequent that "it cannot be said that the producer of the goods had obtained a market for them here which entitled his trade-mark to protection"); Philip Morris, Inc. v. Imperial Tobacco Co., 251 F.Supp. 362 (E.D.Va.1965), aff'd, 401 F.2d 179 (4 Cir. 1968), cert. denied, 393 U.S. 1094, 89 S. Ct. 875, 21 L.Ed.2d 784 (1969) (shipments sporadic, casual and nominal in character); D. M. & Antique Import Corp. v. Royal Saxe Corp., *supra* (use "transitory and minimal"); Vapon, Inc. v. Dreyfuss, 110 U.S.P.Q. 142 (Comm'r of Patents 1956) (sales "sporadic and inconsequential;" no real market for the product developed); United Plywoods Corp. v. Congoleum-Nairn, Inc., 121 U.S.P.Q. 102 (Trademark Trial & App.Bd. 1959) (no regular marketing of the product); Revell, Inc. v. Kadee Co., 162 U.S.P.Q. 176 (Trademark Trial & App. Bd. 1969) (minimal sales and no intent to use the mark commercially). It is clear to us that Patou has never put its product on the market in any meaningful way; indeed, it has given no indica-

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tion that it has any current plans to do so.[9]

[14-17] The district court recognized, as Patou virtually concedes, that Patou's real purpose in making its meagre sales of SNOB was to establish and maintain rights in the SNOB trademark. Patou representatives testified that the company maintained the program in order to preserve the option of someday producing SNOB in large volume. In fact, it seems much more likely that Patou regarded the program as a relatively painless way to keep a potential competitor at bay. The disincentives to develop its own perfume under the SNOB label were strong—it would not be able to expand into many foreign markets, and the likely confusion between it and its foreign competitor might work to its disadvantage. In any event, we disagree with the district court's conclusion that because of the custom in the perfume industry of "reserving" trade names and "carrying on trademark maintenance programs," Patou's conduct was sufficient to establish rights to the SNOB mark. The token sales program engaged in here is by its very nature inconsistent with a present plan of commercial exploitation.[10]

The relatively few courts that have treated the question have uniformly manifested reluctance to consider usage sufficient when it is obviously contrived solely for trademark maintenance purposes. In Phillips v. Hudnut, 49 App. D.C. 247, 263 F. 643, 644 (1920), the court held, in circumstances somewhat more extreme than those in this case, that a company must do more than simply distribute its product in an effort to lay the basis for registration; it must actually put the product on the market before trademark rights will attach. Similarly, in Mendes v. New England Duplicating Co., 94 F.Supp. 558, 560 (D.Mass.1950), aff'd, 190 F.2d 415 (1 Cir. 1951), the court noted that if a particular shipment was made merely in "token conformity with the statute in order to bolster his claim for the trademark registration," the plaintiff could acquire no rights in the mark. Where plaintiffs had distributed several editions of a newsletter solely for the purpose of securing trademark rights in the name, a New York court wrote:

> Plaintiffs acquired no rights from the publication of the newsletter. This was not a commercial user; it was purely pro forma, for the sole purpose of acquiring rights by aping the means by which such rights are acquired. Such pretense is not an acceptable substitute for bona fide use.

O'Connor & Gordon, Inc. v. Handicraft Publications, 206 Misc. 1087, 136 N.Y.S. 2d 558, 560 (Sup.Ct.1954). See also Mister Donut of America, Inc. v. Mr. Donut, Inc., 153 U.S.P.Q. 773 (C.D.Cal. 1967), aff'd, 418 F.2d 838 (9 Cir. 1969); Hans Holterbosch, Inc. v. Rheingauer Schaumweinfabrik Schierstein, 110 U.S. P.Q. 543, 545 (Comm'r of Patents 1956); Academy of Motion Picture Arts and Sciences v. Academy Awards, Inc., 89 U.S.P.Q. 451, 460-61 (Patent Office Examiner-in-chief 1957) ("the purported use of the trademark on goods in trade can only be characterized as a mere pretense and subterfuge, carried out for the sole purpose of laying a basis for securing the trademark registration").

The case of Clairol, Inc. v. Holland Hall Products, Inc., 165 U.S.P.Q. 214 (Trademark Trial & App.Bd.1970), re-

9. Appellee's related argument that it has not legally abandoned the SNOB trademark does not merit much attention. The issue of abandonment arises only if the defendant has previously acquired rights in the trademark. Essentially plaintiff's challenge here is that Patou has never established any enforceable rights in the SNOB mark and thus has nothing to abandon.

10. The cases excusing limited use for legitimate business reasons provide no aid to appellee. A trademark maintenance program obviously cannot in itself justify a minimal sales effort, or the requirement of good faith commercial use would be read out of trademark law altogether.

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cites the same principles in a factual setting somewhat similar to the one in this case. Clairol was engaged in a trademark maintenance program on behalf of its product, "Wipeout." The Board found that Clairol's token monthly shipments of its product to three retail druggists "can be categorized more or less as a defensive or negative approach serving merely to maintain rights therein without ever attempting to establish a trade in [the product]. Trademark rights are not created by sporadic, casual, and nominal shipments of goods bearing a mark. There must be a trade in the goods sold under the mark or at least an active and public attempt to establish such a trade. Absent these elements, no trademark can be created or exist . . . . Registrable rights manifestly cannot flow from these activities and the old adage 'no trade—no trademark' is applicable here." Cf. Van Camp Sea Food Co. v. Universal Trading Co., 138 U.S.P.Q. 323, 324-25 (Trademark Trial & App.Bd. 1963); Sun-Maid Raisin Growers v. Sunaid Food Products, Inc., 254 F.Supp. 649 (S.D.Fla.1964). The twenty-year period of inaction by defendant persuades us that any use it made of the SNOB mark was purely defensive, and thus insufficient to obtain enforceable rights in the mark.[11]

[18, 19] Finally, appellee seeks to defend its limited use on the ground that the pendency of legal proceedings, and the "continued threat of litigation" between its adoption of the mark and the present have discouraged it from attempting to exploit the mark more fully. While there are circumstances under which nonuse or limited use of the mark would be justified by legal challenges, they are clearly not present here. LeGalion has been litigating in one forum or another for about half the twenty-three years since Patou adopted the SNOB mark, but in the remaining periods Patou's behavior has been no more aggressive than while suits have been pending. Its argument that it has constantly feared LeGalion might rekindle the dispute plainly cuts too broadly. A party with a shaky claim cannot justify a course of minimal usage by arguing that its very conduct might someday draw litigation. Patou cites Carter-Wallace, Inc. v. Procter & Gamble Co., 434 F.2d 794 (9 Cir. 1970), in support of its claim that ongoing litigation over trademark rights can justify limited usage. In that case, however, the issue was one of abandonment. Moreover, it could have been disastrous for defendant in that case to have begun an extensive merchandising campaign while the ownership of its trademark was still in litigation. Here, by contrast, any additional sales activity, particularly during the period that no suits were pending, would actually have strengthened Patou's hand. Without suggesting that the "lawsuit" justification may not be available in a more fitting case, we do not accept the district court's conclusion that plaintiff's desultory course of litigation had frozen defendant Patou into a state of artificial inactivity.

III.

If there were no more to this case than the district court's finding that defendant owned the trademark rights to SNOB and thus had legitimately procured the bar against LeGalion's product, we would simply reverse and remand for consideration of the proper remedies. However, the dismissal of

11. Determining what constitutes sufficient use for trademark ownership purposes is obviously a case-by-case task. Lest our opinion be taken as cutting more broadly than we intend, it is important to note expressly that the balance of the equities plays an important role in deciding whether defendant's use is sufficient to warrant trademark protection. *cf.* Chandon Champagne Corp. v. San Marino Wine Corp., 335 F.2d 531, 534-535 (2 Cir. 1964). The fact that defendant's conduct has barred a foreign competitor from marketing a well-established product in this country, without promoting any compensating public interest, requires close scrutiny of the propriety of defendant's "use."

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plaintiff's prior suit on essentially the same claims raises a serious res judicata problem.

[20–24] Under F.R.Civ.P. 41(b), a dismissal for failure to prosecute an action "operates as an adjudication upon the merits," unless the court specifies otherwise. In his 1958 order dismissing the first case brought by the plaintiff on this cause of action, Judge Herlands gave no indication that the dismissal should be without prejudice, and under normal circumstances we would have no alternative to holding that such a dismissal would have res judicata effect, *see* Costello v. United States, 365 U.S. 265, 286, 81 S.Ct. 534, 5 L.Ed.2d 551 (1961); A. B. Dick Co. v. Marr, 197 F. 2d 498, 502 (2 Cir.), cert. denied, 344 U.S. 878, 73 S.Ct. 169, 97 L.Ed. 680 (1952); Nasser v. Isthmian Lines, 331 F.2d 124, 127–128 (2 Cir. 1964); Freedman v. American Export Isbrandtsen Lines, Inc., 451 F.2d 157 (3 Cir. 1971), cert. denied, 405 U.S. 992, 92 S.Ct. 1264, 31 L.Ed.2d 460 (1972). This would be so whether the suit were treated as being based on diversity of citizenship or federal question jurisdiction, Kern v. Hettinger, 303 F.2d 333, 340 (2 Cir. 1962); Penn v. Rinaldi, 323 F.2d 913 (2 Cir. 1963). Applying Rule 41(b) in this case presents several special problems, however. First, the district judge appeared at trial to be under the impression that Judge Herlands' dismissal had been without prejudice. Counsel for plaintiff so asserted, and defense counsel did not contradict him. Since these facts suggest there may be evidence outside the face of the order plainly indicating that Judge Herlands intended the dismissal to be without prejudice, the district court should explore this question on remand.[12]

A second problem is that plaintiff's cause of action is based not on an isolated act by defendant, but rather on a continuing course of conduct, or more precisely, nonconduct, starting before the first dismissal and continuing up to the present. Applying res judicata to claims involving continuing conduct over a long period of time presents difficulties at best. See Food Center, Inc. v. Food Fair Stores, Inc., 356 F.2d 775, 779–780 (1 Cir. 1966); Restatement (Second) of Judgments § 61.2(e) (Tent.Dr.No. 1, 1973). Here these difficulties are doubly vexing, first because the absence of an actual prior adjudication has deprived the court of the more precise tool of issue preclusion, and second because the central element in both cases was a request for declaratory relief. In effect, holding that the 1958 dismissal was with prejudice means that the 1955 request for a declaratory judgment must be treated as having been denied. There is understandably some reluctance to give broad effect to res judicata principles in that context, see Restatement (Second) of Judgments § 76, comments *c*, *e*; Vestal, Res Judicata/Preclusion, v–410–11 (1969); Developments in the Law—Res Judicata,

12. Judge Herlands' dismissal order made reference to a prior order setting out the conditions of the dismissal. If that earlier order provided that the dismissal would be without prejudice, then that effect should be given to the dismissal. In addition, the district court should not hold the dismissal to be an adjudication on the merits if the local rule under which Judge Herlands dismissed the action provided otherwise. United States v. Thomson, 114 F.Supp. 874 (S.D. N.Y.1953); Burns Mortgage Co. v. Stoudt, 2 F.R.D. 219 (E.D.Pa.1942); *contra*, King v. Mordowanec, 46 F.R.D. 474 (D.R.I.1969). While the current version of the local rule dealing with dismissals for want of prosecution is silent on the question, General Rule 23(a), Southern District of New York, several districts have provided that such dismissals should be without prejudice, see Note, Involuntary Dismissal for Disobedience or Delay: The Plaintiff's Plight, 34 U.Chi.L. Rev. 922, 925 n. 26 (1967). Although Rule 41(b) was designed in part to avoid the need to search the record in every case for evidence of the judge's intention, see Weissinger v. United States, 423 F.2d 795, 798 (5 Cir. 1970) (*en banc*), it would be unduly harsh to hold that the dismissal here was with prejudice without giving the district court an opportunity to evaluate the very real possibility that Judge Herlands intended otherwise.

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65 Harv.L.Rev. 818, 881-82 (1952). In this case, even though there was no actual finding in the first suit that Patou's conduct was consistent with trademark ownership, a rigid application of res judicata would confer permanent protection on Patou's trademark maintenance program. On the other hand, to immunize this class of cases altogether from the operation of res judicata would permit plaintiffs to bring any number of harassing suits, each of which could be dropped prior to judgment. Since the doctrine is intended to serve the aims of fairness and efficient judicial administration, it need not be applied mechanically where those ends would not be served. As we have noted on several occasions, res judicata principles, if applied inflexibly, can at times result in unwarranted hardship. International Railways of Central America v. United Fruit Co., 373 F.2d 408, 419 (2 Cir.), cert. denied, 387 U.S. 921, 87 S.Ct. 2031, 18 L.Ed.2d 975 (1967), quoting 1B Moore, Federal Practice ¶0.410[2], at 1169 (2d ed. 1965); Desrosiers v. American Cyanamid Co., 377 F.2d 864, 871 (2 Cir. 1967). See also Spilker v. Hankin, 88 U.S.App.D.C. 206, 188 F.2d 35, 39 (1951); Cleary, Res Judicata Reexamined, 57 Yale L.J. 339, 349-50 (1948); 1B Moore, Federal Practice ¶¶ 0.405 [11], [12]. This may be a case in which a rigid application of res judicata is not warranted, even though it falls within the technical reach of the doctrine. On remand, the district court should consider any changes in Patou's conduct between the two suits, see Restatement (Second) of Judgments § 61, comment *f*, any actual prejudice that Patou might have suffered because of the delay in adjudication of the issue in this case, the effect, if any, of the expiration of Patou's registration, and the public interest considerations weighing in favor of or against the application of res judicata.

If, after resolving the various factual questions relating to jurisdiction and res judicata, the court determines that LeGalion can maintain this action, it should consider what relief should be ordered in light of plaintiff's requests and the status of Patou's new application for registration. We reverse and remand for further proceedings in accordance with this opinion.

Dora HULTZMAN, Appellant,

v.

Caspar WEINBERGER, Secretary of Health, Education and Welfare, Appellee.

No. 73-1917.

United States Court of Appeals, Third Circuit.

Argued Feb. 25, 1974.

Decided April 18, 1974.

Appeal by claimant from an order of the United States District Court for the Eastern District of Pennsylvania, Clarence C. Newcomer, J., upholding the final decision of the Secretary of Health, Education and Welfare denying her claim for inpatient hospital services under medicare. The Court of Appeals, James Hunter, III, Circuit Judge, held that inpatient hospital services which are admittedly reasonable and necessary for treatment and diagnosis of patient's ailments may not be excluded from coverage by reason of a mere determination that it is not reasonable and necessary to render such services in a hospital as opposed to a lesser care facility.

Reversed with directions.

1. Social Security and Public Welfare ⇐241

Congress, in enacting medicare legislation, sought to encourage efficient and economical use of medical facilities and, in securing such objective, intended that the utilization review committee

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COSTS

Each party to bear its own costs.

VACATED AND REMANDED.

CERVECERIA CENTROAMERICANA, S.A., Appellant,

v.

CERVECERIA INDIA, INC., Appellee.

No. 89-1369.

United States Court of Appeals, Federal Circuit.

Dec. 26, 1989.

Foreign brewer filed petition to cancel other brewer's federally registered trademark on grounds of abandonment. The United States Patent and Trademark Office, Trademark Trial and Appeal Board granted foreign brewer's petition, and appeal was taken. The Court of Appeals, Michel, Circuit Judge, held that: (1) finding that holder of trademark on foreign beer had not made use of mark within the United States for period of at least two years was sufficiently supported by evidence, and (2) trademark holder failed to rebut prima facie showing of trademark abandonment.

Affirmed.

1. Trade Regulation ⇐75

Burden is on party seeking cancellation of federally registered trademark to prove abandonment of mark by preponderance of evidence. Lanham Trade-Mark Act, §§ 7(b), 45, 15 U.S.C.A. §§ 1057(b), 1127.

2. Trade Regulation ⇐71

Proof of nonuse of trademark sufficient to support finding of abandonment may require showing, in cases involving products manufactured abroad, both of no importations into United States and no domestic sales. Lanham Trade-Mark Act, §§ 7(b), 45, 15 U.S.C.A. §§ 1057(b), 1127.

3. Trade Regulation ⇐75

Finding of trademark abandonment may be based on inference and implication, as long as inference is not grounded on pure speculation and has adequate foundation in proven fact. Lanham Trade-Mark Act, §§ 7(b), 45, 15 U.S.C.A. §§ 1057(b), 1127.

4. Trade Regulation ⇐75

Finding that holder of trademark on foreign beer had not made use of mark within the United States for period of at least two years was sufficiently supported by evidence that no imports had arrived in United States for period of eight years and that shipments in preceding years were of very small quantities; burden of production then shifted to trademark holder to rebut this prima facie showing of abandonment with evidence of its intent to resume use of trademark during period of proven nonuse. Lanham Trade-Mark Act, §§ 7(b), 45, 15 U.S.C.A. §§ 1057(b), 1127.

5. Trade Regulation ⇐75

Although burden of production shifts to trademark holder to rebut prima facie showing of trademark abandonment, burden of proof is at all times on party seeking to cancel mark based on such alleged abandonment. Lanham Trade-Mark Act, §§ 7(b), 45, 15 U.S.C.A. §§ 1057(b), 1127.

6. Trade Regulation ⇐75

Trademark holder failed to rebut prima facie showing of trademark abandonment arising from its nonuse of mark within the United States for period of at least two years, where trademark holder failed to present any evidence of intent to resume use of mark during period of proven nonuse. Lanham Trade-Mark Act, §§ 7(b), 45, 15 U.S.C.A. §§ 1057(b), 1127.

Adrienne L. White, Burns, Doane, Swecker & Mathis, Alexandria, Va., argued, for appellant. With her on the brief was Robert S. Swecker.

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Willard M. Hanger, Hilton Head Island, S.C., argued, for appellee. Richard G. Kline, Kline, Rommel & Colbert, Washington, D.C., of counsel.

Before MARKEY, Chief Judge, and ARCHER and MICHEL, Circuit Judges.

MICHEL, Circuit Judge.

Cerveceria Centroamericana, S.A. (Centroamericana) appeals the decision, dated January 12, 1989, of the United States Patent and Trademark Office, Trademark Trial and Appeal Board (TTAB), granting Cerveceria India, Inc.'s (India's) petition to cancel Centroamericana's Registration No. 972,984 for the word mark MEDALLA DE ORO, for beer, on the grounds of abandonment. *See Cerveceria India Inc. v. Cerveceria Centroamericana, S.A.*, 10 USPQ2d 1064 (TTAB 1989) (Cancellation No. 14,654). We affirm.

Background

Centroamericana, a foreign beer producer, obtained a United States registration for MEDALLA DE ORO, for beer, in 1973. India sought to register the mark MEDALLA, for beer, in 1979, but its application was denied by the Patent and Trademark Office based on likelihood of confusion with Centroamericana's mark. Since 1978, India used the word mark MEDALLA on its beer in Puerto Rico. In 1985, India petitioned to cancel Centroamericana's registration asserting, inter alia, that Centroamericana had abandoned its mark by nonuse. *Id.* at 1065, 1067.

TTAB decided the cancellation based essentially on deposition testimony and certain answers to interrogatories. TTAB found that Centroamericana had imported shipments of MEDALLA DE ORO beer into the United States in 1971, 1972, 1975, 1977, and 1986, and that the 1970's shipments were "of very small quantities." *Id.* at 1067. In 1975, for example, only one shipment was made and consisted of only some four gallons. Based on the record evidence, TTAB concluded that India had made out a prima facie case of abandonment because nonuse for two or more years between 1977 and 1984 was established by India. Centroamericana argued, however, that India failed to establish prima facie abandonment. Centroamericana noted that although India provided evidence that Centroamericana had not *imported* MEDALLA DE ORO beer into the United States between 1977 and 1986, India offered no direct proof showing that the mark was not used in the United States for two consecutive years during that period. *See id.* at 1068.

To rebut the prima facie case found by TTAB, Centroamericana presented testimony by Carlos Castillo, Centroamericana's export manager and vice president of its U.S. subsidiary. Castillo stated that he had seen MEDALLA DE ORO beer for sale in Los Angeles " 'probably in 1978' " and in Washington, D.C. in either 1979 or 1980. *Id.* India countered with testimony by Howard Rosenberg, the General Manager of a Washington, D.C. beer importer and wholesaler and an expert in imported beers, that he checked various reference books and from them and his personal knowledge was not aware of any MEDALLA DE ORO beer ever on sale in Washington, D.C. *Id.* at 1068–69. TTAB found Castillo's testimony "vague," and noted that Castillo could not remember the circumstances or location, indicating that TTAB was affording the testimony little or no weight. *Id.* at 1068.

Centroamericana also presented evidence that in 1982, it established a U.S. subsidiary to market beers. This evidence was presented to show Centroamericana's intent to resume use of the MEDALLA DE ORO mark. TTAB found, however, that at that time, Centroamericana intended to market only "MONTE CARLO" brand beer with the hope of selling other brands sometime in the future. Two years later, in 1984, Centroamericana sought approval of a new MEDALLA DE ORO label from the U.S. Bureau of Alcohol, Tobacco and Firearms, and it received such approval in 1985. Centroamericana then contacted a number of distributors about handling MEDALLA DE ORO and eventually made shipments to the United States in 1986. *Id.* at 1067–68.

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Based on this evidence, TTAB found that although Centroamericana had shown an intent to resume use as early as 1984, it had failed to rebut the prima facie case of abandonment between 1977 and 1984. Consequently, TTAB cancelled Centroamericana's MEDALLA DE ORO registration. *Id.* at 1069. This appeal followed. Centroamericana now argues that its rebuttal evidence was sufficient to overcome the prima facie case, even if we uphold TTAB's determination that prima facie abandonment was indeed established, and that an improper burden of proof was imposed on it by TTAB.

OPINION

I. *Establishing Prima Facie Abandonment*

A federal registration of a trademark may be cancelled if the mark is abandoned. Under the Lanham Act a federally registered trademark is considered abandoned if its "use has been discontinued with intent not to resume." 15 U.S.C. § 1127 (1988). Moreover, nonuse for two consecutive years constitutes "prima facie abandonment." *Id.*

[1] Because a trademark owner's certificate of registration is "prima facie evidence of the validity of the registration" and continued use of the registered mark, the burden of proof is placed upon those who seek cancellation. 15 U.S.C. § 1057(b) (1988); *J.C. Hall Co. v. Hallmark Cards, Inc.*, 340 F.2d 960, 962–63, 144 USPQ 435, 437 (CCPA 1965); *see Trade-marks: Hearings on H.R. 4744 Before the Subcomm. on Trade-marks of the House Comm. on Patents*, 76th Cong., 1st Sess. 65 (1939) (testimony of Sylvester Liddy, Esq.; Edward Rogers, Esq.; and Rep. Lanham), *reprinted in* 3 J. Gilson, *Trademark Protection and Practice* § 7–11 (1988) [hereinafter *J. Gilson*]; *Trade-marks: Hearings Before the House Comm. on Patents*, 72d Cong., 1st Sess. 40 (1932) (testimony of Edward Rogers, Esq.), *reprinted in* 4 *J. Gilson, supra*, at § 45–28.[1] Accordingly, in a cancellation for abandonment, as for any other ground, the petitioner bears the burden of proof. Moreover, the petitioner's burden is to establish the case for cancellation by a preponderance of the evidence. *See Dan Robbins & Assocs., Inc. v. Questor Corp.*, 599 F.2d 1009, 1014, 202 USPQ 100, 105 (CCPA 1979) (involving cancellation for likelihood of confusion); *Department of Justice, Fed. Bureau of Investigation v. Calspan Corp.*, 578 F.2d 295, 301, 198 USPQ 147, 151 (CCPA 1978) (same); *Massey Junior College, Inc. v. Fashion Inst. of Technology*, 492 F.2d 1399, 1403, 181 USPQ 272, 275 (CCPA 1974) (same). Although not binding on this court like Court of Customs and Patent Appeals (CCPA) precedent, another circuit court's decision, which provides persuasive authority, has applied the preponderance standard to an abandonment case. *See Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 938, 12 USPQ2d 1423, 1429 (7th Cir.1989).

The CCPA, however, has stated that the petitioner has a "heavy burden" to establish abandonment. *See, e.g., Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 1031, 213 USPQ 185, 191 (CCPA 1982); *W.D. Byron & Sons v. Stein Bros. Mfg. Co.*, 377 F.2d 1001, 1003–04, 153 USPQ 749, 750 (CCPA 1967). Nonetheless, we cannot conclude that these statements relate to the standard of proof. Instead, we interpret these statements merely as noting the greater evidentiary difficulties a petitioner likely faces in a cancellation as opposed to an opposition proceeding. *See Massey Junior College*, 492 F.2d at 1402–03, 181 USPQ at 274–75.[2] Additionally, in

1. *See also Exxon Corp. v. Humble Exploration Co.*, 695 F.2d 96, 99, 217 USPQ 1200, 1202 (5th Cir.1983); *Vuitton et Fils S.A. v. J. Young Enters., Inc.*, 644 F.2d 769, 775–76, 210 USPQ 351, 356 (9th Cir.1981).

2. For example, as the CCPA suggested in *Massey Junior College*, a petitioner seeking cancellation based on likelihood of confusion may often face a greater hurdle if he attempts to prove actual confusion because evidence may be difficult to find due to the passage of time since the trademark's registration. *See* 492 F.2d at 1402, 181 USPQ at 274. Likewise, a petitioner claiming abandonment will likely face assertions of intent to resume use. Such assertions may be strongly supported by evidence of a registrant's motive to resume use because of the strong goodwill that may have been established by a

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a cancellation as opposed to an opposition proceeding, the registrant benefits from a presumption of validity. 15 U.S.C. § 1057(b) (1988).

Moreover, we are unable to discern from the legislative history of the Lanham Act any intention by Congress to raise the burden of proof for cancellation for abandonment above the normal civil burden of a preponderance of the evidence. Nor do we see any basis for a higher burden of proof in cancellation proceedings for abandonment than for likelihood of confusion. In many contexts, including trademark registration cancellation proceedings, a preponderance is the standard of proof to be presumed. "Without some statutory direction, a preponderance of the evidence will usually be 'sufficient.'" *Massey Junior College*, 492 F.2d at 1403, 181 USPQ at 275; *see* McCormick, *Evidence* § 339, at 793 (Cleary ed. 1972). Accordingly, we conclude that, as any cancellation petitioner, India bears a burden of proof by a preponderance of the evidence.

In the instant case, TTAB concluded that India established prima facie abandonment based on its findings that Centroamericana only shipped MEDALLA DE ORO beer to the United States in 1971, 1972, 1975, 1977, and 1986, and the 1970's shipments were "of very small quantities." *Cerveceria India, Inc. v. Centroamericana, S.A.*, 10 USPQ2d 1064, 1067 (TTAB 1989). Although Centroamericana does not contest the showing of eight years of no importations, it argues that India's proof was insufficient to establish prima facie abandonment because India did not provide "direct" evidence that the mark was not used within the United States. Centroamericana stresses that TTAB must have "inferred" that MEDALLA DE ORO was not used in order to have reached the conclusion that prima facie abandonment had been established.

[2, 3] In cases involving products made abroad, proof of nonuse of the trademark may require both proof of no importations into the United States and no domestic sales. *See, e.g., 7-11 Sales, Inc. v. Perma, S.A.*, 225 USPQ 170, 171-72 (TTAB 1984). We cannot conclude, however, that TTAB's implied finding that India proved no domestic sales between 1977 and 1986 was clearly erroneous.[3] Although Centroamericana suggests that "inference" and "implication" are inappropriate in establishing prima facie abandonment, we cannot agree. Especially when a party must prove a negative, as in proving abandonment through nonuse, without resort to proper inferences the burdened party could be faced with an insurmountable task. The protection due the registrant is provided by requiring that the inference have an adequate foundation in proven fact. Whenever an inference is based on pure speculation and "there is no basis ... to *infer* nonuse," a prima facie case of abandonment must fail. *P.A.B. Produits et Appareils de Beaute v. Satinine Societa in Nome Collettivo di S.A. e. M. Usellini*, 570 F.2d 328, 332-33, 196 USPQ 801, 804-05 (CCPA 1978).

[4] In this case an inference could properly be drawn that the trademark was not used domestically for at least two consecutive years. Based on its initial finding that no imports arrived for the eight years between 1977 and 1986, combined with its finding that the 1970's shipments were "of very small quantities," TTAB could properly infer that the mark was not used within the United States for at least two consecutive years between 1977 and 1986; small quantities of MEDALLA DE ORO beer imported in 1977 or earlier were unlikely to remain on sale in the United States after 1977. Thus, India established both no im-

mark's prior use. *Cf. Defiance Button Mach. Co. v. C & C Metal Prods. Corp.*, 759 F.2d 1053, 1060-61, 225 USPQ 797, 802-03 (2d Cir.), *cert. denied*, 474 U.S. 844, 106 S.Ct. 131, 88 L.Ed.2d 108 (1985). *Massey Junior College*, 492 F.2d at 1403, 181 USPQ at 275. *See generally* Note, *The Song is Over but the Melody Lingers On: Persistence of Goodwill and the Intent Factor in Trademark Abandonment*, 56 Fordham L.Rev. 1003 (1988).

3. This court reviews "TTAB's factual findings to determine whether they are 'clearly' or 'manifestly' wrong or erroneous." *Stock Pot Restaurant, Inc. v. Stockpot, Inc.*, 737 F.2d 1576, 1578, 222 USPQ 665, 666 (Fed.Cir.1984).

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portations and no domestic sales, and therefore TTAB properly determined that prima facie abandonment was established.

II. *The Effect of Establishing Prima Facie Abandonment*

[5] Although the legislative history of the Lanham Act is clear that *a* burden shifts to the trademark registrant once prima facie abandonment is shown,[4] it is unclear *what* burden shifts—the burden of proof or the burden of production. Moreover, a review of the case law addressing this question reveals ambiguous language and different positions among federal circuits. *See generally Sodima v. International Yogurt Co.*, 662 F.Supp. 839, 843–45, 3 USPQ2d 1641, 1644–45 (D.Ore.1987) (reviewing prior abandonment cases).

In a case involving a defense of abandonment in a trademark infringement suit, the United States Court of Appeals for the Fifth Circuit stated that once prima facie abandonment is established the registrant has the "*burden to demonstrate* that circumstances do not justify the inference of intent not to resume use." *Exxon Corp. v. Humble Exploration Co.*, 695 F.2d 96, 99, 217 USPQ 1200, 1202 (5th Cir.1983) (emphasis added). The *Exxon* court cited the CCPA's *Sterling Brewers, Inc. v. Schenley Industries, Inc.*, 441 F.2d 675, 679, 169 USPQ 590, 593 (CCPA 1971), an opinion that also uses the "burden to demonstrate" language. *Exxon*, 695 F.2d at 99, 217 USPQ at 1202. We can discern nothing from either of these opinions, however, that clearly indicates whether "burden to demonstrate" means burden of *production* or burden of *proof*. Nonetheless, the United States Court of Appeals for the Eleventh Circuit has interpreted *Exxon* as enunciating a rule that the burden of *proof* shifts. *E. Remy Martin & Co., S.A. v. Shaw-Ross Int'l Imports, Inc.*, 756 F.2d 1525, 1532, 225 USPQ 1131, 1136 (11th Cir. 1985); *see AmBrit Inc. v. Kraft Inc.* 805 F.2d 974, 994 & n. 106, 1 USPQ2d 1161, 1177 & n. 106 (11th Cir.1986), *cert. denied*, 481 U.S. 1041, 107 S.Ct. 1983, 95 L.Ed.2d 822 (1987).

The Second and Ninth Circuit courts of appeals, on the other hand, appear to us to have decided that the burden of proof does *not* shift. The former has emphasized that a prima facie case of abandonment results in a "rebuttable presumption." *Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037, 1043–44, 208 USPQ 175, 177 (2d Cir. 1980); *see Silverman v. CBS Inc.*, 870 F.2d 40, 47, 9 USPQ2d 1778, 1783 (2d Cir.), *cert. denied*, — U.S. —, 109 S.Ct. 3219, 106 L.Ed.2d 569 (1989). The latter court has opined that prima facie abandonment "may be *rebutted* by showing valid reasons for nonuse or by proving lack of intent to abandon." *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, 769 F.2d 1393, 1396, 227 USPQ 44, 46 (9th Cir.1985) (citing *Saratoga Vichy*) (emphasis added).

The United States Court of Appeals for the Seventh Circuit and at least one district court have interpreted the Second and Ninth Circuits' use of the rebuttable presumption language as establishing the law of those circuits that the burden of proof *not* be shifted. *See Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 938, 12 USPQ2d 1423, 1428 (7th Cir.1989); *Sodima v. International Yogurt Co.*, 662 F.Supp. 839, 845, 3 USPQ2d 1641, 1645 (D.Ore.1987). We agree that this may have been exactly their intention, partly because creating a rebuttable presumption *need not* shift the burden of proof. *See generally* 21 C. Wright and K. Graham, Jr., *Federal Practice and Procedure* 562–73 (1977) [hereinafter *C. Wright*].

4. *See Trade-marks. Hearings on H.R. 82 Before the House Comm. on Patents*, 78th Cong., 1st Sess. 24 (1944) ("The bill provides that discontinuance of use for 2 consecutive years shall be prima facie abandonment. It would shift the burden to the registrant.") (testimony of Daphne Robert, Esq.) [hereinafter *Hearings*], *reprinted in* 4 *J. Gilson, supra* at § 45–30; *id.* at 28 (testimony of Sen. Hawkes and Karl Fenning, Esq.). *See generally Hearings, supra* (addressing H.R. 82's incorporation of the incontestability, prima facie evidence of validity, and abandonment provisions in an effort to avoid making a trademark registration unassailable but still place at least a reasonable burden on the registrant to justify his right to the continuing protection of his federal registration).

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Because we conclude that neither our predecessor, the CCPA, nor the other federal circuit courts have provided us with clear guidance as to which burden Congress intended to shift once prima facie abandonment is established, we directly examine evidence of Congress' intent.[5] However, as previously noted, the legislative history of the Lanham Act as to which burden it is that shifts is itself ambivalent, or at least ambiguous. *See supra* note 6. Consequently, we turn to other congressionally sanctioned law for guidance.

The Federal Rules of Evidence generally apply to TTAB proceedings. 37 C.F.R. § 2.122(a) (1988); *Yamaha Int'l Corp. v. Hoshino Gakki Co.*, 840 F.2d 1572, 1575–76, 6 USPQ2d 1001, 1004 (Fed.Cir.1988). Rule 301 of the Federal Rules of Evidence states:

> In all civil ... proceedings *not otherwise provided for by Act of Congress* or by these rules, a presumption imposes on the party against whom it is directed the burden of going forward with evidence to rebut or meet the presumption, but *does not shift to such party the burden of proof* in the sense of the risk of nonpersuasion, which remains throughout the trial upon the party on whom it was originally cast.

(emphasis added).

Although Rule 301 was adopted subsequent to the Lanham Act, we accept the view that Congress did intend the rule to effect presumptions[6] enunciated in prior as well as subsequent statutes except where Congress clearly expressed a contrary intent. *See* 21 *C. Wright, supra* at 582–83 (discussing what Congress meant by the Rule 301 language, "not otherwise provided for by Act of Congress"). Based on the legislative history of the Lanham Act, we cannot say that Congress unambiguously indicated that the burden of *proof* shifts to the registrant once prima facie abandonment is established. Accordingly, we conclude that Rule 301 applies to the Lanham Act's abandonment provision, and therefore, only the burden of going forward (burden of production) shifts to the trademark registrant.

III. *Centroamericana's Rebuttal of Prima Facie Abandonment*

[6] Once TTAB determined that prima facie abandonment was established, Centroamericana came forward both with evidence attacking India's showing of nonuse and evidence showing intent to resume use of MEDALLA DE ORO. This dual approach was proper because a registrant may rebut a prima facie case either by disproving the underlying fact from which the presumption arises, i.e., two consecutive years of nonuse, or the presumed fact itself, i.e., no intent to resume use. We conclude, however, that TTAB correctly decided that both Centroamericana's attempts to rebut failed. Certainly, we cannot say that TTAB's factual assessments were clearly erroneous. Moreover, we see nothing to indicate that in making its determination TTAB placed anything greater than a burden of production on Centroamericana.

Centroamericana has mistaken which statements in TTAB's opinion were directed to which of the two types of rebuttal evidence Centroamericana presented. Erroneously, Centroamericana argues that TTAB placed on it the burden of proof to establish the second of the two elements of abandonment, requiring it to prove use of the mark to show intent to resume use. All TTAB actually said was that Centroam-

5. CCPA holdings are binding on this court, *see South Corp. v. United States*, 690 F.2d 1368, 1370, 215 USPQ 657, 657-58 (Fed.Cir.1982); substantive case law from the other federal circuits, however, provides only persuasive authority from which we may seek guidance. When other circuits are themselves divided, their guidance may be less persuasive than when their holdings are uniform.

6. Although "prima facie," the language at issue in this case, does not always mean a "presumption," *see* J. Wigmore, *Evidence* § 2494 (J. McNaughton ed. 1961), the legislative history of the Lanham Act indicates that Congress was using the term in its presumption sense. *See Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trade-marks of the House Comm. on Patents*, 77th Cong., 1st Sess. 112 (1941) (testimony of Wallace Martin, Esq.), *reprinted in J. Gilson, supra* at § 33–29.

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ericana failed to provide sufficient evidence to negate the evidence on the first element, *nonuse*, here between 1977 and 1984. *See Cerveceria*, 10 USPQ2d at 1068. TTAB did not, however, place any burden upon Centroamericana to prove use of the trademark in order *to show intent to resume use.*

Centroamericana presented testimony from Carlos Castillo, Centroamericana's export manager and vice president of its U.S. subsidiary, that he saw MEDALLA DE ORO beer for sale in Los Angeles " 'probably in 1978' " and in Washington, D.C. in "either" 1979 or 1980. *Id.* If believed, Centroamericana's case appears to be that at worst, it had shown domestic sales between 1977 and 1980, and that in 1982 and 1984 it took steps to resume use by forming its new U.S. subsidiary and seeking approval of a new MEDALLA DE ORO label, even though the subsidiary did not actually receive MEDALLA DE ORO marked beer until 1986.

TTAB, however, afforded the testimony of Carlos Castillo little or no weight based partly on its assessment that his testimony was "to say the least, vague." *Id.* In addition, in TTAB's view Castillo's testimony was discredited by the testimony of Howard Rosenberg, the General Manager of a Washington, D.C. beer importer and wholesaler. Rosenberg testified that he was not aware of any MEDALLA DE ORO beer on sale in Washington, D.C. We see nothing to question this credibility determination, and therefore conclude that TTAB's finding of nonuse between 1977 and 1984 was not clearly erroneous.

As to whether Centroamericana had rebutted what we believe was a Rule 301 presumption of abandonment with its evidence of intent to resume use, TTAB's opinion merely said:

> [I]t is our view that [Centroamericana] abandoned its mark by virtue of its nonuse after 1977. While, beginning in 1984, it undertook activities to again use the mark in the United States, these latter efforts represent a new and separate use, and cannot serve to cure its abandonment during the period when petitioner commenced its use of the mark.

Id. at 1069. TTAB does not explicitly discuss intent to resume use after 1984, but implies such intent is irrelevant because Centroamericana has not rebutted the presumption of abandonment by showing intent to resume use between 1977 and 1984.

TTAB's opinion indicates that it found Centroamericana's evidence that it had undertaken "activities to again use the mark" as sufficient to show intent to resume use, but only as of 1984 and not earlier, i.e., during the prior six years of nonuse.[7] The earliest evidence of intent to resume use in the record before us is Castillo's testimony that when Centroamericana's U.S. subsidiary was formed in 1982 the company intended ultimately to use the subsidiary to market the MEDALLA DE ORO brand. Joint Appendix at 53, *Cerveceria Centroamericana, S.A. v. Cerveceria India, Inc.*, No. 89-1369 (Fed.Cir. filed July 31, 1989). Centroamericana argues that TTAB's opinion ignored this testimony and expressed no credibility determination as to this evidence. However, whether the board failed to consider it at all or merely failed to mention it in its opinion we need neither presume nor decide because we may "draw from the facts found those inferences that are necessary to support the ultimate finding": that Centroamericana failed to provide credible evidence of intent to resume use except for the period starting in 1984. *See ACS Hosp. Sys., Inc. v. Montefiore Hosp.*, 732 F.2d 1572, 1578, 221 USPQ 929, 933 (Fed.Cir.1984). Therefore, we can presume TTAB found the 1982 evidence insufficient, a finding we cannot say is clearly erroneous.

Even if TTAB did ignore this evidence, any such error was harmless in this case because Centroamericana failed even to attempt to show intent to *resume* use between 1977 and 1982. When no evidence of intent to resume use is offered for a period

7. Once a trademark is abandoned, its registration may be cancelled even if the registrant resumes use. *Mission Dry Corp. v. Seven-up Co.*, 193 F.2d 201, 203, 92 USPQ 144, 146 (CCPA 1951).

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of proven nonuse of at least two consecutive years, then as to those years—here 1977 to 1982—TTAB certainly may conclude the registrant has not met his burden of production, and thus has failed to rebut the presumption of abandonment. Moreover, TTAB did not err in concluding that India carried its burden of proof by a preponderance of the evidence. Accordingly, we must uphold TTAB's decision to cancel Centroamericana's MEDALLA DE ORO registration because of abandonment.

AFFIRMED.

ARCHER, Circuit Judge, concurring in result.

Section 45 of the Lanham Act provides, *inter alia*, that "non-use for two consecutive years shall be prima facie abandonment." 15 U.S.C. § 1127 (1988). The Board found such non-use by Centroamericana of its trademark "MEDALLA DE ORO" for more than two consecutive years and, as the majority correctly concludes, that factual finding is not clearly erroneous.

The only evidence * indicating that Centroamericana did not abandon its trademark is Mr. Castillo's "vague" testimony, which was not given credence by the Board and which it indicated was contradicted by other testimony. As we have stated on numerous occasions, credibility determinations made by the trier of fact are "virtually unreviewable" in this court. *See Hambsch v. Department of the Treasury*, 796 F.2d 430, 436 (Fed.Cir.1986). Nothing in this case counsels that we disturb the Board's weighing of Mr. Castillo's testimony.

Accordingly, the Board did not err in holding that Centroamericana had abandoned its trademark "MEDALLA DE ORO."

* Centroamericana's evidence that it began to use its mark again in 1984 after the mark had already been abandoned is, as the majority opinion points out, irrelevant to the issue of whether it earlier had abandoned its mark. *Mission Dry Corp. v. Seven-Up Co.*, 193 F.2d 201, 203, 92 USPQ 144, 146 (CCPA 1951).

HAHN, et al., Appellants,

v.

WONG, Appellee.

No. 89-1364.

United States Court of Appeals, Federal Circuit.

Dec. 28, 1989.

Interference was dismissed by the United States Patent and Trademark Office Board of Patent Appeals and Interferences, and party who had initiated the interference appealed. The Court of Appeals, Friedman, Senior Circuit Judge, held that: (1) party who initiated interference had not made prima facie showing of reduction to practice, and (2) the Board did not abuse its discretion in refusing to consider additional evidence subsequently submitted to bolster claim, in response to order to show cause why summary judgment should not be entered against him.

Affirmed.

1. Patents ⇐91(3)

To establish prima facie case entitling them to proceed with interference, parties initiating interference were required only to prove by way of affidavits setting forth facts at least so much of their case as would entitle them to an award of priority if the senior party were to rely only on his filing date and were not to rebut any of the junior party's case. Practice Rules in Patent Cases, § 1.608(b), 35 U.S.C.A.App.

2. Patents ⇐91(3)

To establish reduction to practice of a chemical composition for purposes of award of priority in interference proceeding, it is sufficient to prove that the inventor actually prepared the composition and

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tion of bone glues,[14] the lack of any evidence supporting the fictitious home market sales allegation, and in the interests of judicial economy, we remand this cause to the Court of International Trade with instructions to direct the ITA to assess antidumping duties in accord with the margins determined in the preliminary investigation for the years in question.

V

Costs

Costs are awarded to Olympic Adhesives, Inc.

REVERSED AND REMANDED

IMPERIAL TOBACCO LIMITED, ASSIGNEE OF IMPERIAL GROUP PLC, Appellant.

v.

PHILIP MORRIS, INCORPORATED, Appellee.

No. 89-1444.

United States Court of Appeals, Federal Circuit.

March 30, 1990.

United States corporation brought challenge to foreign corporation's registration of trademark "JPS" in the United States on ground that registered mark had been abandoned. The Trademark Trial and Appeal Board entered summary judgment in favor of United States corporation. Foreign corporation appealed. The Court of Appeals, Nies, Circuit Judge, held that: (1) after registration, a foreign registrant is only entitled to the same national treatment as any other registrant; (2) United States corporation's showing that foreign registrant had not used trademark "JPS" to sell its cigarettes from date of registration up to date of petition to cancel registration established prima facie case that registrant had abandoned the mark; and (3) registrant failed to overcome presumption that it had abandoned mark.

Affirmed.

1. Trade Regulation ⇐251

A registrant of foreign trademark under section of Lanham Act which provides for obtaining a United States registration for a mark based on ownership of a registration in the foreign registrant's home country, without any use in the United States, is entitled only to the same national treatment as any other registrant after registration. Lanham Trade-Mark Act, §§ 1(b), 44, 44(e, f), 15 U.S.C.A. §§ 1051(b), 1126, 1126(e, f).

2. Trade Regulation ⇐282

A trademark registered under the section of the Lanham Act which provides for United States registration of a foreign trademark based on ownership of a registration in the registrant's home country, without any use in the United States, may be cancelled on the ground of abandonment of the mark at any time. Lanham Trade-Mark Act, §§ 14(c), 44(e), 15 U.S.C.A. §§ 1064(c), 1126(e).

3. Trade Regulation ⇐291

Proof by challenger to foreign registrant's trademark "JPS," which had been registered in the United States under section of Lanham Act which provides for United States registration of a foreign trademark based on ownership of registration in registrant's home country, without any use in United States, that the registrant had not used the trademark for more than two years immediately preceding the filing of the challenger's petition for cancellation, established a prima facie case of abandonment of the trademark, including

grades 12, 16, and 20 in disguise and further explained the drop in its total production.

14. The domestic industry took no part in these proceedings. Apparently, the animal glue industry has suffered a world-wide decline.

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the element of intent. Lanham Trade-Mark Act, § 45(a), 15 U.S.C.A. § 1127(a).

4. Trade Regulation ⇐152

A foreign trademark, registered under section of Lanham Act which provides for United States registration of a foreign trademark based on ownership of registration in the registrant's home country, without any use in United States, is not entitled to either initial or continued registration where the statutory requirements for registration cannot be met, even if the foreign trademark is known by reputation in the United States, and even if the trademark is protectible under concepts of unfair competition. Lanham Trade-Mark Act, § 45(a), 15 U.S.C.A. § 1127(a).

5. Trade Regulation ⇐286

United States cigarette manufacturer had standing to challenge foreign corporation's registration of trademark "JPS" in the United States based on allegation that United States cigarette purchasers would be likely to attribute foreign corporation's cigarettes to the manufacturer, if cigarettes were sold in the United States, because of the United States corporation's prior use of term "PLAYERS" in the United States and fact that foreign corporation used monogram "JOHN PLAYER SPECIAL" abroad.

6. Trade Regulation ⇐71

An affirmative desire by a registrant not to relinquish a trademark is not determinate of the intent element of abandonment under the Lanham Act; nothing in Act entitles a registrant who has formerly used a mark to overcome a presumption of abandonment arising from subsequent nonuse by simply averring a subjective affirmative intent not to abandon. Lanham Trade-Mark Act, § 45(a), 15 U.S.C.A. § 1127(a).

7. Federal Civil Procedure ⇐2470.1

Upon a motion for summary judgment, a conclusory statement on the ultimate issue does not create a genuine issue of fact. Fed.Rules Civ.Proc.Rule 56, 28 U.S.C.A.

8. Trade Regulation ⇐75

In a contested abandonment of trademark case, the registrant contesting abandonment must proffer more than conclusory testimony or affidavits, the registrant must put forth the evidence with respect to what activities it engaged in during the nonuse period or what outside events occurred from which an intent to resume use during the nonuse period may reasonably be inferred. Lanham Trade-Mark Act, § 45(a), 15 U.S.C.A. § 1127(a).

9. Trade Regulation ⇐75

If a trademark registrant's nonuse of the trademark is excusable, the registrant has overcome the presumption that its nonuse was coupled with an "intent not to resume use"; if the activities are insufficient to excuse nonuse, the presumption is not overcome. Lanham Trade-Mark Act, § 45(a), 15 U.S.C.A. § 1127(a).

10. Trade Regulation ⇐225

Trademark Trial and Appeal Board did not impose a heavier burden on foreign registrant of trademark "JPS" than other registrants must shoulder, in challenge to registration of trademark "JPS" on basis of abandonment, which would be contrary to the requirement for national treatment, where foreign registrant had not used trademark, and Board simply required the foreign registrant, like any other registrant who admits to at least two years of nonuse, to put forth sufficient evidence in response to a motion for summary judgment. Lanham Trade-Mark Act, §§ 44(e), 45(a), 15 U.S.C.A. §§ 1126(e), 1127(a).

11. Trade Regulation ⇐75

Foreign registrant failed to overcome presumption that its nonuse of trademark "JPS" for cigarettes did not constitute abandonment of the trademark, despite registrant's contentions that it was engaged in the development of a marketing strategy during period of nonuse, and that it was concerned with potentional legal problems with competitor, where much of the marketing strategy was directed to marketing "incidental" products, which did not excuse nonuse of JPS for cigarettes, and registrant's litigation fears were attrib-

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utable to a desire to sell "JPS" cigarettes in particular display, not because it could not use "JPS" as registered for cigarettes. Lanham Trade-Mark Act, §§ 44(e), 45(a), 15 U.S.C.A. §§ 1126(e), 1127(a).

Brewster Taylor, of Larson and Taylor, Arlington, Va., argued for appellant. With him on the brief was Andrew E. Taylor.

Anthony L. Fletcher, of Hunton & Williams, New York City, argued for appellee. With him on the brief was Christopher J. Mugel, of Hunton & Williams, Richmond, Va.

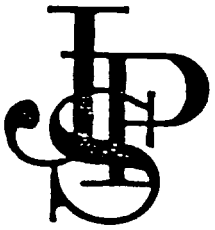
Before NIES, BISSELL,* and ARCHER, Circuit Judges.

NIES, Circuit Judge.

Imperial Tobacco Limited appeals from the final decision of the Trademark Trial and Appeal Board of the United States Patent and Trademark Office, in Cancellation No. 16,024, granting the petition of Philip Morris, Incorporated, for cancellation of Imperial's Registration No. 1,160,229 on a motion for summary judgment. We affirm.

I

Imperial Tobacco Limited, a United Kingdom corporation, owns Registration No. 1,160,229 issued on July 7, 1981, on the Principal Register for the trademark shown below for cigarettes:



The registration in issue was obtained on the basis of its prior United Kingdom registration in accordance with section 44(e) of the Lanham Act,[1] 15 U.S.C. § 1126(e) (1982). No use of the mark in commerce in or with the United States was alleged.

Philip Morris filed a petition to cancel Imperial's registration on the ground that the registered mark was abandoned. *See* sections 14 and 45, 15 U.S.C. §§ 1064 and 1127 (1982). At the close of discovery, cross-motions for summary judgment were made. In support of its motion, Philip Morris relied on the undisputed fact that there had been no United States sales of cigarettes under the registered mark from the date of registration up to the date of Philip Morris' petition filed November 3, 1986. Philip Morris acknowledged Imperial made sales of approximately 50,000 *JPS* cigarettes after May 1987, apparently to support the filing of a declaration of use under section 8, 15 U.S.C. § 1058 (1982),[2] but argued that neither such use nor Imperial's activities during the period of nonuse raised a genuine issue of material fact that the mark had been previously abandoned.

Imperial maintains that in this case the period of nonuse is insufficient in itself to establish abandonment of the mark. In opposing Philip Morris' motion, Imperial submitted affidavits and evidence purporting to show that it had no intention to abandon the mark because during that period it had been trying to open the United States market. Per Imperial, its activities excuse its delay in introducing in the United States cigarettes bearing the *JPS* mark and negate an inference of intent to abandon the mark, or at least raise a genuine issue with respect to its intent to abandon the mark, thereby precluding summary judgment.

The board ruled that Philip Morris had demonstrated its entitlement to prevail on the issue of Imperial's abandonment as a matter of law. It found no genuine issue of material fact underlying that issue and concluded that more evidence, obtained by

* Judge Bissell, who died February 4, 1990, did not participate in this opinion.

1. All section references herein are to the Act of July 5, 1946, ch. 540, 60 Stat. 427, popularly known as the Lanham Act or The Trademark Act of 1946.

2. By the terms of the statute, a registration must be cancelled unless an affidavit or declaration of use is filed in accordance with this section during the sixth year of registration.

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trial, could not reasonably be expected to change the result. Specifically, it held the undisputed facts show that, although Imperial commenced actual use in the United States in May of 1987, abandonment had occurred before that date. The board rejected Imperial's position that the *prima facie* case of abandonment arising from an extended period of nonuse of the mark was overcome or in doubt. Per the board, none of the proffered reasons for Imperial's nonuse had the effect of precluding Imperial from selling cigarettes under the *JPS* mark at any time in the United States. Imperial simply chose not to do so for various business reasons that did not excuse its nonuse. Further, the board held that the affidavits of Imperial's personnel that it did not intend to abandon its rights in the mark were insufficient to create a genuine issue of material fact. We agree.

II

This appeal requires interpretation of the statutory provision under which a registration for a mark may be cancelled on the ground that such mark has been abandoned. Specifically, the question relates to abandonment of a mark covered by a U.S. registration which was obtained on the basis of a foreign registration, where no use has been made of the mark in the United States from the date of registration up to the time the petition was filed, a period here of at least five years. The issue is one of first impression in this court.

[1] Under section 1 of the Lanham Act, as it existed prior to recent amendments, 15 U.S.C. § 1051 (1982), an applicant for registration of a trademark in the United States was not entitled to file an application until the applicant actually used the mark in U.S. commerce in connection with particular goods or services.[3] However, an exception was provided to this general rule. Pursuant to section 44(e), a foreign applicant of a country with whom the United States maintained certain treaty rights was entitled to obtain a U.S. registration for a mark based on ownership of a registration in its home country without any use in the United States.[4] Section 44(e) gave such foreign applicant a significant advantage over other applicants in procuring a registration in this country. However, the statute gave no similar advantage in the *maintenance* of a section 44(e) registration. On the contrary, section 44(f) provided, and still provides, that a registration obtained under section 44(e) "shall be independent of the registration in the country of origin and the duration, validity, or transfer in the United States of such registration shall be governed by the provisions of this chapter." Thus, after registration, a section 44(e) registrant is entitled only to the same national treatment as any other registrant.

[2] When a petition for cancellation of a registration is filed more than five years after the date of registration, the statute provides limited grounds for cancellation. *Wallpaper Mfrs., Ltd. v. Crown Wallcovering Corp.*, 680 F.2d 755, 761, 214 USPQ 327, 332 (CCPA 1982). One basis that continues, after the five-year period, is abandonment of the mark which is the subject of the registration. As provided in section 14(c), abandonment is a basis for cancella-

3. In the Trademark Law Revision Act of 1988, Pub.L. No. 100-667, § 103(3), 102 Stat. 3935 (codified at 15 U.S.C. § 1051(b) (1988)), Congress added a new basis for the *filing of an application*, namely, a bona fide intention to use a mark in commerce in relation to specific goods or services. However, for these "intent-to-use" applications, actual use of the mark in commerce is a prerequisite to the *issuance of a registration*. The same declaration of intent-to-use must now be made in connection with section 44 applications, 15 U.S.C. § 1126(e) (1988), but such registration may issue without actual use. *See* Pegram, J., *Section 44 Revision: After the 1988 Act*, 79 Trademark Reporter 220-223 (1989).

4. Section 44(e), 15 U.S.C. § 1126(e) (1982), provides:

> **Registration on principal or supplemental register; copy of foreign registration**
> A mark duly registered in the country of origin of the foreign applicant may be registered on the principal register if eligible, otherwise on the supplemental register in this chapter provided. The application therefor shall be accompanied by a certification or a certified copy of the registration in the country of origin of the applicant.

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tion "at any time."[5] Thus, a section 44(e) registration, like any other registration, may be cancelled on the ground of abandonment of the mark at any time. As stated in *P.A.B. Produits et Appareils de Beaute v. Satinine Societa in Nome Collettivo di S.A. e.M. Usellini*, 570 F.2d 328, 196 USPQ 801 (CCPA 1978):

> Having obtained a registration, the foreign registrant is subject to our national law; it is subject to the same treatment and conditions which prevail in connection with domestic registrations based on use in the United States, including the possibility of cancellation on the ground of abandonment. 570 F.2d at 330, 196 USPQ 802-03.

Under the statute, an abandoned mark is not entitled to continued registration regardless of the basis on which the registration was originally obtained. Thus, the question on summary judgment here is whether the undisputed facts establish as a matter of law that the *JPS* mark has been "abandoned" within the meaning of the statute.

III

Under section 45, a mark shall be deemed to be abandoned *inter alia:*

> (a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie abandonment.

Under the above provision, *prima facie* abandonment of a mark is established by proof of its nonuse for two consecutive years.[6] The terms "use" and "nonuse" mean use and nonuse in the United States. *See Cerveceria Centroamericana, S.A. v. Cerveceria India, Inc.*, 892 F.2d 1021, 1024-25, 13 USPQ2d 1307, 1309-10 (Fed. Cir.1989). To overcome that *prima facie* case, the registrant must come forth with evidence that it "discontinued" use of a mark without an "intent not to resume" use.

At common law there was no similar presumption of abandonment of a mark simply from proof of nonuse. A challenger had to prove not only nonuse of the mark but also that the former user *intended to abandon* the mark. *Saxlehner v. Eisner & Mendelson Co.*, 179 U.S. 19, 31, 21 S.Ct. 7, 11, 45 L.Ed. 60 (1900). However, with respect to rights under the Lanham Act, proof of abandonment was facilitated by the creation of the above statutory presumption.

[3] In effect, the presumption eliminates the challenger's burden to establish the intent element of abandonment as an initial part of its case. Thus, statements from opinions under the common law of abandonment concerning the nature of the element of intent and who had the burden of proof cannot be applied indiscriminately to an abandonment case under the Lanham Act concerned with a party's entitlement to continued registration. In the instant case, Philip Morris proved that Imperial did not use the mark *JPS* for cigarettes in the United States for more than two years immediately preceding the filing of its petition for cancellation. Such proof established a *prima facie* case of abandonment of the *JPS* mark under section 45(a), including the element of intent.

[4, 5] As an initial matter, Imperial asserts that the finding of abandonment is inconsistent with the finding of Philip Morris' standing to bring this case. On the standing issue, Philip Morris alleged *inter alia* that the *JPS* mark was likely to be known to some potential customers in this country by reason of their having travelled

5. Section 1064(c) is, "in effect, a five year time limit barring certain attacks on a *registration*. It should be noted that this section is not dependent on the filing of a declaration under § 15 which provides incontestable rights of *use* to a limited extent (15 U.S.C. § 1065)." *Wallpaper Mfrs., Ltd. v. Crown Wallcovering Corp.*, 680 F.2d 755, 761 n. 6, 214 USPQ 327, 332 n. 6 (CCPA 1982).

6. We note that the 1988 amendments added to the definition of abandonment in section 45: "'Use' of a mark means the bona fide use of that mark made in the ordinary course of trade, and not made merely to reserve a right in a mark." The amendment is not significant in this case.

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abroad where the mark was used.[7] Imperial argues that because its mark was alleged to be known here, it could not at the same time be abandoned. While superficially appealing, the argument is without merit. The question here is a right to registration.[8] A foreign trademark may be known by reputation in this country and may even be protectable under concepts of unfair competition, but such mark is not entitled to either initial or continued *registration* where the *statutory requirements* for registration cannot be met. Also contrary to Imperial's view, the statement in *Wallpaper Mfrs., Ltd. v. Crown Wallcovering Corp.*, 680 F.2d at 765, 214 USPQ at 335 that "[o]nly when all rights of protection are extinguished is there abandonment" provides no support for Imperial's assertion of a right to maintain its registration. *Wallpaper* rejected the view that a petition for cancellation which in essence asserted likelihood of confusion with the petitioner's mark could be brought *after five years* in the guise of a claim of abandonment as defined in section 45(b).[9] The *Wallpaper* court rejected the argument that because the same mark identified *de facto* two unrelated sources, the mark must be held abandoned as a matter of law under section 45(b). Significantly the registrant in *Wallpaper* was using its mark and had always used it. Imperial's quotation from *Wallpaper* is taken wholly out of context. It has no pertinence to the situation here where the asserted mark has never been used and the foundation for abandonment is section 45(a) not 45(b).

[6] Imperial next argues that the board erred as a matter of law by imposing a new and unreasonable burden on a registrant to prove it possessed an intent to use the mark in the United States at some definite time. The statutory provision, per Imperial, does not require evidence of such intent. Technically, Imperial is correct that the statutory definition for abandonment of a mark does not use the words "intent to use" or "intent to begin use." The statutory language is "intent not to resume" use. Those words are appropriate for the usual situation in which a registered mark has been used at some time in this country. Where there is use, followed by a period of nonuse, the question is whether the registrant "discontinued" use with an "intent not to resume." In contrast, the subject registration, as indicated, was obtained without allegations of use of the mark in the United States and, during the pertinent time frame, the mark has never been used in the United States. The statutory language "discontinued" and "intent not to resume," as applied to the present situation, is inapt.

Imperial solves this language problem by arguing that the statutory language "intent not to resume" use of the mark should be interpreted to mean "intent to abandon" the mark. Under Imperial's interpretation, it asserts it would then have raised a genuine issue of material fact as to its intent by the submission of affidavits averring that Imperial had no intent to abandon its rights in the mark *JPS*.

Imperial is correct that in some post-Lanham Act opinions, "intent not to resume"

7. While likelihood of confusion could not be the basis for cancellation after five years, such allegations can afford standing. The standing issue was not appealed. However, standing is a jurisdictional issue and must be considered. The board held, in essence, that Philip Morris' standing was established by allegations that Imperial promotes and uses the monogram with the words JOHN PLAYER SPECIAL abroad so that the two have become synonymous and that some prospective U.S. purchasers of cigarettes, particularly travelers, would be likely to attribute JPS cigarettes to Philip Morris, if sold in the United States, because of its prior use of PLAYERS in this country. We agree that those allegations are sufficient. We do not, of course, pass on the merits of the allegations. *See Gwaltney of Smithfield, Ltd. v. Chesapeake Bay Foundation, Inc.*, 484 U.S. 49, 65–66, 108 S.Ct. 376, 391–92, 98 L.Ed.2d 306 (1987).

8. We also specifically point out that the question decided here is not whether Imperial is entitled to use or re-register *JPS* for cigarettes in the United States but only whether it is entitled to the *benefits of its 1981 registration*.

9. Section 45(b), 15 U.S.C. § 1127(b) (1982) provides:

> (b) When any course of conduct of the registrant, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin.

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and "intent to abandon" have been used interchangeably. However, as more precisely analyzed by Judge Higginbotham in *Exxon Corp. v. Humble Exploration Co.*, 695 F.2d 96, 102, 217 USPQ 1200, 1204 (5th Cir.1983), in the factual context of those cases, *see, e.g., United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134, 209 USPQ 457 (3rd Cir.1981), the substitution of one phrase for the other made no difference. On the other hand, as Judge Higginbotham explains in *Exxon Corp.*:

> There is a difference between intent not to abandon or relinquish and intent to resume use in that an owner may not wish to abandon its mark but may have no intent to resume its use.... In the context of a challenge strictly under the Lanham Act to an alleged warehousing program, as the facts of this case present, the application of the statutory language is critical.

695 F.2d at 102, 217 USPQ at 1204–05.

As in the *Exxon* case, we also conclude that an affirmative desire by the registrant not to relinquish a mark is not determinative of the intent element of abandonment under the Lanham Act. Nothing in the statute entitles a registrant who has formerly used a mark to overcome a presumption of abandonment arising from subsequent nonuse by simply averring a subjective affirmative "intent not to abandon." As indicated in the quotation from *Exxon*, the Lanham Act was not intended to provide a warehouse for unused marks. *See also AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1550, 1 USPQ2d 1161, 1177 (11th Cir.1986), *cert. denied*, 481 U.S. 1041, 107 S.Ct. 1983, 95 L.Ed.2d 822 (1987).

[7, 8] In every contested abandonment case, the respondent denies an intention to abandon its mark; otherwise there would be no contest. Under Fed.R.Civ.P. 56, made applicable to proceedings before the board by 37 C.F.R. § 2.116(a) (1988), one must, however, proffer more than conclusory testimony or affidavits. An averment of no intent to abandon is little more than a denial in a pleading, which is patently insufficient to preclude summary judgment on the ground the facts are disputed. As this court has frequently said in connection with motions for summary judgment, a conclusory statement on the ultimate issue does not create a *genuine* issue of fact. *Sweats Fashions, Inc. v. Pannill Knitting Co.*, 833 F.2d 1560, 1564, 4 USPQ2d 1793, 1797 (Fed.Cir.1987); *see also Johnston v. IVAC Corp.*, 885 F.2d 1574, 1578, 12 USPQ2d 1382, 1385 (Fed.Cir.1989). The registrant must put forth evidence with respect to what activities it engaged in during the nonuse period or what outside events occurred from which an intent to resume use during the nonuse period may reasonably be inferred.

[9] Intent to resume use in abandonment cases has been equated with a showing of special circumstances which excuse a registrant's nonuse.[10] *Miller Brewing Co. v. Oland's Breweries Ltd.*, 548 F.2d 349, 352, 192 USPQ 266, 268 (CCPA 1976); *American Lava Corp. v. Multronics, Inc.*, 461 F.2d 836, 841–42, 174 USPQ 107, 111 (CCPA 1972). While not expressly stated in other cases, the analysis has been comparable. *Cerveceria Centroamericana, S.A.*, 892 F.2d at 1027, 13 USPQ2d at 1313; *Sterling Breweries, Inc. v. Schenley Indus., Inc.*, 441 F.2d 675, 680, 169 USPQ 590, 594 (CCPA 1971). Thus, whether one characterizes the "intent" element of abandonment as an intent not to resume use or an intent to abandon is not significant. 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, as Imperial would have it, an "intent to abandon." If the activities are insufficient to excuse nonuse, the presumption is not overcome. *Cerveceria Centroamericana, S.A.*, 892 F.2d at 1027, 13 USPQ2d at 1313 (forming U.S. subsidiary for marketing not sufficient to overcome presumption of intent).

We see no justification to adopt a different or more liberal interpretation of the

10. This is the same type of showing required in sections 8 and 9 with respect to declarations of continued use for maintenance and renewal. *See American Lava Corp. v. Multronics, Inc.*, 461 F.2d at 839, 174 USPQ at 109.

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statute in connection with a mark of a section 44(e) registrant which has *never* been used in this country. Such registrant has no right to maintain a registration except in accordance with the statute, and nothing in the statute suggests that the registration of a never-used mark can be maintained indefinitely simply because the registrant does not have an affirmative intent to relinquish the mark. A section 44(e) registrant is merely granted a dispensation from actual use prior to registration, but after registration, there is no dispensation of use requirements. If the registrant fails to make use of the registered mark for two years, the presumption of abandonment may be invoked against that registrant, as against any other.

[10] We do not find the board's reference to an "intent to begin use" or "intent to use" to be legal error here. Indeed, these words are an appropriate adaptation of the statutory language in the situation of a never-used mark. In any event, the significant question is whether the board imposed a heavier burden on Imperial than other registrants must shoulder, which would be contrary to the requirement for national treatment. We conclude it did not. The board simply required Imperial, like any other registrant who admits to at least two years of nonuse, to put forth sufficient evidence in response to a motion for summary judgment to at least raise a genuine issue that its nonuse was excusable.

[11] In a thorough and complete analysis, the board reviewed Imperial's proffered evidence and found it was not sufficient to raise a viable defense of excusable nonuse. Imperial maintains that from 1981 to 1987 "steps were taken each year towards introduction in the United States of cigarettes bearing the 'JPS' design mark." However, its evidence belies that assertion. The board carefully analyzed and rejected that evidence, and we must agree that Imperial's activities from 1981 to 1986, either separately or combined, were insufficient to raise a genuine issue of fact precluding summary judgment.

Imperial's principal argument is that during the six-year period, it was engaged in the development of a "marketing strategy." However, much of that strategy was not for the purpose of introducing cigarettes into the United States bearing the *JPS* mark. Rather, it was directed to marketing "incidental" products, such as whisky, pens, watches, sunglasses and food under the *JPS* mark. In addition, the "strategy" included, for example, seeking federal trademark registrations covering the *JPS* mark (alone and together with "JOHN PLAYER SPECIAL") on these incidental products. We agree with the board that Imperial's concern with marketing incidental products did not excuse nonuse of *JPS* for cigarettes. The board noted that when Imperial finally made sales of *JPS* cigarettes in 1987, there was no implementation of a complex marketing strategy to introduce them. As the board pointed out, Imperial simply began selling cigarettes in 1987, as it could have all along.

Imperial also maintains that it did not use the registered mark because it was concerned with potential legal problems with Philip Morris. Although the board recognized that suspension of actual use, or plans to use a mark pending resolution of litigation, may serve to justify nonuse, *see, e.g., La Societe Anonyme des Parfums Le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1274, 181 USPQ 545, 550 (2nd Cir.1974); *New England Duplicating Co. v. Mendes*, 190 F.2d 415, 418, 90 USPQ 151, 153 (1st Cir.1951), it held that this case did not present such facts. The undisputed facts point to a conclusion entirely different from that which Imperial asserts. The record shows that Imperial's ongoing and major litigation concern was over its desire to use *JPS in combination with* JOHN PLAYER SPECIAL as used abroad,[11] and

11. Philip Morris owns rights in the mark PLAYERS in the United States. The board noted that Imperial's use of JOHN PLAYER SPECIAL was held to infringe those rights in *Philip Morris, Inc. v. Imperial Tobacco Co., Ltd.*, 282 F.Supp. 931, 937, 156 USPQ 239, 244 (E.D.Va.1967) (Imperial's use of JOHN PLAYER'S & SONS in connection with the sale of tobacco products infringes Philip Morris' trademark PLAYER'S), *aff'd*, 401 F.2d 179, 180–81, 158 USPQ 561, 562

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to use the mark on packaging having a distinctive black and gold trade dress similar to that used by Philip Morris on its BENSON AND HEDGES cigarettes. Its unsuccessful efforts to license *JPS* for cigarettes were also directed to the use of *JPS* in this manner. The board inferred that litigation fears and licensing efforts were attributable to Imperial's desire to sell *JPS* cigarettes in a particular display, not because it could not use *JPS* as registered for cigarettes. We see no other reasonable inference. *Cf. Chemical Eng'g Corp. v. Essef Indus., Inc.*, 795 F.2d 1565, 1571, 230 USPQ 385, 389 (Fed.Cir.1986).

Imperial's other evidence of licensing efforts pertained to the use of the *JPS* mark only on goods other than cigarettes. Other evidence pertained to licensing use of the mark outside the United States. In any event, Imperial has not asserted any reason why it could not use its mark without a licensee. Indeed, when Imperial did make shipments in 1987, it was not through a licensee. We agree with the board that none of Imperial's licensing efforts justify its nonuse of the registered mark.

Imperial proffered no other evidence which might support any additional reason for its nonuse. The evidence which it did offer does not create a genuine issue which requires resolution at trial. Imperial simply has proffered no viable excuse for nonuse of the mark for over five years. The *prima facie* case of abandonment of the mark arising from that nonuse was, therefore, not overcome.

IV

For the foregoing reasons we conclude that the Trademark Trial and Appeal Board did not err in granting Philip Morris' motion for summary judgment on its petition for cancellation of Registration No. 1,160,229. Imperial has shown no reversible error in the standard the board applied to determine whether the mark had been abandoned within the meaning of the statute. Nor has Imperial raised a genuine issue of material fact. Accordingly, the decision of the board cancelling Registration No. 1,160,229 is affirmed.

AFFIRMED.

WESTLAW KEY NUMBER SYSTEM

(4th Cir.1968), *cert. denied*, 393 U.S. 1094, 89 S.Ct. 875, 21 L.Ed.2d 784 (1969).

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Patent Office Trademark Trial and Appeal Board

CONWOOD CORPORATION v. LOEW'S THEATRES, INC.

Decided Mar. 31 and May 16, 1972

TRADEMARKS

1. Abandonment — Nonuse as abandonment (§67.037)

Nonuse of mark for cigarette tobacco for 15 years involved an abandonment of whatever rights registrant once may have had therein; resumption of use of mark for cigarettes and cigars was a new use.

2. Affidavits of use (§67.10)

Fraud and misrepresentation (§67.37)

False statement in section 9 affidavit, that mark is "still in use in interstate commerce for cigarette tobacco," constitutes fraud upon Patent Office.

3. Cancellation — Pleading and practice — Issues determined (§67.1815)

Fraud and misrepresentation (§67.37)

Although fraud was not pleaded in cancellation petition as ground of attack upon respondent's right of registration, issue was tried; therefore, it is considered as though it had been pleaded

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Trademark cancellation No. 9,197 by Conwood Corporation against Loew's Theatres, Inc., Registration No. 516,933, issued Oct. 25, 1949. Petition granted

LEWIS S. GARNER, Washington, D. C., for Conwood Corporation

BRUMBAUGH, GRAVES, DONOHUE & RAYMOND, New York, N. Y., for Loew's Theatres, Inc.

Before LEACH, WALDSTREICHER, and LEFKOWITZ, Members

LEACH, Member

Conwood Corporation has filed a petition to cancel Registration No. 516,933 of the mark "STAG" for cigarette tobacco owned by Loew's Theatres, Inc. This registration issued October 25, 1949 to P. Lorillard Company, which asserted use of the mark since October 16, 1889. The registration was renewed to the Lorillard Corporation on the basis of a Section 9 affidavit filed January 12, 1970 and signed by the vice president of the corporation in which it was stated that

> "The mark shown in trademark Registration No. 516,933 is still in use by applicant in interstate commerce for cigarette tobacco as evidenced by the attached facsimile showing the mark as currently used."

The facsimile referred to in the affidavit appears to have been cut from a piece of stationery paper upon which the mark "STAG" and the designation "Cigarette Tobacco" has been typed.

As grounds for cancelation, it is stated in the petition that petitioner has adopted and is using the mark "STAG" for snuff, and that respondent has discontinued and abandoned use of the mark "STAG" for cigarette tobacco.

Both petitioner and respondent have offered the testimony of several witnesses and numerous documentary exhibits which for the purpose hereof need not be referred to in detail.

Suffice it to state that it appears therefrom that petitioner in April 1968 selected the word "STAG" as a trademark for snuff, the word having apparently been used as a trademark for such a product by a predecessor of petitioner from about 1912 until about 1925. Labels for the product bearing the mark "STAG" were ordered a short time thereafter and the first sale of the product was made on July 5, 1968. Subsequent sales of "STAG" snuff in small amounts were made by petitioner on various dates in 1968 and 1969.

It further appears that in 1955, several years after obtaining its registration of "STAG" for cigarette tobacco, respondent's predecessor, P. Lorillard Company discontinued the manufacture, sale and promotion of this product. Up to the time of the taking of its testimony herein on October 29, 1970, neither respondent nor its predecessor ever resumed the manufacture and sale of "STAG" cigarette tobacco and, so far as can be ascertained, respondent has no intention of doing so in the future.

In about April 1968, the P. Lorillard Company, which had at one time manufactured large cigars, decided to re-enter the field and to use the word "STAG" as a trademark for a plastic tipped cigar which was then in the planning stage. Due to a number of circumstances of no particular consequence here, the commercial production of "STAG" cigars did not commence until May 1970, and the first sales of the product were not made until June of that year.

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On July 10, 1968 and November 25, 1968, P. Lorillard Company made several shipments in small quantities of filter tipped cigarettes bearing the mark "STAG". It is clear enough from the record in this case, however, that Lorillard never had a bona fide cigarette business under the mark "STAG", and that these shipments were made solely in an attempt to preserve Lorillard's rights in the mark.

There is also testimony by the several witnesses for respondent that notwithstanding the non-use of the mark "STAG" for cigarette tobacco for a period of approximately fifteen years, it was never the intention of respondent or its predecessors to abandon their rights in the mark.

With regard to the issue of abandonment, Section 45 of the Trademark Act of 1946 provides in part that

> "A mark shall be deemed to be 'abandoned'—
>
> (a) when its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Non-use for two consecutive years shall be prima facie abandonment."

[1] On the facts presented in this case, and notwithstanding the testimony of respondent's witnesses that neither respondent nor its predecessors had any intention of abandoning the mark "STAG", we are clearly of the opinion that the non-use thereof for cigarette tobacco for a period of fifteen years involved an abandonment of whatever rights it once may have had therein,[1] that respondent's resumption of use of the mark for cigarettes and cigars was a new use, and hence that petitioner, on the basis of its prior use, possesses superior rights in the mark as against respondent.

[2] Moreover, it is apparent from the foregoing, that the statement made in the affidavit which accompanied the application for renewal of respondent's registration, i.e., that the mark "STAG" is "still in use in interstate commerce for cigarette tobacco" was false, and clearly constituted a fraud upon this Office. Cf. Duffy-Mott Company, Inc. v. Cumberland Packing Company, 165 USPQ 422 (CCPA, 1970).

Decision

The petition to cancel is granted, and Registration No. 516,933 will be canceled in due course.

May 16, 1972

The petition filed May 1, 1972 by respondent for a rehearing and for reconsideration of this Board's decision of March 31, 1972 on final hearing in this case is noted.

[3] Although it is true, as respondent points out, that fraud was not pleaded as a ground of attack upon respondent's right of registration, the issue has been tried herein, and it has therefore been considered as though it had been pleaded. See: Rule 15(b) of the Federal Rules of Civil Procedure.

On reconsideration, we are not persuaded that the decision in question involved any error either as to law or fact, and we remain of the opinion (a) that respondent's non-use of its mark for 15 years constituted an abandonment of whatever rights it once may have had therein, and (b) that the statement made in the affidavit which accompanied the application for renewal of respondent's registration, i.e., that the mark "STAG" is "still in use in interstate commerce for cigarette tobacco" was false and constituted a fraud upon this Office.

Decision

The petition is denied.

[1] Cf. Uncas Manufacturing Company v. Clark & Coombs Company, 132 USPQ 683 (DC R.I., 1962), affirmed on appeal, 135 USPQ 282 (CA 1, 1962). American Photographic Publishing Co. v. Ziff-Davis Publishing Co., 53 USPQ 373 (CCPA, 1942), and Levering Coffee Company v. Merchants Coffee Company, 39 App. D.C. 151.

Patent Office Trademark Trial and Appeal Board

LANE LIMITED v. MURRAY, SONS & COMPANY LIMITED

Decided Mar. 31, 1972

TRADEMARKS

1. Identity and similarity — Words — Not similar (§67.4111)

Rights which applicant obtained in "Chart" upon purchase of registration thereof did not give applicant rights in "Chartwell" as against prior user of "Chartwell" for closely related goods since they are different trademarks creating different commercial impressions.

2. Class of goods — Particular cases — Similar (§67.2073)

Use of identical mark on smoking tobacco and on smoking pipes is likely to cause confusion.

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federal courts [26] and to take advantage of whatever procedural dilatory tactics he can conceive of [27] is untenable. Therefore, we reject petitioner's contention that the seven-year eligibility period for § 212(c) relief should be able to accrue during the pendency of an appeal to this court.

D.

Having found all of the above discussed alternatives unacceptable, we now attempt to fix a cutoff date which minimizes the problems which attended those rejected alternatives. In our view, the most viable and fair cutoff date is the date upon which the INS commences the deportation proceedings, *i.e.* when the order to show cause is issued. This choice eliminates both of the problems inherent in the "time of commission of a deportable act" cutoff date. First, regardless of the grounds for deportation, the date is readily ascertainable. Second, the Attorney General's discretion in granting § 212(c) relief is not overly restricted as would be the case with the earlier cutoff date. Furthermore, fixing the cutoff date as of the time of the issuance of the show cause order also avoids the problem of tying the accrual of § 212(c)'s seven-year period to the quirks and delays of the administrative and judicial processes. Therefore, we conclude that eligibility for § 212(c) relief is determined as of the date the order to show cause is issued.

In the instant case, it is undisputed that the seven-year period did not commence until December 23, 1975, when petitioner became a lawful permanent resident. The INS issued the order to show cause on August 29, 1980. Clearly, petitioner had not established a "lawful unrelinquished domicile of seven consecutive years" [28] before the issuance of the show cause order. Therefore, petitioner is ineligible for § 212(c) relief.

IV.

Because petitioner fails to meet the statutory eligibility criteria, the Board's denial of his motion for discretionary relief is AFFIRMED.

DEAN WITTER REYNOLDS, INC., Plaintiff,

v.

Marilyn Kay FERNANDEZ, etc., et al., Defendants,

Banco Nacional De Cuba, et al., Defendants-Cross-Claimants-Appellees,

Gilbert McDonald, Defendant-Appellant.

No. 82-6152.

United States Court of Appeals, Eleventh Circuit.

Sept. 10, 1984.

Cuban nationals brought in personam action against American citizens for fraud. The United States District Court for the Southern District of Florida, C. Clyde Atkins, J., entered summary judgment in favor of the Cuban nationals, and an appeal was taken. The Court of Appeals, Clark, Circuit Judge, held that: (1) in view of fact that effect of Cuban nationals' failure to obtain license pursuant to Cuban assets control regulations prior to filing suit in district court was an issue of great public concern, since a principal purpose of regulations was to deny Cuba access to American dollars which could finance acts of aggression or subversion, issue would be

26. Filings in the U.S. Courts of Appeals have increased 56.6% since 1978. *See* Administrative Office of the U.S. Courts, *Federal Court Management Statistics* 129 (1983).

27. *See generally* Respondent's Petition for Rehearing at 9–11; *Wall v. INS, supra.*

28. 8 U.S.C. § 1182(c) (1982).

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addressed on appeal even though not raised in district court, and (2) Cuban nationals were under no obligation to obtain license from Treasury Department pursuant to the Cuban assets control regulations before initiating an in personam suit in federal district court which would merely establish liability and fix damages; license would be required only when Cuban nationals attempted to levy upon property or collect funds.

Affirmed.

1. War and National Emergency ⇐39

A license obtained pursuant to Cuban assets control regulations to authorize judicial proceedings involving Cuban nationals in United States courts is not jurisdictional in nature.

2. Federal Courts ⇐612

In view of fact that effect of Cuban nationals' failure to obtain license pursuant to Cuban assets control regulations prior to filing suit in district court was an issue of great public concern, since a principal purpose of regulations was to deny Cuba access to American dollars which could finance acts of aggression or subversion, issue would be addressed on appeal even though not raised in district court.

3. War and National Emergency ⇐39

Cuban nationals were under no obligation to obtain license from Treasury Department pursuant to the Cuban assets control regulations before initiating an in personam suit in federal district court which would merely establish liability and fix damages; license would be required only when Cuban nationals attempted to levy upon property or collect funds.

Philip Glatzer, Coconut Grove, Fla., for defendant-appellant.

Michael Krinsky, Rabinowits, Boudin, Standard, Krinsky & Lieberman, New York City, for defendants-cross-claimants-appellees.

Appeal from the United States District Court for the Southern District of Florida.

Before TJOFLAT and CLARK, Circuit Judges, and GOLDBERG *, Senior Circuit Judge.

CLARK, Circuit Judge:

Appellant, Gilbert McDonald, appeals from a final judgment entered November 2, 1982, awarding two Cuban government corporations, Banco Nacional de Cuba and Empresa Cubana Exportadora de Alimentos y Productos Varios (hereinafter "CUBAEXPORT"), a judgment in the sum of $1,334,250 against McDonald and dismissing his counterclaim. The district court had previously granted the Cuban parties' motion for summary judgment on the ground that McDonald had been unjustly enriched by receipt of his portion of the proceeds of a fraud committed against the Cuban parties. On appeal, McDonald argues that the Cuban parties' failure to comply with the Cuban Assets Control Regulations [1] and obtain authorization to sue from the United States Department of Treasury prior to commencing the action deprived the district court of subject matter jurisdiction and, therefore, the judgment is void.[2] We have jurisdiction. 28 U.S.C. § 1291 (1982).

I.

A.

In an effort to stifle Cuban efforts to destabilize governments in the Western

* Honorable Irving L. Goldberg, U.S. Circuit Judge for the Fifth Circuit, sitting by designation.

1. 31 C.F.R. Part 515.

2. Although appellant raised only this one issue on appeal, the panel requested that the parties submit post oral argument memoranda on the question whether ancillary jurisdiction supported the Cuban parties' cross-claim against McDonald. After reviewing the memoranda and the decision of the district court, we are satisfied that ancillary jurisdiction existed.

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Hemisphere, the President, on July 8, 1963 issued the Cuban Assets Control Regulations (hereinafter "Regulations"). The Regulations, originally promulgated pursuant to § 5(b) of the Trading With the Enemy Act[3] (TWEA) but now authorized by the International Emergency Economic Powers Act of 1976,[4] prohibit all unlicensed financial and commercial transactions with Cuba or Cuban nationals.[5] A "transaction" generally includes "[a]ny payment or transfer" of property to Cuba or a national thereof.[6] More specifically, a "transfer" includes "the issuance, docketing, filing, or the levy of or under any judgment, decree, attachment, execution, or other judicial or administrative process or order."[7]

The Regulations, in connection with § 5(b) of the TWEA,[8] make it unlawful to effect any of the described transactions unless a license authorizing the transaction has been issued by the Office of Foreign Assets Control acting on behalf of the Secretary of the Treasury or by the Federal Reserve Bank of New York.[9] Licenses can be either general or specific. A general license authorizes a broad class of transactions which the Regulations would otherwise prohibit. All general licenses are set forth in Subpart E.[10] A specific license authorizes an individual transaction not authorized by a general license.[11] Any person having an interest in a transaction or proposed transaction may apply for a specific license.[12] The Office of Foreign Assets Control considers applications on an individual basis and advises each applicant of its decision. The decision to approve or disapprove the application constitutes final agency action.[13]

B.

On January 10, 1979, Dean Witter Reynolds, Inc. (hereinafter "Reynolds"), a brokerage firm, filed a complaint in interpleader naming Banco Nacional de Cuba and CUBAEXPORT as defendants along with Karl Fessler and others. Banco Nacional de Cuba and CUBAEXPORT are wholly owned corporations of the Government of Cuba with offices in Havana, Cuba.

Reynolds alleged that the defendants had made conflicting claims to the funds and securities standing in Fessler's name on its books and that it was unable to determine to whom the funds and property were due and payable. In a February 9, 1978 order, the district court found that Reynolds' complaint stated a proper claim for interpleader and that the court had jurisdiction over the action. On October 15, 1979, the court ordered Reynolds to use the balance in Fessler's cash credit account to purchase shares in a money market fund in the names of the Clerk of the United States District Court for the Southern District of New York and Karl Fessler, and to deliver the money market shares and the other

3. 50 U.S.C.App. § 5(b).

4. 50 U.S.C. § 1702(a)(1)(B). Although the Regulations were promulgated under the TWEA, the Treasury Department's authority with respect to Cuban assets is currently derived from the IEEPA, which "grandfathered" in all "authorities conferred on the President" by § 5(b) of the TWEA that were "being exercised" on July 1, 1977. Pub.L. 95-223, § 102(b). *See Regan v. Wald*, — U.S. —, 104 S.Ct. 3026, 82 L.Ed.2d 171 (1984) (defining "authorities ... being exercised"). The IEEPA restricts some of the Executive's powers in circumstances short of war, but it reenacts, in identical language, "the power to compel the transfer of foreign assets, and to nullify any rights in them." *Unidyne Corp. v. Iran*, 512 F.Supp 705, 708-09 (E.D.Va.1981). *See Wald, supra*, — U.S. at — & n. 8, 104 S.Ct. at 3031 & n. 8.

5. 31 C.F.R. Part 515, Subpart B.

6. *Id.* § 515.309.

7. *Id.* § 515.310.

8. 50 U.S.C.App. § 5(b).

9. *Id.* § 515.701(a) & .801(b)(6). The IEEPA also establishes civil and criminal penalties for violations of any "regulation issued under [Chapter 35, Title 50, United States Code]."

10. 31 C.F.R., Subpart E, §§ 515.504-.565 (1983). *See id.* § 515.801(a).

11. *Id.* § 515.801(b)(1).

12. *Id.* (b)(2).

13. *Id.* § 515.803.

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securities held by it for Fessler's Reynolds account to the Clerk of the Court. The Clerk was ordered to maintain same and all dividends resulting therefrom in his custody subject to further order of the court.

In response to the February 9, 1978 order, Banco Nacional de Cuba and CUBAEXPORT, jointly, and Karl Fessler filed claims to the fund; none of the other parties did. The Cuban parties also filed a cross-claim against the defendants Fessler and Tanvest, N.V., naming Peter Franklin Paul and the appellant here, Gilbert McDonald, as additional defendants. On December 10, 1979, the court denied the motions of Paul and McDonald to dismiss the cross-claims for want of jurisdiction and other grounds. 489 F.Supp. 434.

The same allegations of fact and law supported the Cuban parties' claim to the interpleaded fund and their cross-claim. Banco Nacional de Cuba and CUBAEXPORT alleged that McDonald, Fessler and Paul, together with others, successfully defrauded them of the proceeds of a letter of credit in the sum of $8,775,000. In essence, they alleged that the defendants on the cross-claim, knowing and intending that there would be no shipment of coffee, induced CUBAEXPORT to enter into a purchase contract which provided for payment of the coffee in advance of delivery. They further alleged that these defendants induced Banco Nacional de Cuba to issue a letter of credit at the request of its customer, CUBAEXPORT, for the payment of the purchase price of the coffee upon presentation of documents manifesting that the coffee had been loaded on board a vessel in a port of the Dominican Republic bound for Havana, Cuba; that they knowingly caused documents to be presented under the letter of credit falsely representing that the coffee had been loaded as required by the contract and the letter of credit; and they thereby induced Banco Nacional de Cuba through its agent to issue the letter of credit in the sum of $8,775,000.[14]

McDonald asserted a counterclaim alleging that the Cuban parties had tortiously caused Banco de Iberoamerica of Panama City, Panama, to deliver to them a $700,000 certificate of deposit owned by McDonald. On January 24, 1980, the Cuban parties filed a reply alleging that the certificate of deposit had been delivered to them by order of the Attorney General of Panama. They maintained that the act of state doctrine barred a court of the United States from entertaining the counterclaim in those circumstances and, further, that they were not liable as a matter of substantive law even if the merits of the counterclaim were reached.

On February 23, 1982, the Cuban parties filed a motion for summary judgment. On October 1, 1982, the district court granted the motion, concluding that Banco Nacional de Cuba and CUBAEXPORT were entitled to summary judgment against McDonald and Fessler on the theory of unjust enrichment[15] and that McDonald's counterclaim

14. In Count Two, Banco Nacional de Cuba and CUBAEXPORT alleged that McDonald, Paul, Fessler and others, received the proceeds of the letter of credit and that the Cuban parties were entitled to restitution because the consideration for that payment, the coffee, had not been delivered. Counts Three and Four alleged breaches of contract and warranty.

15. Banco Nacional de Cuba and CUBAEXPORT sought relief in the first instance on the ground that the defendants' liability for the full amount of the proceeds of the letter of credit had been conclusively established by their guilty pleas to criminal charges of fraud. McDonald and Fessler had been charged with the same fraud alleged in the cross-claim by the United States of America in a criminal complaint filed in the United States District Court and thereafter had been extradited to Canada to face criminal charges by the Province of Ontario. (In the transaction, the Bank of Nova Scotia's Toronto branch acted as the advising bank and Banco Nacional's agent. Thus, it was in Toronto that the false documents were presented and payment successfully demanded by the defendants.) After an extensive preliminary inquiry, the Ontario court bound Fessler and McDonald over for trial on the fraud charges. Thereafter, Fessler and McDonald entered a plea of guilty to one of the counts of the criminal complaint charging the same substantive fraud alleged here. The defendant Paul plead guilty to criminal charges in the United States District Court for the Southern District of Florida.

In granting summary judgment, the district court held that Paul's guilty plea and conviction

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was without merit. Accordingly, the court ordered that the Cuban parties have judgment against McDonald for the sum of $1,334,250, this amount being equal to the portion of the letter of credit proceeds McDonald had obtained. With regard to Fessler, the court awarded a constructive trust in favor of Banco Nacional de Cuba and CUBAEXPORT over property within the jurisdiction traceable to the letter of credit proceeds, *viz.* the interpleaded fund and certain other tangible property. In addition, the court awarded judgment against Fessler in the sum of $276,396, that amount being equal to the portion of the proceeds received by Fessler which he had not invested in the brokerage account or tangible property within the jurisdiction. On November 2, 1982, the court entered a final judgment consistent with its disposition of summary judgment. McDonald filed a notice of appeal on November 24, 1982.

Subsequently, appellees apparently became concerned over the lack of Treasury Department authorization of their actions in the U.S. District Court. Probably out of an abundance of caution, on April 22, 1983, appellees' counsel contacted by letter the Office of Foreign Assets Control, requesting that a license be issued with respect to the action captioned *Dean Witter Reynolds v. Fernandez v. McDonald & Paul*, No. 79-112 CIV-CA (S.D.Fla.). On May 12, 1983, the office issued license No. C-10024, authorizing the following:

> All transactions relating to the prosecution of the *Reynolds* case up to and including entry of final judgment, provided that any monies or funds awarded to Cuba or a Cuban national must be deposited into an interest-bearing account in a domestic bank, with such account designated as blocked pursuant to the Cuban Assets Control Regulations, and further provided that any other property or assets awarded to Cuba or a Cuban national must be maintained in a blocked status pursuant to the Cuban Assets Control Regulations. (italics original).

The license further provided that the authorization extends "retroactive[ly] to the date of the filing of the *Reynolds* action [*i.e.*, January 10, 1979]."

Appellant raised no challenge to the jurisdiction of the district court based on the absence of a license issued prior to filing suit until the case reached this court.

II.

This appeal presents both important substantive and procedural issues. The substantive question presented is whether a Cuban national must obtain a license pursuant to the Cuban Assets Control Regulations before initiating an *in personam* lawsuit in a U.S. court. The threshold procedural question is whether this question can be raised for the first time on appeal.

In determining these issues, the nature of a Treasury Department license must be resolved. Appellant argues that the license is jurisdictional in nature. If it is jurisdictional, appellant suggests that he should prevail on both the procedural and substantive issues before this court. First, appellant contends that the issue has not been waived by failing to raise it in the district court because questions of subject matter jurisdiction can be raised at any stage of the proceedings. Second, appellant submits that even though a license was issued retroactively, the proceeding was a nullity because the license was a jurisdictional prerequisite, and jurisdiction is to be determined at the time of filing suit. Appellees adduce that the license is not essential to establish subject matter jurisdiction and further that no jurisdictional doctrines preclude retroactive effect for

were conclusive as to him and entitled the Cuban parties to summary judgment. It ruled otherwise, however, with respect to McDonald and Fessler. Unlike Paul, McDonald and Fessler's convictions had not been before a federal court and thus state rather than the federal law of estoppel applied. The district court was not persuaded that Florida would give conclusive effect to foreign criminal convictions in a subsequent civil case.

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the license. Appellees additionally maintain that appellant has waived the issue by failing to raise it below.

[1] Whether a license which would authorize judicial proceedings involving Cuban nationals in U.S. courts has jurisdictional implications is unclear.[16] We find that such a license is not jurisdictional in nature and that a federal district court has jurisdiction to entertain a suit such as the one here. The effect of the Regulations is to prohibit, as a matter of the Executive's discretion in the area of foreign affairs, the federal district courts from entering any order or judgment that can be the basis for a transfer of property or funds to a foreign country or foreign national subject to TWEA, unless the Treasury Department has issued the appropriate license.[17] Before reaching this holding, however, we must overcome the procedural bar to addressing nonjurisdictional questions for the first time on appeal.

A.

Except for questions concerning the power of the court to order relief,[18] an appellate court generally will not consider a legal issue or theory unless it was presented to the trial court.[19] This principle is not a jurisdictional limitation but merely a rule of practice,[20] and "[t]he decision whether to consider an argument first made on appeal ... is 'left primarily to the discretion of the courts of appeals, to be exercised on the facts of individual cases.'"[21] The courts of appeals have identified certain exceptional circumstances in which it may be appropriate to exercise this discretion and deviate from this rule of practice. First, an appellate court will "consider an issue not raised in the district court if it involves a pure question of law, and if refusal to consider it would result in a miscarriage of

16. Simply because Congress empowers the Executive to forbid certain transfers of property and he acts thereon does not imply that the jurisdiction of the federal courts is dependent upon the issuance of a license by the Treasury Department. Indeed, in other situations in which congressionally approved Executive action has suspended legal proceedings over which federal courts would otherwise have jurisdiction, the action has *not* been characterized as depriving the court of jurisdiction. For example, in those situations in which Congress has empowered the President "to invoke the act of state doctrine in cases where national foreign policy interests so require ..., the Executive Branch [has] the power to determine finally, litigable questions in the foreign affairs field." *Banco Nacional de Cuba v. Farr*, 243 F.Supp. 957, 976 (S.D.N.Y.1965), *aff'd*, 383 F.2d 166 (2d Cir.1967). Invocation of the act of state doctrine, however, "does not oust the court of jurisdiction." 243 F.Supp. at 976. Similarly, "[n]o one would suggest that [the Executive's pre-Foreign Sovereign Immunity Act (28 U.S.C. §§ 1330, 1602 *et seq.*) practice of determining sovereign immunity on a case-by-case basis] divest[ed] the courts of 'jurisdiction.'" *Dames & Moore v. Regan*, 453 U.S. 654, 101 S.Ct. 2972, 2989, 69 L.Ed.2d 918 (1981). Nonetheless, one circuit court has determined that the license confers subject matter jurisdiction, *see Banco Nacional de Cuba, and Empresa Cubana Exportadora de Laimentos Y Productos Varios v. Turnbull*, 694 F.2d 722 unpublished op. at 2 (9th Cir.1982). On a related point, one district court has properly dismissed a complaint seeking an order to transfer blocked property in the absence of a Treasury license authorizing such a transfer. *See Richardson v. Simon*, 420 F.Supp. 916 (E.D.N.Y.1976).

17. *See generally* note 16, *supra*. Note the language of the limited and belated license issued in this case, *supra*, page 9. It does not authorize a transfer to appellees of the funds on deposit in the district court.

18. *E.g., Rickard v. Auto Publishers, Inc.*, 735 F.2d 450 at 453 n. 1, (11th Cir.1984) (subject matter jurisdiction); *Response of Carolina, Inc. v. Leasco Response, Inc.*, 537 F.2d 1307 (5th Cir.1976) (indispensable party).

19. *Troxler v. Owens-Illinois, Inc.*, 717 F.2d 530, 532-33 (11th Cir.1983); *Harris Corp. v. National Iranian Radio and Television*, 691 F.2d 1344, 1353 (11th Cir.1982).

20. *Franki Foundation Co. v. Alger-Rau & Assocs., Inc.*, 513 F.2d 581, 586 (3d Cir.1975); *Krause v. Sacramento Inn*, 479 F.2d 988, 989 (9th Cir. 1973).

21. *Roofing & Sheet Metal Serv. v. La Quinta Motors Inns*, 689 F.2d 982, 989 (11th Cir.1982) (quoting *Singleton v. Wulff*, 428 U.S. 106, 121, 96 S.Ct. 2868, 2877, 49 L.Ed.2d 826, 837 (1976)). *See also Commodity Futures Trading Com'n v. Co Petro Marketing Group, Inc.*, 680 F.2d 573, 581 (9th Cir.1982); *Proctor v. State Farm Mut. Auto Ins. Co.*, 675 F.2d 308, 325-26 (D.C.Cir.),

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justice."[22] Second, the rule may be relaxed where the appellant raises an objection to an order which he had no opportunity to raise at the district court level.[23] Third, the rule does not bar consideration by the appellate court in the first instance "where the interest of substantial justice is at stake."[24] Fourth, "a federal appellate court is justified in resolving an issue not passed on below ... where the proper resolution is beyond any doubt."[25] Finally, it may be appropriate to consider an issue first raised on appeal if that issue presents significant questions of general impact or of great public concern.[26]

[2] The instant case meets the requirements of the "great public concern" exception. McDonald appeals from a summary judgment in which the district court ordered that two Cuban nationals have judgment in the amount of $1,334,250. Bearing in mind that a principal purpose of the Cuban Assets Control Regulations was to deny Cuba access to American dollars which could finance acts of aggression or subversion,[27] this issue is of great public concern. If we were to decline to reach the effect of the Cuban parties having failed to comply with the Regulations prior to filing suit, a vacuum would be left with respect to whether a license is required to invoke federal court jurisdiction under facts such as we have here. Thus, we shall address appellant's claim even though he failed to raise it below.

B.

Appellant claims that the district court's order that the Cuban parties have judgment against appellant effects a transaction or transfer of property proscribed by the Cuban Assets Control Regulations. Because the Cuban parties did not obtain authorization from the Treasury Department prior to filing suit against appellant, appellant argues that the proceedings were a nullity. Without expressing any opinion as to the validity of a retroactively issued license,[28] we find no merit in appellant's argument.

In the instant case, the Cuban parties asserted a cross-claim against appellant and obtained an *in personam* judgment for damages. The statute, the regulations and the cases which have examined the issue make clear that a Treasury Department authorization or license is not a prerequisite to initiating an *in personam* lawsuit. The Assets Control Regulations forbid only those judicial acts that transfer a property

cert. denied, 459 U.S. 839, 103 S.Ct. 86, 74 L.Ed.2d 81 (1982).

22. *Roofing & Sheet Metal Serv., supra*, 689 F.2d at 990. *See also Fehlhaber v. Fehlhaber*, 681 F.2d 1015, 1030 (11th Cir.1982).

23. *In re Novack*, 639 F.2d 1274, 1277 (5th Cir. Unit B 1981) (citing Fed.R.Civ.P. 46).

24. *Id. Cf. Hormel v. Helvering*, 312 U.S. 552, 557, 61 S.Ct. 719, 721, 85 L.Ed. 1037 (1941) ("Rules of practice and procedure ... do not require sacrifice of the rules of fundamental justice.").

25. *Singleton v. Wulff, supra*, 428 U.S. at 121, 96 S.Ct. at 2877. *See Washington Gas Light Co. v. Virginia Elec. & Power Co.*, 438 F.2d 248, 250-51 (4th Cir.1971).

26. *See Franki Foundation Co. v. Alger-Rau & Assocs., Inc., supra*, 513 F.2d at 586; *Brennan v. Gilles & Cotting, Inc.*, 504 F.2d 1255, 1266 (4th Cir.1974). *Krause v. Sacramento Inn, supra*, 479 F.2d at 989; *Green v. Brown*, 398 F.2d 1006, 1009 (2d Cir.1968); *Nuelsen v. Sorensen*, 293 F.2d 454 at 462 (9th Cir.1961).

27. *United States v. Frade*, 709 F.2d 1387, 1401-02 (11th Cir.1983). *See* Goodman, *United States Government Foreign Property Controls*, 52 Geo. L.J. 767, 792-93 (1964).

28. The Regulations state that "No license or other authorization contained in this part or otherwise issued by or under the direction of the Secretary of the Treasury ... shall be deemed to validate any transaction effected prior to the issuance thereof, *unless* such license or other authorization specifically so provides." 31 C.F.R. § 515.502(a) (1983) (emp. added). The license involved in this case specifically provided that it applied retroactively.

In an unpublished order, the Ninth Circuit has intimated that such licenses may be given retroactive effect and confer subject matter jurisdiction on the district court after the suit has been initiated. *Banco Nacional de Cuba, supra* note 16. That court, however, did not attempt to reconcile its decision with the established view in other contexts that the Executive's foreign policy determinations do not affect the courts' subject matter jurisdiction. *See* note 16, *supra*.

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interest. Since an *in personam* lawsuit is merely an attempt to establish liability and fix damages so that one's interests will be protected until a license is secured or until the Regulations are suspended, the action does not focus on any particular property within the jurisdiction.

[3] Although in this case Reynolds paid a fund into court in an interpleader action, the litigation between appellant and appellees was *in personam*. It was not until after judgment that a transfer of property became possible. Entry of judgment triggered the application of the Regulations because of the nationality of appellees, and all subsequent proceedings to enforce the judgment must therefore be licensed. In *Tagle v. Regan*, 643 F.2d 1058 (5th Cir. Unit B 1981), the government argued that *Propper v. Clark*, 337 U.S. 472, 69 S.Ct. 1333, 93 L.Ed. 1480 (1949), prohibited a Florida trial court from entering an order that determined that three children of the deceased, one of whom was a citizen and resident of Cuba and therefore a designated national subject to the Cuban Assets Control Regulations, were entitled to one-third each of the decedent's estate. The government read certain language from *Propper* broadly to mean that, in the absence of a license, "any judicial transfer of assets is barred." While this legal conclusion urged by the government is correct, the court distinguished *Propper* on its facts, stating that

> [t]he language cited by the Treasury simply does not support their position. *Propper* forbids transfer of title to frozen assets without a license. The Florida court, however, did not transfer title, but simply determined claims under state law. As long as enforcement of these claims is conditioned upon obtaining a license, this procedure is not in conflict with *Propper*. (citations omitted).

643 F.2d at 1067. Other courts have taken the same approach in construing analogous regulations concerning Iran,[29] Vietnam,[30] and Germany and other access countries.[31] Thus, the conclusion seems clear that no license need be obtained from the Treasury before initiating an *in personam* suit which merely establishes liability and fixes damages.[32] While a license is not neces-

29. *E.g., American Int'l Group, Inc. v. Islamic Republic of Iran*, 657 F.2d 430, 443 n. 15 (D.C. Cir.1981); *Chas. T. Main Int'l, Inc. v. Khuzestan Water & Power Auth.*, 651 F.2d 800, 809-14 (1st Cir.1981); *Marschalk Co. v. Iran National Airlines Corp.*, 518 F.Supp. 69, 79 (S.D.N.Y.1981); *Electronic Data Sys. Corp. v. Social Security Organization of Iran*, 508 F.Supp. 1350, 1361 (N.D. Tex.1981). Appellees also rely upon *Dames & Moore v. Regan*, 453 U.S. 654, 101 S.Ct. 2972, 69 L.Ed.2d 918 (1981). Although the *Dames & Moore* Court's discussion of the President's authority to suspend claims involving Iranian assets pending in American courts might be, under ordinary circumstances, a persuasive analogy to the need for Executive authorization to initiate an *in personam* lawsuit, *see* 453 U.S. at 675, 101 S.Ct. at 2984, we are reluctant to extend the Supreme Court's opinion that far. The Court expressly stated that "[w]e attempt to lay down no general 'guidelines' covering other situations not involved here, and attempt to confine the opinion only to the very questions necessary to decision of the case." 453 U.S. at 661, 101 S.Ct. at 2977.

30. *E.g., Vishipco Line v. Chase Manhattan Bank*, No. 77 Civ. 1251 (S.D.N.Y., Nov. 3, 1978).

31. *E.g., Zittman v. McGrath*, 341 U.S. 446, 71 S.Ct. 832, 95 L.Ed. 1096 (1951); *Brown v. Hugo Stinnes Corp.*, 306 N.Y. 789, 118 N.E.2d 603 (1954), *aff'g*, 282 App.Div. 186, 121 N.Y.S.2d 905 (App.Div. 1st Dept.1953); *Singer v. Yokohama Specie Bank*, 299 N.Y. 113, 85 N.E.2d 894 (1949); *Metallo-Chemical Corp. v. Banque Transatlantique Societe Anonyme*, 188 Misc. 596, 67 N.Y.S.2d 186 (1946).

32. Some cases which have held that *in personam* lawsuits do not effect a transfer of property within the meaning of applicable Assets Control Regulations have drawn a distinction between *in personam* suits on the one hand, and *in rem* and *quasi in rem* actions on the other. *See, e.g., American Int'l Group, supra*, 657 F.2d at 443 n. 15 ("A claim asserted *in personam*, rather than *in rem* or *quasi in rem*, has simply no necessary relation to any of the defendants' property located in the jurisdiction."). Had judgment for appellees been awarded from the fund held by the district court pursuant to the interpleader action brought by Reynolds, this case might have presented a more difficult question. Courts are not in complete agreement over the nature of an interpleader action. Some have indicated that interpleader is an *in rem* or *quasi in rem* proceeding, *see, e.g., General Atomic Co. v. Duke Power Co.*, 553 F.2d 53, 57 (10th Cir.1977) ("The action is an *in rem* or *quasi in rem* suit in its nature."); *Equifax, Inc. v. A.D. Luster*, 463

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sary to litigate, a district court should not enter judgment in a form that would permit a foreign national plaintiff to levy upon property or collect funds when that plaintiff is prohibited from transferring assets out of this country by TWEA. It is at that point that plaintiff must secure a license.

III.

Appellant's contentions have no merit, and the judgment of the district court accordingly is

AFFIRMED.

UNITED STATES of America,
Plaintiff-Appellee,

v.

Jose Celso GARCIA, Michael Trupei,
Defendants-Appellants.

No. 84-5033
Non-Argument Calendar.

United States Court of Appeals,
Eleventh Circuit.

Sept. 10, 1984.

Rehearing Denied Oct. 3, 1984.

Defendants were convicted in the United States District Court for the Southern District of Florida, Joe Eaton, Chief Judge, of possession with intent to distribute cocaine and conspiracy in regard thereto, and they appealed. The Court of Appeals held that: (1) one defendant had insufficient expectation of privacy in apartment to have standing to challenge search of apartment; (2) mere technical violation of "knock-and-announce" statute did not render search illegal, in light of exigent circumstances; (3) defendant's statutory speedy trial rights were not violated; (4) evidence was sufficient to sustain conviction; (5) statements of participant in drug scheme were admissible under coconspirator exception to hearsay rule; and (6) evidence was sufficient to establish that defendant participated in one overall drug conspiracy.

Affirmed.

1. Searches and Seizures ⇐7(26)

Legal ownership is not prerequisite for legitimate expectation of privacy sufficient to have standing to challenge constitutionality of search. U.S.C.A. Const.Amend. 4.

2. Searches and Seizures ⇐7(26)

Occupant other than owner or lessee of apartment must demonstrate significant and current interest in searched premises in order to establish expectation of privacy sufficient to have standing to challenge constitutionality of search. U.S.C.A. Const.Amend. 4.

3. Searches and Seizures ⇐7(26)

Where defendant was neither owner nor lessee of searched apartment, apartment was not his place of business or temporary residence, and he used apartment by appointment only and stored no personal belongings there, his contacts with apartment were not regular or personal enough to establish expectation of privacy sufficient to give him standing to challenge constitutionality of search of apartment. U.S.C.A. Const.Amend. 4.

4. Criminal Law ⇐394.4(10)

Federal agents' alleged failure to announce their purpose in entering apartment was at most technical violation of "knock-and-announce" statute which did not warrant suppression of evidence found therein, in light of exigent circumstances created by agents' reasonable belief that defendant

F.Supp. 352, 363 (E.D.Ark.1978) ("This suit has some of the attributes of an *in rem* proceedings."), while others have characterized interpleader as *in personam*. *See, e.g., Humble Oil & Refining Co. v. Copeland*, 398 F.2d 364, 368 (4th Cir.1968) ("Interpleader is based upon *in personam* jurisdiction ..."); *Knoll v. Socony Mobil Oil Co.*, 369 F.2d 425, 429 (10th Cir.1966). We need not concern ourselves with this question because the interpleaded fund was not the basis for the *in personam* damage award.

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ing shall run for profits on goods sold into the United States for the second half of 1977 and for all years since until the date when the name ROOTS is eliminated from goods produced. In the case of the more recent models of shoes not using molded soles, this can be changed as quickly as new dies or branding the soles and inner heel liner can be made, and boxes changed. For the shoes with molded soles, either the molds must be altered to remove ROOTS or else be replaced with new ones.

5. The word "ROOTS" is to be deleted from all letterheads and other printed matter, including flyers, stuffers and the like, forthwith.

6. From what the court has seen of the documentary exhibits, a formal accounting will be quite expensive, time-consuming and the source of considerable controversy. In an effort to provide a means for practicable resolution, it is suggested that, if the parties agree, the accounting take the form of ascertaining from Natural's books and records, the amount of its gross sales into the United States (see e.g., Exh. CC-67) and applying to that the 20% markup testified to by Mr. Green, and taking that figure as gross profit from sales to the United States. From each year's *total* figures, a ratio can be developed in the aggregate between net profit after tax and gross profit. That ratio can then be applied to the figure determined as gross profit on the sales in to the United States. The chartered accountants in Toronto can prepare the data and submit it to an independent accountant designated by the magistrate for review, correction and adjustment, and the magistrate can then submit to the court a report and recommendation thereon.

[9] 7. Costs are allowed, but the court lacks authority to allow attorneys fees, as requested. While the case is doubtless an "exceptional one" in the sense of 15 USC §1117, because of the knowing and deliberate nature of Natural's misconduct and its concealment from everyone in and out of the company of the pendency of the cancellation petition and the litigation, the authority of §1117 extends only to a case where the infringed mark is registered, and Roots did not have a registration. There are cases elsewhere allowing attorney fees in like circumstances to cases coming within 15 USC §1125, but none is in the Court of Appeals here, and the authority to award does not clearly appear as a matter of law.

[10] 8. Since the obligation to account for profits is decided but the amount remains to be settled, the judgment will contain the express findings and directions specified by F.R. Civ.P. 54(b) to make clear that appeals from all aspects except the open matter of the amount of profit can be taken now. The former provision of 28 USC §1292(a)(4), allowing appeals from judgments in actions for patent infringement which are final for all aspects except accounting is not drawn to cover trademark cases, and is now 28 USC §1292(c)(2), governing appeals to the U.S. Court of Appeals for the Federal Circuit. Natural wanted to appeal the non-final judgment of September 1983 but could not, and now that trial is completed should be allowed to proceed without delay. The provision to be included will insure this. Compare Cobbledick v. U.S., 309 U.S. 323 (1940); In re Grand Jury (Appeal of TRW), 638 F.2d 1235 (CA-3, 1981).

District Court., S.D. Florida

Davidoff Extension S.A.
v. Davidoff International, Inc. et al.

No. 83-1435-Civ
Decided Oct. 31, 1983

TRADEMARKS

1. Registration — Foreign and state registration (§67.749)

Existence of Florida corporate charter with accused name is no defense.

2. Statutes and treaties (§67.80)

U.S. and Switzerland are both members of International Convention for Protection of Industrial Property, also known as Paris Convention; Paris Convention is self-executing and, by virtue of U.S. Constitution, Article VI part of law to be enforced by courts; Lanham Act Section 44 explicitly implements Paris Convention together with other conventions or treaties relating to trademarks, trade names, or unfair competition.

3. Injunction — Preliminary injunction (§40.5)

Public requires protection against confusion as to source of merchandise.

Action by Davidoff Extension S.A., against Davidoff International, Inc., and Stewart S. Hoffman, for trademark infringement. On

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plaintiff's motion for preliminary injunction. Motion granted.

Jack E. Dominik, Carlton H. Hoel, and Dominik & Hoel, P.A., all of Miami, Fla., for plaintiff.

Richard M. Saccocio, Fort Lauderdale, Fla., for defendants.

King, District Judge.

This matter came on before the Court initially on August 17, 1983 on the plaintiff's order to show cause for preliminary injunction. At that hearing both defendants were represented by counsel, and plaintiff offered the testimony of Georges Schelker its sales manager and proffered its Exhibits. The matter was continued to take the testimony by way of deposition of defendant Stewart S. Hoffman on August 23, 1983; and thereafter the parties by counsel and by all the evidence adduced in the case thus far were heard in open court on August 31, 1983. The Court having heard the testimony of plaintiff's witness, seen its Exhibits, and having reviewed the pleadings and evidence submitted by the defendants, the defendants having not offered the testimony of Stewart S. Hoffman taken August 23, 1983 but the plaintiff having made it a matter of record, and this Court being otherwise advised fully on the applicable law and a previous case in this Court captioned Davidoff Extension S.A. v. Davidoff Comercio Industria Ltda., et al (83-0649-Civ-JLK),

It is Hereby pursuant to Rules 52(a) and 65 FRCP the findings of fact and conclusions of law of this Court that.

Findings of Fact

1. Plaintiff, Davidoff Extension, S.A., a Swiss corporation, and its related companies including Oettinger Imex AG, is a well-known international marketer of tobacco products and has registered its trademark "Davidoff" with the United States Patent and Trademark Office, Reg Nos 1,052,564 (PX A) and 1,058,684 (PX B). The trademark is used only on more expensive tobacco products, and plaintiff anticipates sales of trademarked tobacco products in the United States this year of approximately $800,000 (Aug. 17 Tr. 20). Plaintiff's sales internationally exceed one-hundred million dollars per year (PX C and D) A single recent sale (PX L.) to plaintiff's distributor, Benson International, to fill the pipeline in anticipation of a nine city promotion by Zino Davidoff and the Baroness Rothschild (PX M, Aug. 17 Tr. 12-13) was admitted by defendant Hoffman to amount to approximately $500,000 (Hoffman dep. pp. 83-85).

2. Zino Davidoff, son of the founder of the original Davidoff store in 1907 and in joint promotion with the Baroness Rothschild of Davidoff cigars and Rothschild wines, intends to have interviews, television talk shows, and other publicity releases in nine major United States cities during the month of October 1983. The dates and scheduling has been fixed, and was offered in evidence by plaintiff through Georges Schelker as (PX M, Aug. 17 Tr. 12-13), on the letterhead of John R. Walsh Associates of New York.

3. Individual defendant Stewart S. Hoffman was employed by Consolidated Cigar for approximately thirteen years; and then by Nicaraguan Cigar Company as national sales manager for a period of about three years. During the Nicaraguan revolution he returned to the United States to form Hoffman Cigar Company in about 1980 (Hoffman dep. pp. 7-8). Hoffman went to visit plaintiff Davidoff's store in Toronto and spoke there with its manager, a Mr. Hines (Hoffman dep. p. 35). Although Stewart Hoffman had never been in Europe, he was well aware of the Davidoff brand name, knew of Zino Davidoff's book, and was of the opinion that the Davidoff cigars are the most expensive cigars in the world but not necessarily the best (Hoffman Dep. pp. 41-42; 30).

4. Only after visiting plaintiff's Davidoff store in Toronto did Stewart S. Hoffman form defendant Davidoff International, Inc. on December 2, 1982. He thereafter waited until January 3, 1983 to first contact "Davidoff International" in Europe. He used the letterhead of "Hoffman Tobacco Ltd." (PX H) Plaintiff Davidoff of Europe had no interest in doing business with Mr. Hoffman (PX H).

5. Sometime in the Spring of 1983 Hoffman worked with Smoke Shop Magazine, and previously an advertising agency, to prepare a one page ad for "generic cigars" using the Davidoff name as well as Davidoff's distinctive stylized script form of the name on the advertising (PX G). Immediately upon learning of this advertising, plaintiff's Telex was sent to Mr. Hoffman to cease and desist using the name "Davidoff" (PX H).

6. At all of the hearings and in all of the pleadings the defendants failed to present any proof as to why Stewart S. Hoffman or Davidoff International, Inc., his Florida corporation, had any rights in the name "Davidoff." Various defenses were offered indicating that there were two or three foreign contests over the right to the name Davidoff,

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but plaintiff offered Exhibit P setting forth numerous registrations of the mark Davidoff including in its country of origin, Switzerland. Plaintiff further represents in Exhibit P that over seven hundred applications to register the related Davidoff marks have been filed throughout the world. One newspaper article offered by the defendant (DX, Aug. 31 Tr. 19-20), quoted the Cuban Government as claiming to have some right in the mark Davidoff, but even then it asserted that the Cuban Government was paying a royalty to the Davidoff people for using the mark. This fact alone, if it be established with certainty at trial, would undermine all of the defenses to the effect that the mark Davidoff is controlled by the Cuban Government.

7. Where any finding of fact, in whole or in part, can be deemed a conclusion of law it shall. Where any conclusion of law, in whole or in part can be deemed a finding of fact, it shall.

Conclusions of Law

[1] I. The existence of a corporate charter with the name Davidoff is no defense since under Florida law as set forth in Shatterproof Glass Corp. v. Buckmaster, 256 So.2nd 531 (Fla. DCA 2nd 1972), it was held:

> "* * * if the domestic corporation adopts and uses a name with a fraudulent purpose or with actual knowledge of the existence of the name being used by a foreign corporation, even though the foreign corporation is not qualified to do business in the state, an injunction will issue to restrain the domestic corporation from using the name."

Thus there can be no question under Shatterproof that the injunction should issue since Stewart S. Hoffman admitted knowing of the Davidoff name prior to forming defendant Davidoff International, Inc., and indeed confessed it in the correspondence introduced in evidence in this case as Exhibit H.

II. The balance of harm between the parties should be considered as set forth in Trak Inc. v. Benner Ski AG, 475 F.Supp. 1076, 206 USPQ 226 (D. Mass 1979) where the Court held:

> "The balance of harms is equally clear. The evidence indicates that Benner has just commenced its American sales campaign for "fishstep" skis. Benner also sells many other lines of cross-country and downhill skis. Hence an injunction at this time would restrain Benner at the very beginning of its sales efforts, nipping the operation in the bud. Should we deny preliminary relief, Benner may be more firmly entrenched in the American market by the time of trial, making permanent relief more problematical. Under these circumstances, a preliminary injunction is in one sense "an act of kindness" to the defendant, since [i]t cuts him off from a business life which, from all the portents, would involve a series of trademark frustrations." Geo. Washington Mint, Incorporated v. Washington Mint, Incorporated, S.D.N.Y. 1972, 349 F.Supp. 255, 263, 176 USPQ 251, 257. And the public interest is served by promoting fair competition."

The most that the defendants offered as to the establishment of their business were sales of approximately $1,000 per month (Hoffman dep. p. 58) and that the advertising altogether represented an investment of $2,000 (Hoffman dep. p. 58). The plaintiff's background advertising and volume as noted by all the Exhibits, as well as the scheduled promotional tour, vastly outweigh any investment defendants have in the name Davidoff.

[2] III. Defendants urge that plaintiff has not used its name or its products in the United States, and that the products cannot be purchased. This is inconsistent with the testimony of plaintiff's sales manager Georges S. Schelker and certainly rebutted by the $500,000 order from Benson in anticipation of the October promotion scheduled in nine cities and outlined in plaintiff's Exhibit M. Further, plaintiff is a Swiss corporation. It has registered the Trademark Davidoff in Switzerland (PX P). The United States and Switzerland are both members of the International Convention for the Protection of Industrial Property (Paris Union); see, Callmann, The Law of Unfair Competition, Trademarks and Monopolies §99.1(a) and App. XX(3d Ed. 1982 Supp.) for a list of the member countries and the text of the treaty (Paris Convention) creating the Paris Union. The Paris Convention is self-executing and, by virtue of Article VI of the U.S. Constitution, a part of the law to be enforced by the courts; Vanity Fair Mills, Inc. v. T. Eaton Co. Ltd., 234 F.2d 633, 109 USPQ 438 (2d Cir. 1956), cert. denied 352 U.S. 871 (1956). Also, Lanham Act §44 (15 USC 1126) explicitly implements the Paris Convention together with other conventions or treaties relating to trademarks, trade names, or unfair competition; §44(b) (15 USC 1126(b)); SCM Corp. v. Langis Foods Ltd., 539 F.2d 196, 190 USPQ 288 (D.C. Cir. 1976); L'Aiglon Apparel, Inc. v. Lana Lobell, Inc., 214 F.2d 649, 102 USPQ 94 (3d Cir. 1954). The provisions of the Paris Convention and Lanham Act §44 most pertinent to the present case appear to be the following three benefits conferred on plaintiff:

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(1) Plaintiff may obtain a U.S. Trademark Registration of its trademark "Davidoff" for tobacco products, smokers' articles, etc. without alleging use of its trademark in the United States because plaintiff has a Swiss Trademark Registration for its trademark: Lanham Act §44(c), (e) (15 USC 1126(c)(e)); Paris Convention Article 6 quinquies; Callmann §99.2(e)(1);

(2) Plaintiff's trade name is to be protected without the obligation of any filing or registration: Lanham Act §44(g) (15 USC 1126(g)); Paris Convention Article 8; Callman §99.2(e)(7); and

(3) Plaintiff is to be protected from unfair competition: Lanham Act §44(h) (15 USC 1126(h)); Paris Convention Article 10bis; Callman §99.2(b).

In particular, Article 10bis provides:

"(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.

(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

(3) The following in particular shall be prohibited:

1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor:

2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;

3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods."

As consequence, defendants' argument that plaintiff is not using its trademark in the United States and that its U.S. Registrations of the trademark were fraudulent appears inconsequential.

[3] IV. The basic standards for the issuance of a preliminary injunction are set forth in Canal Authority of State of Florida v. Callaway, 489 F.2d 567, 572 (5th Cir. 1974) as follows:

(1) There must be a substantial likelihood that the movant will eventually prevail on the merits;

(2) the movant must show that it will suffer irreparable injury unless the injunction issues,

(3) the threatened injury to the movant must outweigh whatever damage the proposed injunction may cause the parties sought to be enjoined; and

(4) the injunction, if issued, must not disserve this public interest.

In view of the modest nature of the defendants, and the refusal of counsel to permit defendant Hoffman to testify as to his net worth (Hoffman, Dep. p. 102), there is an irreparable injury threatened which cannot be compensated in money damage. The threatened injury significantly outweighs any injury to the defendant in being ordered to cease using a name it was not rightfully entitled to in the first place. Furthermore, if not enjoined, there must necessarily result a confusion as to the source of merchandise (see General Cigar Company's President's letter to plaintiff calling attention to Davidoff Defendant (PX O, DX 120)) and the public requires protection against such confusion. The letter of the President of General Cigar, while not recognized for the proof of the truth of the matter asserted, is admissable for purposes of showing the state of mind of the President of one of the larger cigar companies in the United States when he became aware of the advertising of the defendants (PX G, DX 121). The evidence actually transcends the substantial likelihood of prevailing on the merits which both counsel have pointed out is the standard for this Court. The evidence is almost overwhelming that the plaintiff is entitled to the preliminary injunction that it seeks (Aug. 31 Tr. 37).

Therefore, It Is Hereby ordered and adjudged, based upon the above findings of fact and applicable law pursuant to Rule 56 FRCP that, pursuant to Rule 65 FRCP a preliminary injunction in favor of the plaintiff issuing against both defendants Davidoff International, Inc., a Florida corporation and an individual defendant Stewart S. Hoffman be entered as follows:

A. that defendants Davidoff International, Inc. and Stewart S. Hoffman, jointly and severally, and all their successors, assigns, affiliates, agents, servants, employees, and representatives, and all persons, firms, and corporations in active concert with these defendants, or either of them, who receive notice hereof, be and hereby are enjoined and restrained:

(a) from directly or indirectly using the name "Davidoff" or ... any similar name in connection with any commerce in the United States involving tobacco or smokers' products, whether by use as a business name, trademark, service mark, or any other designation;

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(b) from engaging in any other conduct that tends to falsely represent that, or is likely to confuse, mislead and deceive purchasers, defendants' customers or members of the public into believing that, tobacco products of defendant originate from plaintiff or that defendants or defendants' products have been sponsored, approved or licensed by plaintiff or are in some way affiliated or connected with plaintiff or plaintiff's products in any way whatsoever.

(B) That plaintiff post a Bond with the Clerk of This Court in the amount of $1,000 pending the conclusion of this action, or further order of Court.

C. That both parties diligently prepare for trial, and in accordance with the local rules, appear for a pretrial conference on Dec. 16, 1983 at 9:00 a.m. /p.m. in the day before this Court.

Patent and Trademark Office
Trademark Trial and Appeal Board

In re Wickuler-Kupper-Brauerei KGaA

Decided Nov. 2, 1983

TRADEMARKS

1. Marks and names subject to ownership — Names — Individuals (§67.5215)

Test to be applied in determining whether or not mark is primarily merely surname is its primary significance to purchasing public; burden is on Patent and Trademark Office to prove that subject matter for registration is primarily merely surname; it is incumbent upon examining attorney in first instance to present evidence that is at least sufficient to make out prima facie showing in support of contention that particular mark is primarily merely surname, thereby shifting to applicant burden of rebutting such evidence.

2. Marks and names subject to ownership — Names — Individuals (§67.5215)

Copy of portion of Berlin, Germany, telephone directory made of record is of little probative value; it is surname significance of term in U.S. that is determinative of registrability issue; TTAB declines to hold that minimum number of listings in telephone directories must be found in order to establish prima facie that particular mark is primarily merely surname, shifting burden of showing mark's non-surname significance to applicant.

3. Marks and names subject to ownership — Names — Individuals (§67.5215)

Addition of highly descriptive term to "Kuppers" is insufficient to take mark as a whole out of category of marks that may be considered primarily merely surname for purposes of Trademark Act Section 2(e)(3).

Appeal from Trademark Examining Attorney.

Application for registration of trademark of Wickuler-Kupper-Brauerei KGaA, Serial No. 255,744, filed Mar. 28, 1980. From decision refusing registration, applicant appeals. Affirmed.

Antonelli, Terry & Wands, Washington, D.C., for applicant.

Before Allen, Simms, and Krugman, Members.

Krugman, Member.

An application has been filed by Wickuler-Krupper-Brauerei KGaA to register the mark "KÜPPERS KÖLSCH" for beer.[1] The word "KÖLSCH" has been disclaimed apart from the mark as shown.

Registration has been refused under Section 2(e)(3) of the Trademark Act on the ground that the subject matter for registration is primarily merely a surname. Specifically, the Examining Attorney has indicated that the mark consists of the surname "KÜPPERS" and the descriptive term "KÖLSCH" which is the name of a particular type of beer produced in Köln (Cologne), Germany.

Applicant has appealed, asserting, inter alia, that the Examining Attorney has not demonstrated that "KÜPPERS" is a surname in the United States; that while telephone directory listings have been made of record showing surname significance of "Kupper," the addition of the "s" without an apostrophe makes it likely that the public will attach a

[1] Application Serial No. 255,744 filed March 28, 1980 based on West German Reg. No. 801,803 registered March 17, 1965 and renewed from January 25, 1982.

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device differs from that of the patent.

The above comments with respect to Claim 1 apply with equal pertinence to Claim 3.

Accordingly, I find that the defendants' device does not infringe Claim 1 or Claim 3, and that the answer to fact question No. 1 and to issue of law No. 1 in the Pre-Trial Order is "no".

Fact question No. 11 raises the matter of file wrapper estoppel. This becomes pertinent only if I am wrong in the conclusion discussed in the preceding paragraphs, but it will be considered, in the interests of expeditious completion of the entire case.

As hereinabove noted, the patent discloses a completely enclosed slot that entirely surrounds the corresponding slat. The defendants' slot is open on most of one side, and it has a functional reason for such open space.

[3] The file wrapper shows that on several occasions in the course of the processing of the plaintiff's application for a patent, his attorney sought to distinguish the plaintiff's device from prior art by pointing out that the slots provided in his structure completely embrace the sides and edges of the slats. To the same effect, he argued that his slots extended through, or were drawn through, the slats. He amended some of his claims in order to make this clear and in order thereby to meet the examiner's objections.

Under such circumstances, the plaintiff is estopped to contend that his patent covers a device, such as that of the defendants, which, for a valid functional reason, uses a partially open slot.

The plaintiff contends that the abovementioned colloquy and amendments pertained to claims other than the two here concerned. I can see no persuasive reason why this should make a difference, and the Supreme Court has told us that it does not:

> "Where the patentee in the course of his application in the Patent Office has, by amendment, cancelled or surrendered claims, those which are allowed are to be read in the light of those abandoned and an abandoned claim cannot be revived and restored to the patent by reading it by construction into the claims which are allowed." Schriber-Schroth Co. v. Cleveland Trust Co., 311 U.S. 211, 218, 61 S.Ct. 235, 238, 85 L.Ed. 132, 136, 47 USPQ 345, 348 (1940).

Similarly, the opinion in Graham v. John Deere Co., 383 U.S. 1, 34, 86 S.Ct. 684, 702, 15 L.Ed. 545, 565, 148 USPQ 459, 473 (1966), contains the statement that:

> "Here, the patentee obtained his patent only by accepting the limitations imposed by the examiner. The claims were carefully drafted to reflect these limitations and Cook Chemical is not now free to assert a broader view of Scoggin's invention."

Thus, if Claims No. 1 and No. 3 of the patent here concerned otherwise were to be interpreted to cover the defendants' structure, the principle of file wrapper estoppel should and would be applied to restrict the Claims in such manner as to exclude the type of slot used by the accused device. The answer to fact question No. 11 and to issue of law No. 6 therefore is "yes".

The defendants' attorney is requested to prepare findings of fact and conclusions of law, based upon this memorandum, together with the comments of the Court made from the bench following argument.

District Court, S. D. New York

THE FUND OF FUNDS, LIMITED, et al. v. FIRST AMERICAN FUND OF FUNDS, INC.

66 Civ. 2341 Decided June 27, 1967

UNFAIR COMPETITION

1. In general (§ 68.01)

Defenses—Unclean hands (§ 30.25)

Injunction — Unfair competition (§ 40.9)

Since injunction speaks as of the future and since at time injunction is granted the plaintiffs' hands are clean, doctrine of unclean hands should not be applied since central concern of law of unfair competition is protection of public from confusion.—Fund of Funds, Ltd. v. First American Fund of Funds, Inc. (DC SNY) 156 USPQ 545.

2. Names—Corporation and company name (§ 68.707)

Claim is cognizable under New York common law of unfair competition where plaintiffs seek injunction restraining defendant from using corporate name or any corporate or trade name similar to plaintiffs' corporate or trade name. — Fund of Funds, Ltd. v. First American Fund of Funds, Inc. (DC SNY) 156 USPQ 545.

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3. Names — Corporation and company name (§ 68.707)

Plaintiff, "Fund of Funds, Limited," is entitled to injunction against defendant's use of "fund of funds" and "fund of growth funds" as its corporate or trade name, but defendant may use such phrases as slogans or as descriptive of its business, inasmuch as "fund of funds" has acquired secondary meaning identifying plaintiff and its use, or use of "fund of growth funds," as name of defendant would be likely to cause confusion.—Fund of Funds, Ltd. v. First American Fund of Funds, Inc. (DC SNY) 156 USPQ 545.

4. Names—Descriptive (§ 68.709)

Names—Secondary meaning (§ 68.-725)

Secondary meaning can attach to a descriptive term; thus, although "fund of funds" is primarily descriptive, it has acquired a secondary meaning. — Fund of Funds, Ltd. v. First American Fund of Funds, Inc. (DC SNY) 156 USPQ 545.

5. Injunction—Unfair competition (§ 40.-9)

Court, in unfair competition action, will enjoin defendant from operating in area of normal expansion for plaintiffs.—Fund of Funds, Ltd. v. First American Fund of Funds, Inc. (DC SNY) 156 USPQ 545.

6. Competition essential (§ 68.30)

Names — Corporation and company name (§ 68.707)

It is no defense to unfair competition action against use of similar corporate name that defendant advises customers that it is not connected with plaintiffs, that parties are not in competition, and that parties are geographically separated, since defendant adopted name in order to capitalize upon plaintiffs' name.—Fund of Funds, Ltd. v. First American Fund of Funds, Inc. (DC SNY) 156 USPQ 545.

Action by The Fund of Funds, Limited, and Investors Overseas Services, Limited (S.A.), against First American Fund of Funds, Inc., for unfair competition. Judgment for plaintiffs.

ROBERT J. HAFT and STAMER, WOLF & HAFT, both of New York, N.Y., for plaintiffs.

MILTON MOUND and MOUND, BELFER & GREENBURG, both of New York, N.Y., for defendant.

MOTLEY, District Judge.

Plaintiff, The Fund of Funds, Limited, was incorporated in 1962 under the laws of the Province of Ontario, Canada. Its principal place of business is in Geneva, Switzerland. The name used by plaintiff for its mutual fund investment business is The Fund of Funds. Plaintiff has used this name since its incorporation on August 9, 1962. The Fund of Funds is an open-end mutual fund, the investment portfolio of which consists mainly of the shares of 20 United States mutual funds and 9 companies managing mutual funds. The Fund of Funds, as of June 1966, had net assets in excess of $400,-000,000. The United States mutual fund shares which comprise the portfolio of The Fund of Funds were purchased for it by broker-dealers in the United States.

The Fund of Funds, Ltd., is one of several companies established by the other plaintiff, Investors Overseas Services, Limited, (I.O.S.). This plaintiff is a corporation organized under the laws of the Republic of Panama with its principal place of business also in Geneva, Switzerland. I. O. S. is the exclusive distributor of the shares of The Fund of Funds which are sold outside of the United States to non-United States citizens and nationals.[1]

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[1] I.O.S. became registered as a broker-dealer with the United States Securities and Exchange Commission (S.E.C.) on June 10, 1960. Investors Continental Services, Ltd. (I.C.S.) is a wholly owned subsidiary of I.O.S. with principal offices in New York City. I.C.S. became registered with the S.E.C. as a broker-dealer on November 18, 1958. On February 3, 1966, the S.E.C. instituted Administrative Proceedings against these two companies [Sections 15(b) and 15(a) of the Securities Exchange Act of 1934] and the president, vice president, senior vice president, executive vice president and a director of I.O.S. and several officers of I.C.S. who were also officers of I.O.S. alleging violations of the registration provisions of Section 5 of the Securities Act of 1933 and Section 7 of the Investment Company Act of 1940 with respect to the offer and sale of unregistered interests in The Fund of Funds, Ltd. and unregistered participations in the I.O.S. Investment Program for accumulation of interests in The Fund of Funds, Ltd. Violations were also alleged of Section 17(d) of the Investment Company Act of 1940 and Rule 17 d-1 thereunder, relating to transactions between International Investment Trust, an investment company affiliate of I.O.S. and The Fund of Funds, Ltd., and certain registered investment companies. A further violation of Section 17 of the Exchange Act was alleged relating to failure to preserve and produce certain books and records of I.O.S. and I.C.S.

On June 5, 1967 the S.E.C. entered an Order Accepting Offer of Settlement on

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Offices outside the United States which sell The Fund of Funds shares are located in 60 foreign countries. These shares are also sold through sales representatives in 50 other foreign countries. I.O.S. claims it is the largest mutual fund and investment program distributor specializing in the international market. No claim or proof has been offered to the contrary. I.O.S. says it has more than 100,000 clients in 125 countries. Again, this claim is not disputed.

Since 1962, plaintiffs claim, they have continuously publicized and used the name The Fund of Funds by printing the name on its stationery, printed matter, prospectus, periodic reports and by advertising. Plaintiffs further claim they have expended substantial sums of money and considerable time in keeping the name The Fund of Funds before the investment community. Plaintiffs have publicized and distributed, for informational purposes, to broker-dealers, investment bankers, stock exchange firms, mutual funds management companies, investment advisers, and other members of the professional investment community throughout the world, information concerning the activities of The Fund of Funds in the form of magazines, bulletins and reports. These claims are not challenged.

In addition, The Fund of Funds has been the subject of several articles in widely circulating American magazines

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an Offer of Settlement by the I.O.S. and the others against whom the proceedings were instituted by the terms of which the S.E.C. made no findings and I.O.S. and the others offered to terminate, within a time therein approved, all activity subject to regulation by the S.E.C. As far as relevant to this action, I.O.S. and its affiliates will not be selling interests in The Fund of Funds in the United States or to United States citizens or nationals overseas. Such sales will be limited abroad only to United States citizens and nationals who are officers, directors or full-time personnel of I.O.S. and its affiliates and as set forth in the Offer of Settlement. Persons who purchased interests in The Fund of Funds and who were either members of the armed forces, other employees of the U. S., or residents of the U. S., its territories, possessions or commonwealth subject to the jurisdiction of the United States will be given an opportunity, within a reasonable period of time, to substitute, under terms satisfactory to S.E.C., shares of registered investment companies for their interests in The Fund of Funds, Ltd., or the opportunity of exercising other options which would terminate any continuing or further ownership of interest in The Fund of Funds, Ltd.

I.O.S. and its affiliates, under the Order of Settlement, may retain their interest in Pension Life Insurance Company of America provided that company conducts a normal and customary insurance business not subject to the jurisdiction of S.E.C. Under the Order of Settlement, I.O.S. will cause The Fund of Funds to make only such further purchases of shares of registered investment companies as are within the limitations of Section 12(d)(1) of the Investment Company Act. In addition, all other controlling interests of I.O.S. or any of its affiliates will cease within a specified time and no future controlling interests will be acquired in any American company without the prior consent of S.E.C.

Under the Order of Settlement, four specified mutual fund companies established by I.O.S., The York Fund, Inc., The Alger Fund, Inc., The Douglas Fund, Inc. and Computor Directions Fund, Inc., are to be liquidated within five days of the order; two other companies, I.C.S. and Investors Planning Corp., are to have their controlling interests transferred to independent interests within sixteen months.

Financial Institutions Growth Stock Fund, another affiliate of I.O.S., is to be liquidated on or before August 15, 1967 under the terms of the Order of Settlement.

Finally, under the terms of the Order of Settlement, I.O.S. and I.C.S. on June 5, 1967, withdrew their registrations as broker-dealers and I.O.S. and its affiliates (including The Fund of Funds, Ltd., International Investment Trust, Ltd., and any investment company affiliated with any of the foregoing hereafter organized and their respective affiliates and investment advisers) shall not conduct any activities subject to the jurisdiction of the S.E.C., except as previously mentioned and further described in the Order of Settlement.

[1] Consequently, when this action was commenced in the state court on July 12, 1966, it appears that plaintiffs may have been susceptible to the charge that they had come into equity with unclean hands. The S.E.C.'s Order of Settlement, however, made no findings. Since an injunction speaks as of the future and since at the time injunctive relief is here granted plaintiffs have settled any disagreements they had with S.E.C. respecting S.E.C.'s jurisdiction over their activities in this country, the doctrine of unclean hands should not be applied since the central concern of the law of unfair competition in this case is protection of the public from confusion in the securities market. Cf. Coca-Cola Company v. Koke Company of America, 254 U.S. 143; Recamier Mfg. Co., Inc. v. Harriet Hubbard Ayer, 59 F.2d 802; Extrin Foods, Inc. v. Leighton, 202 Misc. 592, 93 USPQ 457; Clark v. Clark, 25 Barb. 76, 80. See generally, Note, The Besmirched Plaintiff And the Confused Public: Unclean Hands In Trademark Infringement. 65 Col.Law Rev. 109.

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and newspapers such as Time, Business Week, Newsweek, The New York Times, and the Wall Street Journal. The Fund of Funds is depicted by these articles as a financial phenomenon enjoying unparalleled success—something of an investment wonder of the world.

A Securities and Exchange Commission Report on the mutual funds business released December 2, 1966, focused on the activities of plaintiffs, particularly The Fund of Funds, resulting in even more publicity, not all favorable, for plaintiffs. CCH, Federal Securities Law Reporter, Current, Sec. 74,545 (1967).

There seems to be no room for doubt that the foregoing described publicity had made the name The Fund of Funds a household name in the mutual funds investment community, despite the fact that the name had been in use only since August 1962, when defendant became incorporated in September 1965. Perhaps the fact that in approximately three and one-half years The Fund of Funds purchased, through United States broker-dealers, approximately $400,000,000 of United States mutual funds bespeaks most convincingly the household character of the name.

Prior to August 1962, when plaintiff first used the name The Fund of Funds, no other company had ever used the words "fund of funds" as a part of its name. In fact, it appears that the idea, itself, of a fund of funds may be the progeny of plaintiffs. Plaintiff, The Fund of Funds, Limited, is the largest company in the world engaged in a fund of funds business, although there is evidence of similar activity by smaller companies abroad. CCH, Federal Securities Law Reporter, supra, § 74,545.

Plaintiff I.O.S. also has established numerous subsidiary companies abroad in the mutual funds and other commercial fields, including an insurance company in this country, known as the Pension Life Insurance Company of America.

From the time of its incorporation on September 23, 1965 until June 2, 1967, defendant's corporate name was First American Fund of Funds, Inc. That name suggested, and the S.E.C. report confirms, that defendant will be one of the first two holding companies in this country to launch an American version of a fund of funds in the mutual fund line of securities. CCH, Federal Securities Law Reporter, supra, § 74,545. Defendant was incorporated under the laws of New York and has its principal office in that State. It has not yet begun to sell its shares to the public. The name of its mutual fund was, prior to June 2, 1967, First American Fund of Funds. After this suit was filed in July 1966, defendant became a registered investment company under the name First American Fund of Funds. Investment Company Act of 1940, 15 U.S.C. § 80a—1 et seq. After commencement of this suit, defendant was also registered under the Securities Act of 1933 under its original corporate name (15 U.S.C. § 77a et seq.) Defendant, by such registration, was authorized to offer and sell its securities throughout the United States, its territories and possessions but will also use its corporate name throughout the world. In its prospectus submitted to S.E.C. in connection with such registration, defendant advises its prospective customers that it is in no way connected with The Fund of Funds, Ltd.

In March 1966, when defendant filed its registration statement with the S.E.C., under its name prior to June 2, 1967, plaintiffs first learned of the use of the words "fund of funds" by another company. Through their counsel, plaintiffs sent a letter dated March 29, 1966, to defendants advising that plaintiffs viewed the use of such name as confusingly similar to plaintiff's The Fund of Funds name. Plaintiffs in this communication demanded that defendants choose another name which would not be confusingly similar to plaintiffs' name. By letter dated May 2, 1966, defendant "unequivocally" rejected plaintiffs' position "entirely and completely". Defendant further replied: "We intend to continue to use our present corporate name in the United States and throughout the world."

On July 12, 1966, plaintiffs commenced this action in the Supreme Court of New York, New York County, against defendant. The gravamen of that complaint is as follows:

> The corporate name of defendant is substantially identical with and is deceptively similar to the corporate title and fund name of plaintiff Funds. The effect of the use of the corporate name "First American Fund of Funds" by defendant will be to deceive the investing public, other funds, broker-dealers, and other persons in the securities business in the United States and abroad into believing that the defendant and plaintiff Funds are one and the same, or that the defendant is a subsidiary or affiliate of plaintiff Funds, or of plaintiff IOS, or that defendant is managed, advised, or distributed by plaintiff IOS, or is a subsidiary or affiliate of plaintiff IOS, or that defendant is in some other manner associated with or related to the plaintiffs. The result will be to im-

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peril plaintiffs' reputation, business and good-will and to confuse the investing public, broker-dealers, other mutual funds, and other persons in the securities business, causing them to believe that plaintiff Funds and defendant are related to or associated with one another, thereby causing loss of sales outside the United States to plaintiff Funds or enabling defendant to make sales and profits it would not otherwise make. Defendant's use of its corporate name will be an unfair and deceptive simulation of plaintiff Funds' corporate title and fund name. Defendant has completely appropriated plaintiff Funds' complete corporate title and fund name.

By petition filed in this court on July 29, 1966, defendant removed the action to this court. Title 28, U.S.C. § 1441 et seq. Defendant claims that this court has jurisdiction of this cause under Title 28, U.S.C. §§ 1331 and 1332. Defendant further claims that the action was removable since the act of defendant specifically complained of by plaintiffs is the filing of a Registration Statement with the S.E.C. pursuant to the Securities Act of 1933, Title 15, U.S.C. § 77a et seq., and the intention of defendant to issue securities under said act. Plaintiffs' name is not a registered trade name or trademark.

[2] This court has jurisdiction of this action as one based upon diversity of citizenship of the parties, Title 28, U.S.C. § 1332. Plaintiffs' claim is one cognizable under New York's common law of unfair competition. American-Marietta Co. v. Krigsman, 275 F.2d 287, 124 USPQ 320. The relief sought by plaintiffs is an injunction restraining defendant from using the corporate business name of "First American Fund of Funds, Inc.", or any corporate business name or trade name or fund name similar to plaintiffs' corporate or fund name. Plaintiffs also seek an accounting and assessment of damages and profits.

After the removal of this cause to this court, plaintiffs moved under Rule 56, Fed.R.Civ.P., for summary judgment in its favor. In opposition, defendant moved for an order under Rule 56(f) Fed.R.Civ.P., holding plaintiffs' motion for summary judgment in abeyance pending defendant's completion of examination of plaintiffs' president, pursuant to notice dated July 29, 1966. Defendant alleges the notice has not been complied with. Plaintiffs, by affidavit, dispute this allegation claiming that their president was available at a time which defendant's counsel claimed was inconvenient for them.

Defendant also moved, pursuant to Rule 15(a) and 13(f), for an order permitting it to amend its answer in accordance with its proposed amended answer. By amending its answer from a general denial (except for admitting the exchange of letters between the parties) defendant seeks to counterclaim. The counterclaim is "for a judgment declaratory of defendant's unqualified right to use the words 'fund of funds' as part of its name and in any other lawful and truthful manner", without interference by plaintiffs. Defendant further seeks, by amendment, an injunction enjoining plaintiffs from interfering with defendant's use of the words "fund of funds", or taking any action disparaging of defendant with respect to the use of said words. The amendment of the answer is allowed. The foregoing motions for summary judgment and to amend were all heard on February 14, 1967.

On June 8, 1967, before any of the motions were decided, both parties appeared before the court. Defendant's counsel advised the court that on June 2, 1967 it changed its corporate name to First American Fund of Growth Funds, Inc. Plaintiffs' counsel advised the court that it has the same objection to the new name which by this action it interposed to the use of the first name. By agreement of counsel, the court decides the pending motions by sustituting the new name of defendant as the name in controversy.

[3] This court finds that there is no genuine issue as to any fact material to the claim for injunctive relief. This court also concludes that plaintiffs are entitled to judgment as a matter of law with respect to the use by defendant of the words "fund of funds" and "fund of growth funds" as its corporate name or fund name. The court also concludes that defendant is entitled to use the words "fund of funds" or "fund of growth funds" as a slogan or description of its business activity but not as a part of its corporate name or fund name.

The only fact about which defendant claims there is a dispute is whether plaintiffs' use of the words "fund of funds" has acquired secondary meaning. In other words, whether these words have come to be identified with plaintiffs' mutual funds activity described above.

The purpose of a summary judgment motion is to avoid a long and costly trial to prove facts about which there can be no real dispute. 6 Moore's Federal Practice (2d ed.) § 56.04. An examination of plaintiffs' affidavits, the opposing affidavits filed by defendant, and its opposing motions and proposed amended answer show, conclusively, that

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there is no genuine issue as to whether plaintiffs have succeeded in garnering for themselves a secondary meaning in the use of the words "fund of funds" in its corporate name. Defendant certainly cannot hope to prove by taking the deposition of plaintiffs' president that the words in question have not acquired secondary meaning in light of the lengthy, persuasive affidavit and exhibits already filed by plaintiffs' president in support of their motion. Defendant has not convinced the court that it will be able to prove that in the investment world the words "fund of funds" have been used so extensively by others with respect to their mutual fund activity that no secondary meaning could have been acquired by plaintiffs. The S.E.C. report precludes any such suggestion. The S.E.C. report makes clear that plaintiffs have the most extensive operation of this kind in the world, that The Fund of Funds is well known to the American investment community, and that defendant would be one of the first two operations of this kind in the country. The fact that the prospectuses of the American companies in which The Fund of Funds purchased stock describe plaintiffs' company as a stockholder is further irrefutable evidence of the fact that plaintiffs are known to American purchasers and managers of mutual funds. Consequently, to stay a decision on plaintiffs' motion for the purpose of enabling defendant to take the deposition of plaintiffs' president would not, in the view of this court, uncover any genuine issue as to the single alleged factual dispute here. Defendant specifically does not point to any other source of possible evidence which would lead this court to believe that the factual claims made by plaintiffs and set forth above regarding plaintiffs' activities, size, purchases of shares in United States' companies, and wide publicity with respect to their name, The Fund of Funds, are not valid claims. These facts regarding plaintiffs appear in third party publications over which it does not appear plaintiffs have any control and cannot be classed as self-serving statements. Certainly, the S.E.C. report cannot be put into this category. Moreover, defendant does not challenge or dispute these facts by affidavit in any convincing way. Defendant simply claims these facts do not add up to the acquisition of secondary meaning and, therefore, plaintiffs are not entitled to injunctive relief. The cases do not support defendant's contention.

Plaintiffs are entitled to injunctive relief if they prove "secondary meaning plus likelihood of confusion on the one hand or that [defendant] * * * has indulged in one of the proscribed practices which equity will enjoin, on the other." These practices are referred to in the law of unfair competition as "palming off", actual deception, and misappropriation of a property right. Norwich Pharmacal Co. v. Sterling Drug, Inc., 271 F.2d 569, 571, 123 USPQ 372, 374-375, cert. denied, 362 U.S. 919, 124 USPQ 535; Speedry Products, Inc. v. Dri Mark Products, Inc., 271 F.2d 646, 123 USPQ 368; Lincoln Restaurant Corp. v. Wolfies Restaurant, Inc., 291 F.2d 302, 129 USPQ 374, cert. denied, 368 U.S. 889, 131 USPQ 499; Flexitized, Inc. v. National Flexitized Corporation, 335 F.2d 774, 142 USPQ 334, cert. denied, 380 U.S. 913, 144 USPQ 780.

This court holds that plaintiffs have proved that the words "fund of funds" have acquired secondary meaning in the mutual fund investment industry and that use by defendant of the name First American Fund of Growth Funds is likely to cause confusion in that members of the investing public or professional investment community are likely to believe that defendant is a subsidiary of or somehow affiliated with plaintiffs.

This is a rare case in the sense that plaintiffs have managed to acquire secondary meaning in a relatively short period of time. See, Speedry Products, Inc. v. Dri Mark Products, supra, 271 F.2d at 649-650, 123 USPQ at 370-371; See, Maternally Yours, Inc. v. Your Maternity Shop, Inc., 234 F.2d 538, 110 USPQ 462; See, Noma Lites v. Lawn Spray, 222 F.2d 716, 717, 105 USPQ 388; See, Santa's Workshop v. Sterling, 2 App.Div.2d 262, 111 USPQ 120, aff'd, 3 N.Y.2d 757, 114 USPQ 179; See, Tisch Hotels, Inc. v. Americana Inn, Inc., 350 F.2d 609, 146 USPQ 566.

There is no direct evidence here that the investing public associates the words "fund of funds" with plaintiffs; however, from the evidence contained in and attached to the affidavits in support of plaintiffs' motion for summary judgment and recited, supra, and the S.E.C. report of December 2, 1966, the conclusion is inescapable that the words "fund of funds" have come to be identified with plaintiffs. Plaintiffs' extraordinarily large American holdings, their far flung sales and expensive promotional activities, publicity in widely circulating publications and more than passing notice in a major government agency report about the business in which plaintiffs are engaged and which would be widely read by the professional segment of the industry of which plaintiffs are now a vital part, give the words "fund of funds" secondary meaning within legal contemplation. See, Lincoln Restaurant Corp. v. Wolfies Restaurant,

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supra; Maternally Yours v. Your Maternity Shop, supra; Famous Sea Food House, Inc. v. Skouras, 272 App. Div. 258, 73 USPQ 493; Albro Metal Products Corp. v. Alper, 281 App.Div. 68, 96 USPQ 159; Harvey Machine Co., Inc. v. Harvey Aluminum Corp., 9 Misc. 2d 1078, 113 USPQ 437, appeal dismissed, 4 App.Div.2d 1014; Metropolitan Life Insurance Co. v. Metropolitan Insurance Premium Finance Corp., 264 F. Supp. 507, 153 USPQ 390.

Consumer protection is the pivotal concern of the law of unfair competition.

> "Consumer protection has been limited to the prevention of confusion, i.e., the customer should not mistake defendant's articles for that of plaintiff or believe that it derives from the same source as plaintiff's goods. It is in such context that secondary meaning inheres, and when this special significance attaches in the public mind to the non-functional attributes of its wares, a plaintiff need further establish merely the likelihood of confusion—or a defendant may rebut the effect of secondary meaning by proving that confusion is unlikely. Restatement of Torts, Sec. 741 (1938), Lucien Lelong, Inc. v. Lander Co., 2 Cir., 1947, 164 F.2d 395, 75 USPQ 302." Norwich Pharmacal Company v. Sterling Drug, Inc., supra, 271 F.2d at 571, 123 USPQ at 374.

[4] Here the words "fund of funds" describe plaintiffs' business. The question, therefore, is whether any secondary meaning can attach to such a descriptive term. The Second Circuit's analysis of the New York court's decision in Santa's Workshop v. Sterling, supra, a similar case, seems to supply an affirmative answer to the question posed. The court concluded, after analyzing the basis of the New York Court's decision: "The decision, * * *, in favor of the plaintiff in that case could easily have been grounded on a finding that secondary meaning had been quickly acquired." Speedry Products, Inc. v. Dri Mark Products, supra, 271 F.2d at 650, 123 USPQ at 371. The question, however, was subsequently settled by the Second Circuit's decision in Safeway Stores, Inc. v. Safeway Properties, Inc., 307 F.2d 495, 498-499, 134 USPQ 467, 469. There the court said:

> " * * * Descriptive words receive less protection under the law of trademarks than fanciful or coined words because words in our general vocabulary which all can use to describe products or services should not be unduly limited. Telechron, Inc. v. Telicon Corp., 198 F.2d 903, 94 USPQ 363.
>
> "If a descriptive word has taken on a secondary meaning, however, courts will afford equitable protection to the party whose use of the word has created the secondary meaning. See, Maternally Yours, Inc. v. Your Maternity Shop, 234 F.2d 538, 110 USPQ 462."

In the Safeway case, the court found secondary meaning in that the term "Safeway" in the retail business had become identified with the plaintiff there because of association with it over a long period of time. The court then concluded that it need not consider whether the term, as originally used, was descriptive or fanciful. Safeway Stores, Inc. v. Safeway Properties., Inc., supra, 307 F.2d at 499, 134 USPQ at 470.

More recently, the Second Circuit has held that, "whether a descriptive mark has acquired secondary meaning depends upon the facts of each case." W.E. Bassett Company v. Revlon, Inc., 354 F.2d 868, 871, 148 USPQ 170, 173. This court holds that the words "fund of funds" are primarily descriptive rather than fanciful, since they do describe the mutual funds business activity of plaintiffs, and that these words have become identified with plaintiffs within a relatively short period of time for the reasons set forth above.

Perhaps anticipating the foregoing holdings, on June 2, 1967, defendant changed its corporate name from First American Fund of Funds, Inc. to First American Fund of Growth Funds, Inc. When the parties appeared before the court on June 8, 1967, defendant argued that this change of name was not objectionable because: 1) distinguishable from plaintiff's name, and 2) along with a change of name would go a change of business, i.e., defendant would not be dealing in ordinary mutual funds but in what it described as "growth funds", a field in which plaintiff has not yet functioned on a pronounced basis.[2]

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[2] Defendant's prospectus describes its aim as follows:

The Fund seeks growth of capital by investing in several steps, in several selected funds and then keeping them under observation. It seeks to invest in shares of those funds it believes will (1) increase most in net asset value, or earn most capital gains, or both, but (2) liquidating part or all of its investment in those funds in several steps, before a substantial part of their portfolios in Management's judgment, become overpriced. Capital appreciation will be sought through long term, and not through short term holdings. The Fund's policy is to minimize portfolio trading and turnover.

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Defendant's change of name and variation in type of mutual funds, however, does not sufficiently distinguish defendant from plaintiff so as to eradicate the likelihood of confusion in the mind of the investing public and securities industry which it is the purpose of the law of unfair competition to protect. Safeway Stores, Inc. v. Safeway Properties, Inc., supra.

"The law of unfair trade comes down very nearly to this—as judges have repeated again and again—that one merchant shall not divert customers from another by representing what he sells as emanating from the second." Yale Electric Corp. v. Robertson, 26 F.2d 972, 973. More specifically, " * * * It may be sufficient if the similarity of the names leads to the belief that the . . . new concern is a subsidiary of the older business or an authorized dealer or branch of it, or because the public may be induced to extend credit to the new corporation, or to buy its stock, or to deal with it otherwise, believing that they were dealing with the older corporation." 1 Nims, Unfair Competition and Trademarks, 278-279 (4 Ed. 1947).

The New York Supreme Court has ruled that,

> "A wrongful attempt to suggest an association or connection of some sort is sufficient to warrant relief to prevent confusion in the public mind as well as dilution of plaintiff's trade name * * *." Louis Vaudable v. Montmarte, Inc., 20 Misc.2d 757, 759, 123 USPQ 357, 358.

Since the words "fund of funds" in a trade name or corporate name have come to be identified with plaintiffs, and since this acquisition came about in a very spectacular way in a relatively short period of time, and since the fund of funds concept is in its initial stages of development in the mutual funds field in this country, it is reasonable to conclude that the public will believe that defendant, which has not yet begun its sales to the American public, is somehow connected with plaintiffs. Cf. Safeway Stores, Inc. v. Safeway Properties, Inc., supra. This is so not only because the names are similar but because the businesses of both are similar if not the same. "It is not necessary to show actual cases of deception or confusion, * * *, since the test is the likelihood that an appreciable number of ordinarily prudent purchasers will be confused." Maternally Yours v. Your Maternity Shop, supra, 234 F.2d at 542, 110 USPQ at 465. In Harold F. Ritchie, Inc. v. Chesebrough-Pond's, Inc., 281 F.2d 755, 761, 126 USPQ 310, 315, the court said: "Actual confusion or deception of purchases is not essential to a finding of trademark infringement or unfair competition, it being recognized that 'reliable evidence of actual confusion is practically almost impossible to secure.'"

[5] Moreover, defendant will be operating in an area of normal expansion for plaintiffs to which new area equity will extend its protection. W. E. Bassett Company v. Revlon, Inc., supra; Safeway Stores, Inc. v. Safeway Properties, Inc., supra; Maternally Yours v. Your Maternity Shop, supra; Sam S. Goldstein Industries, Inc., v. General Electric Company, 264 F.Supp. 403, 153 USPQ 334. Accord, Metropolitan Life Insurance Co. v .Metropolitan Premium Finance Corp., supra; Taussig v. Wellington Fund, Inc., 187 F.Supp. 179, 126 USPQ 433, aff'd, 313 F.2d 472, 136 USPQ 279, cert. denied, 374 U.S. 806, 137 USPQ 913.

[6] The fact that in its prospectus defendant advises its prospective customers that it is in no way connected with plaintiff is not decisive of this question. Lincoln Restaurant Corp. v. Wolfies Restaurant, Inc., supra, 291 F.2d at 303, 129 USPQ at 375. Neither is the fact that plaintiffs will be selling only to foreign nationals abroad and, therefore, will not be in direct competition with defendant who will be selling in this country controlling. Lincoln Restaurant Corp. v. Wolfies Restaurant, Inc., supra; Ball v. United Artists Corp., 13 App.Div. 133, 139, 129 USPQ 192; Cue Publishing Co., Inc. v. Kirshenberg, 22 Misc.2d 188, 124 USPQ 533; Louis Vaudable v. Montmarte, Inc., supra; Sullivan v. Ed Sullivan Radio & T.V., Inc., 1 App. Div.2d 609, 110 USPQ 106; Maison Prunier v. Prunier's Restaurant & Cafe, Inc., 159 Misc. 551. Accord, Continental Motors Corp. v. Continental Aviation Corp., 375 F.2d 857, 153 USPQ 313. It does appear, however, from defendant's advice to plaintiffs that defendant intends to use its name throughout the world, defendant will be selling its shares abroad, and will, therefore, be in direct competition with plaintiffs outside the United States. Nor is the fact of geographic separation of the two companies of any decisive significance in this context. Lincoln Restaurant, supra; Ambassador East, Inc. v. Shelton

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It does not seek investment income consisting of dividends the funds receive on shares in their portfolios and pay out to their shareholders, but such investment income as shall be received shall be distributed to its shareholders annually. However if the Fund succeeds in its quest for capital growth, in may result in growth of such investment income.

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Corners, Inc., 120 F.Supp. 551, 101 USPQ 180. Accord, Tisch Hotels, Inc. v. Americana Inn, Inc., supra; Stork Restaurant v. Sahati, 166 F.2d 348, 76 USPQ 374; Thompson v. Alpine Motor Lodge, Inc., 296 F.2d 497, 131 USPQ 453, remanding, aff'd after trial, 324 F.2d 374, 139 USPQ 218; Ambassador East, Inc. v. Orsatti, Inc., 257 F.2d 79, 118 USPQ 47.

"Almost invariably the selection by a defendant for use in his business of a trade name or mark which has theretofore been used and advertised by another, is for the purpose of appropriating its value and reaping the benefit of the labor of him who may have made the name and emblem of quality, or of taste, or a symbol of fair dealing. Equity does not shirk from interfering to prevent such spoliation. Names other than plaintiff's, there are in plenty, which defendant could have selected." John Forsythe Co., Inc. v. Forsythe Shoe Corp., 234 App.Div. 355, modified, 259 N.Y. 248; Tiffany & Co. v. Tiffany Productions, 147 Misc. 679, aff'd, 237 App. Div. 801, aff'd, 262 N.Y. 482. Defendant's adoption of the name First American Fund of Funds and then the name First American Fund of Growth Funds, under the facts of this case, "is compatible with nothing but 'a purpose to capitalize in [The United States] upon the trade name [The Fund of Funds] first adopted by the plaintiffs [abroad].'" Lincoln Restaurant Corp. v. Wolfies Restaurant, supra, 291 F.2d at 303, 129 USPQ at 375.

Since defendant has not yet begun to sell their shares to the public, plaintiffs have not proved any past monetary damages or the necessity for an accounting. This relief is denied.

"To postpone the granting of relief until actual injury could be proved would be to deprive the equitable remedy of its most valuable trait—the dispensation of preventive justice. * * * The court may properly presume that the confusion of source will be injurious and therefore wield its injunctive powers with dispatch to prevent the infliction of harm." Philadelphia Storage Battery Co. v. Mindlin, 163 Misc. 52.

An injunction will issue enjoining defendant from using the words "fund of funds" and "fund of growth funds" as a part of its corporate name or fund name. However, the words may be used to describe defendant's business or as a slogan. Safeway Stores, Inc. v. Safeway Properties, Inc., supra, 307 F.2d at 499, 134 USPQ at 469; Spicer v. W. H. Bull Medicine Co., 49 F.2d 980, 9 USPQ 315.

District Court, S. D. New York

MARVIN GLASS & ASSOCIATES et al. v. DE LUXE TOPPER CORPORATION et al.

67 Civ. 722 Decided Sept. 25, 1967

PATENTS

1. Infringement—Law or fact question (§ 39.60)

Pleading and practice in courts—Motions—For summary judgment—Issues determined (§ 53.6335)

Although question of whether patent is infringed is often a question of fact, summary judgment of noninfringement is entered where defendants' device can be readily understood without aid of expert testimony and compared with patent claims, and from this comparison it is clear that there is no infringement.—Marvin Glass & Associates v. De Luxe Topper Corp. (DC SNY) 156 USPQ 553.

2. Infringement—Tests of—Comparison with claim (§ 39.803)

In considering whether there is infringement, it is essential to compare patent claims with accused device; protection afforded patentee is limited to patent claims.—Marvin Glass & Associates v. De Luxe Topper Corp. (DC SNY) 156 USPQ 553.

3. Infringement—Combinations—In general (§ 39.251)

Device infringes claims to combination of elements only if it includes all essential elements of claims.—Marvin Glass & Associates v. De Luxe Topper Corp. (DC SNY) 156 USPQ 553.

4. Pleading and practice in courts—Discovery and inspection (§ 53.30)

Plaintiffs are not entitled to continuance of defendants' motion for summary judgment of noninfringement since facts that they seek to ascertain by discovery are either obvious or irrelevant to question of infringement; differences between devices are obvious, so discovery is unnecessary.—Marvin Glass & Associates v. De Luxe Topper Corp. (DC SNY) 156 USPQ 553.

5. Infringement—In general (§ 39.01)

Way in which defendants' game might be played is irrelevant since there would be no infringement unless game infringes as it is intended to be played when sold.—Marvin Glass & Associates v. De Luxe Topper Corp. (DC SNY) 156 USPQ 553.

6. Infringement—Evidence of (§ 39.45)

Evidence of copying may be relevant in some cases to question of infringement, but it is not relevant where nonin-

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not headquarters company. As the reference is to a series, the phrase is thus used in a different sense than it is used militarily. There is no such entity as headquarters companies; there is no military organization where a group of headquarters companies get together. So in that sense it's not simply descriptive.

[1] Second, the Court gives proper credit to the extensive advertising made by Network to garner goodwill for its service marks "HQ" and "Headquarters Companies." This advertising is extensive and pervasive. This case is evidence of Network's willingness to defend its marks promptly and properly. In the business of executive suite rentals, "Headquarters Companies" has garnered a secondary meaning. The Court, therefore, finds that the mark "Headquarters Companies" is on the cusp between being descriptive and being suggestive. It is, if you will, a suggestive mark with descriptive elements. It is, therefore, a somewhat stronger mark than a merely descriptive mark.

While the Court takes all these findings together to make the ultimate finding, a brief recap is in order:

The dissimilarity of the marks cuts in favor of Executive. These marks are not sufficiently similar, standing alone, in the manner in which they are used in the marketplace and the manner by which one comes to use the services of a business center, to create a substantial likelihood of confusion.

The similarity of the goods cuts in favor of Network.

The relationship between the parties' channels of trade cuts in favor of Network.

The classes of prospective purchasers cuts in favor of Executive. While the class of prospective purchasers is identical, they're sophisticated prospects and it is unlikely that such persons would be confused as to the source of the goods and services in question.

The evidence of actual confusion cuts in favor of Executive.

The intention of Mr. Keating in adopting the mark cuts neither way. On this record, the way this case has been tried, the Court cannot tell without speculating what Mr. Keating has in mind. While it's possible that he intended to rip off Network, Network fails on its burden of persuasion on this point.

Lastly, as to the strength of the mark, the Court finds that the mark is a suggestive mark with descriptive elements and that it has a secondary meaning, a secondary meaning with favorable connotation for the goods, the real property, and the services provided by Network.

[2] Based on a balancing of all of these findings, the Court ultimately rules that there is no legally cognizable likelihood of confusion by the use of the term "Executive Headquarters" in the manner in which Executive is using that term.

This case is far from frivolous. Network is properly seeking to enforce its mark and has invested a great deal in doing so. This case would be different, markedly different, if any one of the following three things were to take place — and this is not an exhaustive list: If the letters H Q were used in any advertising of Executive's, no matter how prominent the words "executive" or "executive headquarters" were displayed relative to the abbreviation HQ; second, if the word "headquarters" was used by Executive in any way more prominent than the word "executive"; and, lastly, if a horizontal line above or below either of the words "executive" or "headquarters" or both, in whatever color, was used by Executive in close proximity to either of those words.

In the absence of evidence of a likelihood of actual confusion, however, judgment on these claims must enter for Executive.

SO ORDERED.

Court of Appeals, Second Circuit

Coach Leatherware Co. Inc. v. AnnTaylor Inc.

Nos. 90-9082, 90-9124

Decided May 15, 1991

JUDICIAL PRACTICE AND PROCEDURE

1. Procedure — Summary judgment — In general (§410.3301)

Federal district court has authority, on motion for summary judgment, to independently raise and grant summary judgment motion in favor of non-moving party, without affording moving party opportunity to respond to court's sua sponte action, if facts are sufficiently developed that moving party suffers no procedural prejudice.

2. Procedure — Summary judgment — Trademarks and unfair trade practices (§410.3305)

Federal district court did not err by entering summary judgment that defendants'

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hang tag for handbags infringed plaintiff's registered "Coach" hang tag, even though judgment was entered after denial of defendants' summary judgment motion and without cross-motion by plaintiff, since failure to provide moving party with opportunity to respond to sua sponte motion is not error absent indication that party might otherwise bring forward evidence that would affect court's determination, since defendants contended that no material issue of fact prevented summary judgment in their favor on plaintiff's Lanham Act claims and had significant incentive to put forward any compelling evidence in support of their motion, and since defendants were therefore not prejudiced by court's sua sponte action; court's entry of summary judgment prohibiting defendants' replication of plaintiff's "Coach" handbag designs was error, however, since plaintiff failed to establish as matter of law that defendants infringed its trade dress, in view of differing evidentiary burdens imposed on those seeking to protect unregistered design as opposed to registered mark.

TRADEMARKS AND UNFAIR TRADE PRACTICES

3. Types of marks — Secondary meaning (§327.02)

JUDICIAL PRACTICE AND PROCEDURE

Procedure — Summary judgment — Trademarks and unfair trade practices (§410.3305)

Federal district court improperly held, on summary judgment, that plaintiff's handbag designs had acquired secondary meaning, even though plaintiff submitted evidence of copying and survey evidence showing consumer identification of designs with plaintiff, since proof of secondary meaning entails vigorous evidentiary requirements which make summary judgment difficult, particularly if opposing party has not had adequate opportunity to seek favorable evidence, since conscious replication alone does not establish secondary meaning, and since survey evidence is not sufficiently probative of infringement of unregistered trade dress.

TRADEMARKS AND UNFAIR TRADE PRACTICES

4. Unfair competition — State and common law (§395.03)

Similarity in overall appearance between plaintiff's and defendant's handbags cannot alone establish source confusion as matter of law, nor is anecdotal evidence or consumer awareness survey dispositive, and thus summary judgment for plaintiff is not warranted on its unfair competition claim under New York law.

5. Infringement; conflicts between marks — Likelihood of confusion — Particular marks — Confusion likely (§335.0304.03)

Summary judgment for plaintiff is warranted on its claim for infringement of its registered "Coach" hang tag for handbags, since disposition of confusion issue by summary judgment is often appropriate for protection of registered marks and such marks are entitled to liberal application of law, since mark is fanciful in view of its inherently distinctive shape and composition and its registration on principal register, since showing of secondary meaning for mark is thus not required, and since confusing similarity in look and feel between plaintiff's and defendants' tags, coupled with defendants' affixation of tags to nearly identical handbags marketed towards same consumer group, establishes likelihood of confusion under Lanham Act's Section 32.

6. Infringement; conflicts between marks — Likelihood of confusion — Evidence of — Actual confusion (§335.0303.04)

Infringement; conflicts between marks — Likelihood of confusion — Particular marks — Confusion likely (§335.0304.03)

Sophisticated customer base for plaintiff's handbags does not preclude finding that similarity between hang tags used on defendants' handbags and plaintiff's registered hang tag is likely to cause confusion, since sophisticated customer is most likely to assume that similarity between parties' tags indicates some sort of association between them, nor does plaintiff's failure to document significant evidence of actual confusion preclude such finding, since plaintiff is seeking injunctive relief and therefore need not establish unquestioned confusion.

7. Types of marks — Trade dress as mark — Functionality (§327.0706)

REMEDIES

Non-monetary and injunctive — Equitable relief — Permanent injunctions — Trademarks and unfair trade practices (§505.0709.09)

Federal district court's grant of injunction prohibiting defendants from copying any

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handbag produced by plaintiff may excessively chill competition, since Lanham Act protection does not extend to configurations of ornamental features which would significantly limit range of available competitive designs, and injunction prohibiting defendants from emulating any of plaintiff's 50–60 different handbag styles could have unacceptable effect of removing non-infringing design innovations from market; similar concerns are raised by injunction prohibiting replication of such elemental features as size, shape, color and materials of plaintiff's handbags.

Appeal from the U.S. District Court for the Southern District of New York, Duffy, J.; 18 USPQ2d 1482.

Action by Coach Leatherware Co. Inc. against AnnTaylor Inc., Laura Leather Goods Ltd., A & R Handbag Inc., and Ron's Elegance Center Inc., for trademark infringement under Lanham Act's Section 43(a) and for unfair competition under New York common law. From entry of summary judgment for plaintiff, defendants AnnTaylor Inc., Laura Leather Goods Ltd., and A & R Handbag Inc. appeal. Affirmed in part, reversed in part, and remanded; Winter, J., concurs in part and dissents in part in separate opinion.

Daniel S. Ebenstein, of Amster, Rothstein & Ebenstein (Anthony F. Lo Cicero and Steven M. Levy, of Amster, Rothstein & Ebenstein, of counsel), New York, N.Y., for plaintiff-appellee Coach Leatherware Co. Inc.

Luigi P. De Maio, of De Maio & Hughes, New York, for defendants-appellants Laura Leather Goods, Ltd. and A & R Handbag Inc.

James A. Beha, II, of Hertzog, Calamari & Gleason, New York, for defendant-appellant AnnTaylor Inc.

Before Kaufman, senior circuit judge, and Winter and Miner, circuit judges.

Kaufman, J.

Copying women's designer handbags appears to be a convenient device for those seeking to ride fashion's often unpredictable waves. Abundant support for this observation is provided on Manhattan's Fifth Avenue where within close proximity of the flagship stores of Louis Vuitton, Gucci and Chanel, street vendors peddle imitations of these familiar designs. More, confusing, and thus more troublesome, is the sale of copies by respected retailers. At the heart of this case is just such a circumstance — the sale of imitation Coach Leatherware Company, Inc. ("Coach") handbags by the AnnTaylor, Inc. ("AnnTaylor") chain of retail stores. At issue is the potential for consumer confusion caused by this situation.

In an effort to maintain its market share and its preferred status among customers, Coach instituted this action against appellants AnnTaylor, Laura Leather Goods, Inc. ("Laura") and A&R Handbag, Inc. ("A & R") for trademark infringement pursuant to section 43(a) of the Lanham Act and for unfair competition under New York State common law. Coach alleged that appellants had produced imitations of its distinctive leather handbags in a manner likely to cause confusion in the marketplace. Following Coach's motion for a preliminary injunction and appellants' cross-motion for summary judgment, Judge Duffy, *sua sponte*, granted summary judgment in favor of the nonmoving party, Coach. *See Coach Leatherware Co. v. AnnTaylor, Inc.*, 751 F.Supp. 1104 [18 USPQ 1482] (S.D.N.Y. 1990). In addition, he enjoined appellants from substantially emulating any of Coach's more than fifty handbag designs. We believe, however, the record does not support the grant of summary judgment regarding those unregistered aspects of Coach's products. Accordingly, we affirm in part, reverse in part and remand for further proceedings consistent with our decision.

I. *Background*

We need discuss only those facts and prior proceedings relevant to the disposition of this appeal. Some contextual detail, however, is unavoidable because of the complex nature of trademark infringement claims.

Coach, a New York corporation, has been engaged in the design, manufacture, marketing, distribution and sale of high quality, leather fashion products for approximately fifty years. Coach products are sold exclusively under its own label and are marketed in about fifty Coach-owned stores, in clearly designated Coach displays situated in expensive department stores and through Coach mail order catalogues.

AnnTaylor, a prominent retailer of quality women's apparel, is a wholly-owned subsidiary of AnnTaylor Holding, Inc., which in

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turn is owned by Merrill Lynch Co., Inc. AnnTaylor, like Coach, considers its market to consist of the stereotypical successful career woman. Presently, the more than 160 AnnTaylor stores are located primarily in upscale malls, exclusive thoroughfares, and specialty retail centers. Laura, and its affiliate, A & R (collectively "Laura"), are also New York corporations engaged in the business of designing, manufacturing and selling handbags.

The instant litigation was initiated after Coach learned that some of its "classic" handbag designs, which have been part of its product line for the past fifteen years, were being copied and sold at AnnTaylor. Ann Taylor and Laura had allegedly replicated for sale three handbag styles made prominent by Coach: the "Dinky Bag" — a small handbag with a narrow profile, a flap that extends to cover the entire face of the bag and a shoulder length strap; the "Duffle Sac" — a large handbag with a circular bottom, tapered sides and a leather strap affixed to its top by solid brass hardware; and the "Convertible Clutch" — a larger version of the Dinky Bag. Though dissimilar in several significant respects, each Coach bag shares several features: all are produced from full-grain cowhide, contain exterior binding at external seams and incorporate brass hardware components. In addition, the inside of each bag contains a Coach registration number and various informational paraphernalia unique to Coach marketing tactics.

Over the years, Coach has attached to all of its handbags distinctive lozenge-shaped leather tags embossed with the name "Coach Leatherware." The tags, suspended from beaded brass chains, have become distinctive and valuable through Coach's promotional efforts and by virtue of its upscale reputation — Coach store managers report that the tags alone are often subject to theft. Though Coach bags are not themselves registered, the Coach tag is registered on the Principal Register of the United States Patent and Trademark Office. Apparently seeking to capitalize on the popularity of the Coach "look", the AnnTaylor handbags, in the Coach style, carry a similar leather tag embossed, however, with AnnTaylor's name and distinctive typeface.

II. *Proceedings Below*

In May 1990, Coach filed a complaint alleging that Laura and AnnTaylor manufactured and sold handbags which essentially mimic design features made famous by Coach. Subsequently, the parties engaged in extensive discovery: both sides retained experts, took depositions, secured affidavits and exchanged documents. Coach went so far as to conduct a survey to determine whether consumers would confuse the AnnTaylor bags with Coach bags, even when the products were clearly labelled. AnnTaylor, though it has not elicited its own evidence to challenge the survey data, contends it should be given no weight since serious methodological flaws, including result-oriented questions, biased the results.

In August 1990, Coach moved preliminarily to enjoin appellants from replicating the Dinky Bag, the Duffle Sac, and the Convertible Clutch. Coach argued that it was likely to succeed on its trademark infringement and unfair competition claims, and contended that failure to issue an injunction immediately would result in irreparable loss of profits and goodwill.

In response, appellants cross-moved for summary judgment, alleging that Coach had not established a prima facie case of infringement. AnnTaylor averred that its clear labelling of the merchandise, its dissimilar trade name and logo, and its failure to parody Coach's unique product packaging, eliminated any likelihood that customers were confused as to the source of the product.

After searching the record and examining the submissions, Judge Duffy determined appellants' handbags were confusingly similar to those manufactured by Coach. Accordingly, in his November 8, 1990 Memorandum and Order, he denied appellants' summary judgment motion and instead granted summary judgment in favor of Coach, finding AnnTaylor and Laura liable, as a matter of law, for trade dress infringement and common law unfair competition. Coach's motion for a preliminary injunction was denied as moot.

The judgment permanently enjoined appellants from replicating any of Coach's approximately fifty handbag styles. Further proceedings concerning possible monetary relief were referred to Magistrate Judge Naomi Buchwald, pursuant to 18 U.S.C. §636(b)(1)(B).

Because we believe the district court's action prevented AnnTaylor and Laura from raising a genuine issue of material fact, we reverse the summary judgment insofar as it determines appellants' copying of the bags violates section 43(a) of the Lanham Act and the New York common law of unfair competition. We affirm, however, the grant of summary judgment with regard to the copying of the registered Coach tags. We find

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such replication violates section 32 of the Lanham Act which provides protection for registered marks.

III. *Summary Judgment*

Though the principles governing summary judgment are by no means novel, they bear repeating for purposes of this appeal. Rule 56(c) of the Federal Rules of Civil Procedure provides that summary judgment "shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." In reaching this determination, a court's responsibility is to assess whether there are any material factual issues to be tried, while resolving ambiguities and drawing reasonable inferences against the moving party. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248-49 (1986); *Knight v. United States Fire Ins. Co.*, 804 F.2d 9, 11-12 (2d Cir. 1986), *cert. denied*, 480 U.S. 932 (1987). "The judge's inquiry . . . unavoidably asks whether reasonable jurors could find by a preponderance of the evidence that the plaintiff is entitled to a verdict." *Anderson*, 477 U.S. at 252. Entry of summary judgment indicates that no reasonable jury could return a verdict for the losing party. *See* Issacharoff and Loewenstein, *Second Thoughts About Summary Judgment*, 100 Yale L.J. 73, 84-89 (1990).

[1] In the instant proceeding, we are presented with the somewhat unusual circumstance where the district court has independently raised and granted a summary judgment motion in favor of the nonmoving party. Though not expressly authorized by Rule 56, this practice has become an accepted method of expediting litigation. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 326 (1986); 10A C. Wright, A. Miller & M. Kane, Federal Practice and Procedure §2720, pp. 33-35 (1983). Somewhat more nebulous is the issue whether the moving party must be afforded an opportunity to respond to the court's *sua sponte* action.

The prevailing view in this Circuit is that a court need not give notice of its intention to enter summary judgment *against* the moving party. *See, e.g., Abrams v. Occidental Petroleum Corp.*, 450 F.2d 157, 165-66 (2d Cir. 1971), *aff'd*, 411 U.S. 582 (1972); *Local 33, Int'l Hod Carriers Bldg. & Common Laborers' Union of Am. v. Mason Tenders Dist. Council of Greater N.Y.*, 291 F.2d 496, 505 (2d Cir. 1961). As Judge Harold Medina, a former professor of practice and procedure, stated with his characteristic acumen, "it is most desirable that the court cut through mere outworn procedural niceties and make the same decision as would have been made had defendant made a cross-motion for summary judgment." *Local 33, Int'l Hod*, 291 F.2d at 505. To determine whether the absence of a cross motion affected the result, an appellate court must ascertain whether the facts before the district court were fully developed so that the moving party suffered no procedural prejudice. *See* 10A Wright, Miller & Kane, *supra*, at 35.

When assessing the potential for prejudice, we are mindful that appellants' summary judgment motion was directed at proving that Coach, who had the burden of persuasion, could not establish a prima facie Lanham Act violation. *See Celotex*, 477 U.S. at 323-25. In their papers, AnnTaylor and Laura focused on undermining Coach's proof and did not necessarily include all evidence that might be presented at trial in their defense. Had Coach initially moved for summary judgment, instead of the more limited motion for a preliminary injunction, appellants would have been on notice to incorporate all rebutting evidence available to them.

[2] This concern, however, does not necessarily undermine the propriety of the district court's action. Implicit in our earlier decisions is the recognition that despite varying burdens of production, the threat of procedural prejudice is greatly diminished if the court's *sua sponte* determination is based on issues identical to those raised by the moving party. Absent some indication that the moving party might otherwise bring forward evidence that would affect the court's summary judgment determination, failure to provide an opportunity to respond is not reversible error.

For these reasons, we believe AnnTaylor and Laura were not prejudiced by the grant of summary judgment related to Coach's registered hang tag. Appellants contended no material issues of fact prevented summary judgment in their favor on the Lanham Act claims. Moreover, they had significant incentive to put forward any compelling evidence in support of their summary judgment motion since the law prevented the district court from drawing favorable inferences on their behalf.

Despite this assessment, we are unable to conclude that appellants were provided with an adequate opportunity to defend against the grant of summary judgment prohibiting replication of the Coach handbag designs.

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Our views on this matter result from the differing evidentiary burdens imposed on those who seek to protect an unregistered, as opposed to a registered, mark. It is extremely difficult to establish, in a motion for summary judgment, that an unregistered design merits Lanham Act protection. *See, e.g., Stormy Clime Ltd. v. Progroup, Inc.*, 809 F.2d 971, 977-78 [1 USPQ2d 2026] (2d Cir. 1987). Accordingly, because Coach failed to establish as a matter of law that appellants infringed upon its "trade dress," we reverse the grant of summary judgment pertaining to the unregistered elements of Coach's products.

IV. *Unregistered Trademark Infringement*

Coach's federal claim is based on section 43(a) of the Lanham Act, 15 U.S.C. §1125(a) (1988), which provides a civil action in favor of those who believe they have been damaged, or are likely to be damaged, by the use of a "false designation of origin" on a good or service. Though enacted as part of the Trademark Act, this provision functions as a federal law of unfair competition for unregistered goods. Section 43(a) extends protection to a product's "trade dress" — the total image of a good as defined by its overall composition and design, including size, shape, color, texture, and graphics. *See Stormy Clime*, 809 F.2d at 974. In this case, the district court fairly determined Coach's "trade dress" resided in the general appearance of the handbags.

To prevail on a trade dress claim, the plaintiff must demonstrate that the product's appearance has acquired "secondary meaning" — the consuming public immediately identifies the product with its maker — and that purchasers are likely to confuse the imitating goods with the originals. *See Wallace Int'l Silversmiths, Inc. v. Godinger Silver Art Co.*, 916 F.2d 76 [16 USPQ2d 1555] (2d Cir. 1990). Even if the plaintiff establishes these elements, the defendant may still avoid liability by demonstrating that the imitated features are "functional" — essential to the basic purpose the article is meant to serve.

A. *Secondary Meaning*

The trade dress of a product attains secondary meaning when the purchasing public "associates" its design with a single producer or source rather than simply with the product itself. *See Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851 n.11 [214 USPQ 1] (1982); *Centaur Communications Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1221 [4 USPQ2d 1541] (2d Cir. 1987). The plaintiff is not required to establish that *all* consumers relate the product to its producer; it need only show that a substantial segment of the relevant consumer group makes this connection. *See Centaur Communications*, 830 F.2d at 1222.

Coach contends that compelling circumstantial and direct evidence confirms that consumers associate the Dinky Bag, the Duffle Sac, and the Convertible Clutch with Coach alone. Appellee claims its product awareness survey establishes customer recognition since a majority of respondents associated the AnnTaylor bags with Coach. It concludes that similarities in the aesthetic configuration of the products indicate purposeful replication and thus secondary meaning.

AnnTaylor and Laura respond that Coach has failed to establish, as a matter of law, that the consuming public identifies Coach as the sole source of the handbag designs at issue. They concede Coach handbags are widely recognized, but assert that the designs have become so commonplace that customers do not reflexively assume Coach produced them. Support for this proposition, appellants contend, can be found in Coach's advertising slogan — "It's Not a Coach Bag Without the Coach Tag" — which encourages consumers to distinguish its goods from those of its many imitators. If permitted to conduct additional discovery, they argue that at a minimum they would be able to raise a genuine factual dispute on this issue for trial. We agree.

[3] Our cases make clear that proof of secondary meaning entails vigorous evidentiary requirements. *See Thompson Medical Co. v. Pfizer Inc.*, 753 F.2d 208, 217 [225 USPQ 124] (2d Cir. 1985). When attempting to resolve this essentially factual determination, we have assessed advertising expenditures, consumer studies, unsolicited media coverage of the product, sales success, attempts to plagiarize the mark, and length and exclusivity of use. *Id.* The careful weighing of evidence necessary to determining secondary meaning renders it an unlikely candidate for summary judgment. The case against summary judgment is even stronger where the opposing party has not been afforded an adequate opportunity to seek potentially favorable information. *See Schering Corp. v. Home Ins. Co.*, 712 F.2d 4, 10 (2d Cir. 1983).

With these principles in mind, we find Coach has failed to establish that a reason-

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able jury *must* conclude the overall design of its handbags have acquired secondary meaning. Though intentional copying constitutes persuasive evidence of consumer recognition, *20th Century Wear, Inc. v. Sanmark-Stardust Inc.*, 815 F.2d 8, 9-10 [2 USPQ2d 1283] (2d Cir. 1987), conscious replication alone does not establish secondary meaning. Moreover, production of the Coach consumer awareness survey does not satisfy the requisite evidentiary burden. Though we have found such surveys probative when granting summary judgment for a registered trademark owner, *see Lois Sports-wear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867 869 & n.1 [230 USPQ 831] (2d Cir. 1986), we are especially reluctant to rely upon them when considering whether a product's unregistered trade dress has been infringed as a matter of law.

Though the failure to establish secondary meaning renders resolution of the section 43(a) claim premature, this does not conclude our inquiry. In particular, a showing of secondary meaning is not necessary to prove unfair competition under New York State common law, one of the grounds upon which the district court based its judgment. *See Perfect Fit Indus., Inc. v. Acme Quilting Co.*, 618 F.2d 950 [205 USPQ 297] (2d Cir. 1980), *cert. denied*, 459 U.S. 832 [207 USPQ 1064] (1982). To prevail on the state law claim, Coach need only demonstrate a likelihood of confusion.

B. *Likelihood of Confusion*

AnnTaylor maintains that differences in packaging and in the size, shape, logo and name on the hang tag ensure that a consumer looking to purchase a Coach product is unlikely to be confused as to its source. Design variations in the imitation wares, including the spacing of the eyelets and the length of shoulder straps, the thickness in the hasp in the buckle and the overall width of the bags, are said to eliminate the consuming public's doubts as to maker. Appellants argue that the sophisticated consumers likely to purchase Coach products are informed enough to realize that handbags lacking a Coach registration number and the Coach name are not Coach products.

Coach responds that the district court's visual inspection was highly probative and largely conclusive of customer confusion. It argues the virtual identity in overall appearance, combined with other significant evidence, including the inability of Laura's President to distinguish across a conference table the differences between Coach and AnnTaylor submissions, would necessarily lead a rational trier of fact to conclude these products were likely to confuse consumers as to manufacturer.

[4] We conclude that Coach has not presented sufficient convincing evidence to prevail on summary judgment. Similarity in overall appearance alone cannot establish source confusion *as a matter of law*. Nor is the addition of the anecdotal evidence and the consumer awareness survey dispositive. After drawing all reasonable inferences in favor of appellants, we are unable to conclude Coach has established that AnnTaylor and Laura engaged in unfair competition under New York state law.

V. *Registered Trademark Infringement*

Despite Coach's failure to prove section 43(a) or New York state unfair competition liability on summary judgment, we find it has established infringement of its registered hang tags. Though Coach has not expressly pleaded a cause of action under section 32 of the Lanham Act, 15 U.S.C. §1114, it seeks in its complaint a permanent injunction preventing "the use of any . . . symbol, representation, description or designation which is likely to create the erroneous impression that defendants' goods emanate from Coach . . . or are otherwise authorized by Coach." We read this broad request for relief to include protection of its tags.

[5] When assessing the protectable nature of a registered trademark, we first consider its strength. The four basic classifications, arranged from least to greatest degree of protection accorded, are: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful. *See Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 [189 USPQ 759] (2d Cir. 1976). The inherently distinctive shape and composition of the Coach hang tag leads us to conclude the mark is a fanciful one. This determination, which is supported by registration on the federal Principal Register, eliminates the trademark owner's need to prove secondary meaning. *See* J. McCarthy, *Trademarks and Unfair Competition*, §§7:31, 11:3 (2d ed. 1984). Accordingly, to prevail on its section 32 claim, Coach need only establish a likelihood of confusion as to its registered mark. *See Lois Sportswear*, 799 F.2d at 871.

Presumptions of differing weight govern determination of the likelihood of confusion issue with regard to registered trademarks as opposed to unregistered trade dress. When engaging in this inquiry, registered marks are "entitled to a liberal application of the law." *Lois Sportswear*, 799 F.2d at 871.

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And, unlike unregistered trade dress claims, disposition by summary judgment is often appropriate where the protection of a registered trademark is at issue. *See* Barton, *Summary Judgments in Trademark Cases*, 75 Trademark Rep. 497, 525 (1985). Therefore, our conclusion that Coach has not proven a likelihood of confusion among the handbags does not pre-determine resolution of the claim regarding its hang tags.

We agree with Judge Duffy that "Ann Taylor's tag, although it contains AnnTaylor's name, is nonetheless confusingly similar to that of Coach's tag in look and feel." *Coach Leatherware*, 751 F.Supp. at 1109. This observation, coupled with the fact that the tags are affixed to almost identical products marketed towards the same consumer group establishes likelihood of confusion under section 32.[1] *See Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 [128 USPQ 411] (2d Cir.), *cert. denied*, 368 U.S. 820 [131 USPQ 499] (1961).

[6] Recognition of Coach's sophisticated customer base does not necessarily bolster AnnTaylor's claim that confusion is unlikely. When rejecting a similar argument raised by a designer jeans manufacturer who had incorporated a pocket stitching pattern nearly identical to the one made famous by Levi Strauss & Co., we concluded that it is the sophisticated customer "who is most likely to assume that the presence of appellee's trademark stitching pattern on appellants' jeans indicates some sort of association between the two manufacturers. Presumably it is these sophisticated jeans buyers who pay the most attention to back pocket stitching patterns and their 'meanings.'" *Lois Sportswear*, 799 F.2d at 875. Finally, Coach's failure to document significant evidence of actual confusion does not undermine the propriety of summary judgment. To warrant injunctive relief, plaintiffs were not required to establish unquestioned confusion but a mere *likelihood* of it; proof of real and precise confusion is necessary only for the recovery of monetary damages. As we have indicated, this determination awaits resolution of the proceedings now pending before Magistrate Judge Buchwald.

VI. *The Functionality Defense to Section 43(a)*

Though we need not consider appellants' affirmative defenses to section 43(a) of the Lanham Act because of our finding that summary judgment on the unfair competition issues is premature, we briefly discuss the doctrine of functionality to provide necessary guidance to the court below on remand. Trade dress protection does not extend to a product's functionality — those characteristics of the product which are essential to its purpose or use. *See Wallace Int'l*, 916 F.2d at 81; *Stormy Clime*, 809 F.2d at 977. Basic Lanham Act principles dictate that an owner may not use a trademark to circumscribe the flow of useful ideas and designs in the marketplace. *See* Note, *The Problem of Functional Features: Trade Dress Infringement Under Section 43(a) of the Lanham Act*, 82 Colum. L. Rev. 77, 79 (1982).

Judge Duffy, however, held as a matter of law that appellants' functionality defense was meritless, since the three Coach handbags are distinctive in their overall design and composition. He determined that many of the component parts, such as the distinctive lozenge-shaped leather tag, are purely ornamental and serve primarily to signify origin. Moreover, he found it possible to produce acceptable variations of the Coach styles. Based on these conclusions, the court proceeded to issue expansive relief, enjoining appellants from copying any Coach handbag.

[7] Though Judge Duffy is undoubtedly correct that there are several ways to produce the handbag styles at issue without creating so great a likelihood of confusion for consumers, there is more to the functionality defense. Lanham Act protection does not extend to configurations of ornamental features which would significantly limit the range of competitive designs available. *Wallace Int'l*, 916 F.2d at 81. We are concerned that the grant of such broad relief chills competition excessively.

Coach produces from fifty to sixty different styles of handbags in various shapes and sizes. Though the scope of the injunction may reflect the court's desire to conserve judicial resources and stem relitigation of substantially similar infringement claims, we are skeptical that Coach could produce evidence sufficient to support such sweeping

[1] These considerations are equally applicable to Laura. Laura affixes to its imitation Coach bags a cardboard tag, as well as a lozenge-shaped leather tag in the Coach style, when selling directly to the public. Moreover, when manufacturing bags for retailers, Laura embosses its leather tags with the retailer's name if the retailer requests it. Accordingly, Laura infringes the Coach trademark when it sells, either directly or indirectly, Coach knockoffs with the embossed, lozengeshaped leather tags.

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protection for its entire line of handbags. An extensive injunction prohibiting emulation of all types of Coach bags could have the unacceptable effect of removing non-infringing design innovations from the market. Similar concerns are raised by an injunction preventing replication of such elemental features as the size, shape, color and materials of Coach bags.

VII. *Conclusion*

Regretfully, the body of law relating to the Lanham Act has developed into a tangled morass. *See* Brown, *Design Protection: An Overview*, 34 U.C.L.A. L. Rev. 1341, 1357 (1987). Courts struggling to move mountains often find they have only affected minuscule changes in trademark jurisprudence and occasionally have created their own likelihood of confusion. Be that as it may, our review of the record leads us to conclude that though Judge Duffy prematurely determined AnnTaylor and Laura have infringed upon Coach's unregistered trade dress in its handbags, permanent injunctive relief was properly extended to the registered Coach tag.

For the reasons we have stated, we affirm in part the grant of summary judgment, finding appellants' replication of the Coach tag violated Coach's trademark under section 32 of the Lanham Act. That part of the judgment finding appellants have infringed on Coach's trade dress under section 43(a) of the Lanham Act and the New York common law of unfair competition is reversed and remanded for further proceedings consistent with this opinion.

Winter, J., concurring in part and dissenting in part.

I agree with my colleagues that we must reverse the sweeping relief ordered by the district judge in his *sua sponte* grant of summary judgment for the plaintiff. However, I respectfully dissent from the affirmance on entirely new grounds of a portion of that judgment. My disagreement is based on procedural as well as substantive concerns.

If procedural regularity is to be accorded even minimal observance, an appellate court should be extraordinarily cautious about issuing a *sua sponte* grant of summary judgment against a defendant on a fact-specific claim that the plaintiff did not make in its complaint or on appeal. On the merits, I agree with my colleagues that the overall similarity in appearance of the bags with hang tags does not, as a matter of law, create a likelihood of confusion as to source. Precisely because I agree on the trade dress issue, however, I do not agree that there is an infringement of a registered trademark as a matter of law. AnnTaylor's hang tags are different from Coach's registered tag, and, as Judge Kaufman notes, have a potential for creating confusion as to source only when attached to handbags that are substantially identical in appearance. The bags, however, are not part of the registered mark. Because it is the substantially identical handbags that create the confusion, if any, the issue is one of trade dress rather than trademark infringement — as Coach has insisted throughout.

I

I address the procedural issues first. I agree with my colleagues on the strawman issues of whether a court has power to make *sua sponte* grants of summary judgment. When it appears that the sole issue in a case is a matter of law and the parties have no genuine disagreement on the material facts, a party cannot insist on the formality of a motion before a court acts. Nevertheless, *sua sponte* grants of summary judgment are rare and should be employed only when a court is absolutely sure that no issue of material fact exists. The need for caution is nowhere better demonstrated than in the actions of the district court in the instant matter. Ignoring the fine but important distinctions between the legal protections offered by design patents, copyrights and trademarks, and ignoring further the lack of any motion for judgment by Coach, the district court in effect gave Coach a monopoly against the world on all its handbag designs, whether or not they were involved in this case.

Regretfully, the majority does not draw from this extraordinary decision an appreciation of the need for caution but rather states the law concerning summary judgment in an erroneous way that encourages other district judges to ignore the Federal Rules of Civil Procedure. The majority thus states that when a party moves for summary judgment, a court may grant summary judgment against the moving party "absent some indication" that the moving party has undisclosed evidence relevant to the issue. This new rule is apparently based on the "significant incentive" a moving party has to put forth all its evidence when making its motion.

I disagree. When a defendant moves for summary judgment, it says only, "Plaintiff

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has insufficient evidence to make out a prima facie case." *See Celotex Corp. v. Catrett*, 477 U.S. 317 (1986). It most assuredly does not say, "If plaintiff does have enough evidence to make out a prima facie case, I have no evidence to rebut it." Moreover, a party moving for summary judgment does not always have an incentive to offer rebuttal evidence. If the plaintiff can make out a prima facie case, the defendant will generally not have such overpowering rebuttal evidence that it will be entitled to judgment as a matter of law and thus will have little incentive to expose its defense to scrutiny that will aid its adversary in preparing for trial.

In the instant matter, the defendants' motion for summary judgment said only, "Coach cannot make out a prima facie case because it has no evidence of confusion as to source." Coach in effect replied, "To the contrary, we have evidence of confusion, including the overall identity in appearance. There is, therefore, sufficient evidence to allow a trier to find confusion as to source." Based on this exchange, the district court granted a monopoly to Coach on all of its handbag designs whether or not they were involved in this litigation. I would condemn rather than encourage this disregard for procedural regularity.

Moreover, when an appellate court *sua sponte* grants summary judgment for the plaintiff on a claim the plaintiff has never made — especially a fact-specific claim on which the plaintiff bears the burden of proof — it certainly does "cut through . . . procedural niceties." Coach's complaint did not allege infringement of a registered trademark or even mention Section 32 of the Lanham Act. Instead, it asserted two claims: (1) copying of nonfunctional design features resulting in a likelihood of confusion as to source in violation of Section 43(a) and (2) common law unfair competition through the copying of distinctive trade dress and palming off. The district court based its grant of summary judgment solely on Section 43(a). On appeal, Coach never mentioned registered trademark infringement or even cited Section 32. Until the instant decision, therefore, this was solely a trade dress case. As my discussion of the merits indicates, I believe that observance of procedural regularity might have prevented an erroneous decision.

II

Turning to the merits, I of course agree with my colleagues that the extraordinarily broad order of the district court is plain error. I also agree that summary judgment was inappropriate on the issues of secondary meaning and likelihood of confusion as to source resulting from similar trade dress. AnnTaylor's bags were on the market for months, but Coach has been unable to offer any substantial evidence of actual confusion as to source. That is to say, Coach has not shown that consumers who buy AnnTaylor bags believe they are buying bags produced by Coach rather than imitations of Coach bags produced by AnnTaylor. To be sure, the bags are remarkably — and not accidentally — similar in design, and each has a "lozenge" shaped (but different) hang tag. However, even identical appearances are insufficient by themselves to show confusion as to source as a matter of law, the indispensable element of a trademark claim. Unlike a design patent or copyright owner, a trademark claimant does not have an exclusive right to a design; its right is solely in protecting its identity as the source of its product. AnnTaylor thus has every right to copy Coach's bags so long as consumers know they are buying AnnTaylor bags. Whether confusion exists should be resolved at a trial.

My disagreement with the majority on the merits relates to its making and then adopting the claim of registered trademark infringement. It is correct that a failure to show likelihood of confusion under Section 43(a) — a trade dress claim — does not preclude assertion of a registered trademark claim. For example, if the tag used by Ann Taylor were identical to Coach's, including the use of the name "Coach," the fact that it was attached to shoes rather than handbags would not legitimate that use under *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 [128 USPQ 411] (2d Cir.), *cert. denied*, 368 U.S. 820 [131 USPQ 499] (1961). However, Ann Taylor's hang tag is different. AnnTaylor's tag is oval-shaped whereas Coach's tag is rectangular. Their respective sizes are different. Moreover, each has a very different name and logo style embossed on it. I cannot, therefore, agree with my colleagues that the AnnTaylor tag infringes the Coach tag, because no reasonable trier of fact could find infringement if the two tags were hung on handbags with different appearances.

My colleagues seem to agree with this analysis, because they qualify their holding by noting that only when the hang tags are put on identical handbags — which are not part of the registered trademark — does a likelihood of confusion exist. By limiting their holding to circumstances involving items that are not part of the registered mark, however, they abandon the infringement theory only to embrace the very trade

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dress claim that is held in the immediately preceding section of Judge Kaufman's opinion not to have been established as a matter of law.

By converting a rejected trade dress claim into a registered trademark claim and then granting relief on the registered trademark claim on a trade dress rationale, the majority opinion completely blurs the distinction between these two legal theories. The closest precedent relied upon by the majority is *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Company*, 799 F.2d 867 [230 USPQ 831] (2d Cir. 1986). In that case — in which a registered trademark claim was made — we held that use of a back pocket stitching pattern *that was part of a registered mark and had secondary meaning* violated the Lanham Act where the products — ordinary jeans and designer jeans — were not identical and were sold in overlapping but different markets. The fact that the products were different was regarded as making confusion *"more likely."* 799 F.2d at 874. The present decision turns *Lois Sportswear* on its head. Secondary meaning has not been established as a matter of law for either the tags or the bags, and it is the identity of the products, which are not part of the registered mark, that supplies the critical element causing the supposed confusion. I believe, therefore, that the present decision will be the source of much future mischief.

District Court, E.D. New York

Solomon v. Greco

No. 86-CV-2926 (JLC)

Decided October 2, 1990

PATENTS

1. Infringement — Literal infringement (§120.05)

Accused "latch for rolling gates" which employs pin and protective barrier but which does not have central slot does not literally infringe claimed gate locking system whose specification calls for bracket "formed with a central slot," but accused device does infringe under doctrine of equivalents, since it performs substantially same function, in substantially same way, to achieve substantially same result as plaintiff's claimed slot.

2. Infringement — Contributory (§120.13)

Infringing bracket which defendant welds to customers' gates that protect glass facades from break-ins is not staple commodity useful for purposes other than infringement and thus defendant is liable as contributory infringer.

REMEDIES

3. Monetary — Damages — Patents — Reasonable royalty (§510.0507.03)

Application of entire market rule for computing reasonable royalty, which allows recovery of damages based on value of entire apparatus which contains several parts only one of which is patented, is not warranted in infringement action brought by plaintiff who did not separately patent any components for his gate locking system to protect glass facades of retail establishments, who produced no evidence to show that sales were generally of complete installations, and who produced no evidence to show that sales of locks or brackets ordinarily triggered sale of companion device such as rolling metal gate; appropriate royalty fee is 15 percent of defendant's gross profits from sale of infringing brackets during period of infringement.

PATENTS

4. Infringement — Willful (§120.16)

Patent infringement defendant's failure to proffer any reasonable basis for him to conclude that his device was not infringing warrants finding that defendant willfully infringed.

REMEDIES

5. Monetary — Attorney's fees; costs — Patents — Exceptional case (§510.0905.03)

Finding of willful infringement is sufficient to support award of attorney's fees under 35 USC 285.

Particular patents — General and mechanical — Closure assembly

4,345,448, Solomon, closure assembly with protective lock, valid and infringed.

Action by Martin D. Solomon and International Gate Corp. against Vincent Greco, City Store Gates Inc., Greco Win-Dor, and Inter Fence Co. for patent infringement. Judgment for plaintiff.

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sion's order, it must appear either that the District Court entertains a serious doubt as to the correctness of its own decision; or that the decision depends upon a question of law on which there is conflict among the courts of the several circuits; or that some other special reason exists why the order of the Commission ought not to become operative until its validity can be considered by this court.

Plaintiff has not made such showing of additional facts as would justify a stay by this court at this time.

Motion denied.

And it is so ordered.

CARL ZEISS STIFTUNG, doing business under the name and style of Carl Zeiss; and Zeiss Ikon A.G., Plaintiffs,

v.

V. E. B. CARL ZEISS, JENA; Steelmasters, Inc.; Ercona Corporation; Exakta Camera Company, Inc.; and Camera Specialty Company, Inc., Defendants,

Carl Zeiss, Inc., Additional Defendant on Counterclaims.

No. 62 Civ. 850.

United States District Court
S. D. New York.
Nov. 7, 1968.

Trademark infringement action. The District Court, Mansfield, J., held, inter alia, that plaintiff West German private foundation was legally identical with and successor to original foundation which had been located in East Germany and whose assets had been expropriated by the Soviet Union, and that plaintiff West German foundation and West German corporation were entitled to the sole and exclusive right to use "Zeiss" and "Zeiss Ikon" trademarks in United States with respect to photographic equipment and that defendant East German corporation and others had unfairly competed through use of trade names "optik", "Carl Zeiss Jena V.E.B." and "V.E.B. Carl Zeiss Jena" and through the use of trademarks consisting of words "Carl Zeiss Jena" in a distinctive lens frame, the distinctive lens frame alone and the letters "C.Z."

Final order and judgment deferred pending trial and disposition of remaining issues.

See also D.C., 42 F.R.D. 406.

1. International Law ⇐10.12

Well-settled United States policy is not to give extraterritorial recognition to decrees of expropriation purporting to encompass all property wherever located.

2. International Law ⇐10.12

While United States court may give effect to expropriation of property located within territory of expropriating state, United States trademarks, for purpose of determining applicability of our antiexpropriation policy, are deemed to be located within United States even though the trademarked goods may be manufactured elsewhere, and our antiexpropriation policy applies with full vigor with respect to property outside taking state.

3. International Law ⇐10.16

Since Soviet Union's purported expropriation of all Zeiss trademarks owned by Zeiss firm wherever located had, with respect to United States Zeiss trademarks, violated our antiexpropriation policy leaving ownership by foundation which was the original owner of such trademarks unaffected, court's task was to identify surviving owner of marks as between various claimants.

4. Corporations ⇐640

Legal existence, status, identity, and domicile of foreign corporate entity or juristic personality such as private German foundation which was original owner of certain United States trademarks

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must be determined by laws of country where it had been created and continued to exist.

5. International Law ⇐10.2

Our government's diplomatic recognition policy is entitled to considerable weight in determining what law is to be applied.

6. International Law ⇐10.8

Normally acts of a nonrecognized regime which pertain to its purely local, private and domestic affairs will be given effect.

7. Judgment ⇐830

The thorough consideration and determination of issues in West German courts with respect to whether plaintiff West German private foundation, created after Soviet Union's expropriation of all assets of original foundation located in East Germany, was valid successor of original foundation which was the owner of particular trademarks and necessity for putting an end to litigation required that parties contesting right to use United States trademarks be estopped from relitigating issues before United States courts.

8. International Law ⇐10.16

Independent determination of United States court was that Carl Zeiss foundation, moved to West Germany following action of Soviet Union in expropriating all assets of original foundation located in East Germany, was a continuation of the foundation which had existed in East Germany before Soviet expropriation of assets and as such successor to original foundation was entitled to the exclusive use of Zeiss United States trademarks.

9. Judgment ⇐830

Decision of West German Supreme Court being the first final judgment on merits between the parties with respect to certain basic issues concerning whether plaintiff private foundation was the successor to the original foundation which had been owner of certain United States trademarks would be entitled to res judicata effect with respect to such issues unless court of another country which would normally recognize res judicata effect of prior foreign judgments refused to give such effect to it.

10. International Law ⇐10.8

Doctrine of "act of state" is founded on principle that a court should refrain from action which might hinder or embarrass our government's executive branch in conduct of our country's foreign relations and dictates that our courts should not sit in judgment as to acts of a foreign state with respect to matters within its jurisdiction, that is, a thing located, or a status or other interest localized in its territory.

See publication Words and Phrases for other judicial constructions and definitions.

11. International Law ⇐10.8

A foreign state for purpose of application of doctrine of "act of state" is an entity recognized by our government which has a defined territory and population under control of its government.

12. International Law ⇐10.11

State of Wuerttemberg as a member of the German federation which had power to engage in foreign relations with consent of government of West Germany and had done so possessed sufficient attributes of independent sovereign to qualify as a "state" within meaning of the "act of state" doctrine with respect to its decree creating additional domicile for Zeiss foundation and transferring its domicile from East Germany.

See publication Words and Phrases for other judicial constructions and definitions.

13. International Law ⇐10.8

Fundamental policy underlying act of state doctrine precludes attack or undermining an act of foreign sovereign on the ground that it was passed without notice, was offensive to public policy of United States or is unconstitutional.

14. International Law ⇐10.8

Fundamental condition of act of state doctrine is that the foreign state

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whose act is involved have a clearly recognizable jurisdictional basis for its action usually based on territorial control over subject of its action.

15. International Law ⇐10.8

Mere fact that foreign state's act, in addition to regulating matters within its territorial jurisdiction, may have some indirect impact outside its territory does not preclude treatment of act as an act of state.

16. International Law ⇐10.11

To extent that decrees of Wuerttemberg granted private foundation, domicile within borders of state and act of parliament of West Germany affirming such legal recognition purported to act with respect to matters within their borders they qualified for recognition as acts of state, but to the extent that decrees and law affirming it purported to act with respect to termination of domicile for foundation in East Germany, they could not be recognized as acts of state.

17. International Law ⇐10.11

Act of West Germany in giving legal status to private foundation's de facto existence in West Germany as a continuation of the original enterprise whose assets in East Germany had been expropriated by Soviet Union and act of United States in selling stock of corporation, which had vested in Attorney General, to plaintiff foundation rather than to Soviet controlled corporation were entitled, absent some fundamental policy objections, to recognition by courts under principles of comity at least for purpose of determining ownership of United States trademarks.

18. Trade Regulation ⇐584

Evidence in trademark infringement action established that plaintiff West German corporation whose domicile was transferred to West Germany to city in which it had had a manufacturing plant following Soviet expropriation of assets in East Germany was identical with corporation of the same name which had engaged in manufacture and sale of photographic equipment using the trademarks it owned.

19. International Law ⇐10.12

United States court would not be barred by government's nonrecognition policy from awarding United States trademarks to citizens or residents of a nonrecognized country found to be owners of them.

20. War and National Defense ⇐12

Regardless of whether United States trademarks for German manufacturer of photographic equipment had been effectively registered in United States, under Trading with the Enemy Act neither the claimant nor its assignee would be entitled to exercise any rights in trade marks without authorization from Attorney General or Director of Office of Alien Property even if Attorney General's vesting of such trademarks in him had been ineffective. Trading with the Enemy Act, §§ 1 et seq., 5(b), 50 U.S.C.A App. §§ 1 et seq., 5(b).

21. Trade Regulation ⇐385

Where person entitled to exclusiv use of trademark is guilty of unreasonable delay in asserting his rights agains infringer or junior user, or acquiesces i the use, or evinces an intent to abando his rights in marks, court of equity ha discretionary power, after weighing re spective interests of parties, to den injunctive relief or an accounting.

22. Trade Regulation ⇐385

Existence of laches with respect t assertion of exclusive right to use trade mark or acquiescence, and whether suc acts are sufficient to warrant denial c relief depend upon consideration of ci cumstances of each particular case an balancing of interests and equities c parties.

23. Trade Regulation ⇐385

Among factors to be weighed i determining whether laches will bar r lief on claim of exclusive right to u trademark are strength and value c trademark right asserted, diligence i seeking to enforce mark, harm whic would result to senior user if relief denied, whether junior user is an inn cent infringer, extent to which seni and junior users of mark are competitiv

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and extent of harm or prejudice suffered by junior user as a result of senior's delay.

24. Trade Regulation ⇐388

Where owner of trademark fails to take any action for many years to enforce relatively weak trademark against junior user who has proceeded innocently to use same or similar mark on non-competing goods in which he has invested large sums so that denial of relief would cause relatively little harm to senior user in contrast to serious prejudice that would result to junior user, relief will be denied.

25. Trade Regulation ⇐389

As distinguished from laches, acquiescence constitutes ground for denial of relief to senior user of trademark only upon finding of conduct on senior user's part that amounts to an assurance to junior user express or implied, that senior user would not assert his trademark rights against junior user.

26. Trade Regulation ⇐389

Whether conduct of senior user amounts to acquiescence in use of trademark by junior user warranting denial of relief turns on examination of all surrounding circumstances and requires a balancing of equities.

27. Trade Regulation ⇐69

Abandonment constitutes a defense to suit to enforce right to use of trademark only upon showing of an intent to abandon.

28. Trade Regulation ⇐73

Although naked license may be basis for inference of abandonment of trademark where licensor maintains no control over quality of goods made under license, licensor is not limited by absence of quality control provisions in license agreement, and if licensor has made a reasonable inspection of merchandise bearing trademark, although not every item is inspected, and there is no showing that any of the goods were below essential quality standards defense of abandonment must fail.

29. Trade Regulation ⇐92

Trademarks give monopoly power only with respect to a name or mark, and although right to exclusive use of valuable trademark may facilitate restraints of trade, such conduct will not be presumed particularly since infringer is not prevented from selling its competing product under another name.

30. Trade Regulation ⇐599

Evidence disclosed that defendant corporations including East German corporation manufacturing photographic equipment had failed to show laches, acquiescence, abandonment, or joint use of United States trademarks for photographic equipment which plaintiffs West German foundation and corporation were asserting the exclusive right to use, and that failure of plaintiffs to institute suit for infringement for a number of years was justified by facts.

31. Judgment ⇐715(3)

Judgment of United States court that the Attorney General's vesting of Zeiss trademarks, by virtue of order purporting to vest them under Trading with the Enemy Act, was ineffective did not estop plaintiffs which were not parties to that action from asserting trademark infringement against defendants, since earlier decision did not determine an issue as to whether plaintiffs or defendants had right to use United States Zeiss trademarks. Trading with the Enemy Act, § 7(c), 50 U.S.C.A. App. § 7(c).

32. Judgment ⇐678(2)

Evidence that plaintiff West German entities furnished evidence for and were kept informed of progress of suit by United States Attorney General to enjoin defendant East German entities from using United States Zeiss trademarks, fell short of demonstrating the control or participation in suit required to establish privity for purposes of showing that plaintiffs were estopped by judgment therein. Trading with the Enemy Act, § 7(c), 50 U.S.C.A. App. § 7(c).

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33. Judgment ⟹701

Where West German entities purchased from government stock of New York corporation, which had not been a party to prior unsuccessful suit by Attorney General to enjoin defendants from using Zeiss trademarks on photographic equipment in United States and involved question of how vesting of stock affected vesting of trademarks, judgment in that suit did not estop West German entities from claiming exclusive right to use of United States trademarks as against defendant East German entities and other corporations.

34. Trade Regulation ⟹492

Plaintiff West German foundation and West German corporation were entitled to the sole and exclusive right to use "Zeiss" and "Zeiss Ikon" trademarks in United States with respect to photographic equipment and defendant East German corporation and others had unfairly competed through use of trade names "optik", "Carl Zeiss Jena V.E.B." and "V.E.B. Carl Zeiss Jena" and through use of the trademarks consisting of words "Carl Zeiss Jena" in a distinctive lens frame, the distinctive lens frame alone and the letters "C.Z."

Milbank, Tweed, Hadley & McCloy, New York City, for plaintiffs and Carl Zeiss, Inc., William E. Jackson, Isaac Shapiro, Patrick Owen Burns, Walter J. Derenberg, of Von Maltitz, Derenberg, Kunin & Janssen, New York City, of counsel.

Harry I. Rand, New York City, for defendants V.E.B. Carl Zeiss Jena, Steelmasters, Inc., and Ercona Corp., Donald E. Nawi, David Kremen, Hays, Sklar & Herzberg, and Warren F. Schwartz, New York City, of counsel.

"At the Court's request the factual background, because of its length, is not published."

DISCUSSION

MANSFIELD, District Judge.

[1, 2] A central and primary issue in this case is whether the plaintiff Foundation or that established in East Germany in 1951 is legally identical with, and the successor to, the original Abbe Foundation, which is without question entitled to exclusive use of the United States trademarks in dispute. The Soviet expropriation purported to encompass all Zeiss trademarks owned by the Zeiss firm, wherever located. In view of the well-settled United States policy against extraterritorial recognition of such decrees, the Foundation or its legal successor, if it has legally continued to exist (whether in East Germany, West Germany, or elsewhere [1]), must be recognized as the owner of the United States marks. Furthermore, while a United States court may give effect to expropriation of property located within the territory of the expropriating state, Banco Nacional de Cuba v. Sabbatino, 376 U.S. 398, 84 S.Ct. 923, 11 L.Ed.2d 804 (1964), United States trademarks, for the purpose of determining the applicability of our anti-expropriation policy, are deemed to be located within the United States, even though the trademarked goods may be manufactured elsewhere, Zwack v. Kraus Bros. & Co., 237 F.2d 255 (2d Cir. 1956); F. Palicio y Compania, S.A. v. Brush, 256 F.Supp. 481 (S.D.N.Y.1966); and see Baglin v. Cusenier Co., 221 U.S. 580, 596, 31 S.Ct. 669, 55 L.Ed. 863 (1911), and our anti-expropriation policy applies with full vigor with respect to property outside the taking state. As Judge Friendly said

1. Defendants' contention that one of the United States trademarks involved, "Carl Zeiss Jena", is so closely identified with the city of Jena as to characterize articles bearing it as produced there, and hence inseparable from Jena, requires little comment. The proof reveals no such geographical connotation. It is doubtful whether most American buyers know the location of Jena, and defendants concede that such buyers would not associate the name with a Foundation. Since the Foundation for years prior to 1945 had manufacturing facilities outside of Jena, the quality of its products did not depend on manufacture in a particular location. In any event, a geographical connotation would not affect the issue of ownership.

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in a learned opinion in Republic of Iraq v. First Natl. City Bank, 353 F.2d 47, 51 (2d Cir. 1965):

> "Extra-territorial enforcement of the Iraqi ordinance as to property within the United States at the date of its promulgation turns on whether the decree is consistent with our policy and laws. [Footnote omitted] We perceive no basis for thinking it to be. Confiscation of the assets of a corporation has been said to be 'contrary to our public policy and shocking to our sense of justice.' Vladikavkazsky Ry. Co. v. New York Trust Co., 263 N.Y. 369, 378, 189 N.E. 456, 460, 91 A.L.R. 1426 (1934)."

[3] Since the objective of our policy is to prevent the unfair consequences of expropriation without compensation, we are required as a counterpart of that policy, insofar as it is possible to do so, to identify the owners surviving the confiscation, and to award the property to them. In this case, therefore, since the Soviet's purported expropriation of the United States Zeiss trademarks violated our anti-expropriation policy, leaving the Foundation's ownership unaffected, our task is to identify the surviving owner as between the various claimants.

If the issue of legal identity or successorship, which is central to the case, could be resolved solely as a question of fact, the facts found by the Court would dictate a decision in favor of the plaintiff as the true Zeiss Foundation. The evidence reveals that as between the rival Foundations, the plaintiff is in fact a good faith continuation of the original Abbe organization, in which the Zeiss officers employed for life who were the official representatives of the original Foundation have conscientiously done everything within their power to adhere to the Abbe Statute and carry on the tradition of the organization, to the extent that this has been permitted by circumstances beyond their control (i. e., their forced evacuation from Jena to Heidenheim, and their inability, after two years of efforts, to maintain the organization at Jena, even at the price of forebearing exercise of their own authority, after Soviet seizure of its assets there). The "Foundation" established in 1951 in East Germany, in contrast, is but a sham and subterfuge, erected solely for the purpose of litigation outside of East Germany, and neither a continuation of the original organization nor a good faith effort to resurrect it in substance or adhere to its basic tenets.

If fundamental fairness and equity were the criteria, therefore, the *de facto* existence and operation of the plaintiff Foundation in the West as a good faith effort to continue what remained of the overall Abbe Foundation enterprise, after expropriation of its assets in the East and its inability to function in its original domicile, would call for its recognition. Such an approach based on the equities was adopted by the United States Supreme Court more than 50 years ago in a remarkably parallel situation in Baglin v. Cusenier Co., 221 U.S. 580, 31 S.Ct. 669, 55 L.Ed. 863 (1911), which involved the trademarks to the well known liqueur "Chartreuse." For many years the liqueur had been manufactured by the order of Carthusian Monks in a monastery in France known as the "Grande Chartreuse" and sold throughout the world (including the United States) under the trademark "Chartreuse." In 1903 the monastic order was dissolved by French law and its property confiscated. Thereupon the Monks moved to Spain where they resumed manufacture of the same liqueur there. In the meantime a French company, as liquidator, continued operation of the expropriated monastery and factory in France. The Supreme Court granted the refugee Monks an injunction against use of the trademark in the United States by the liquidator and his distributor, holding that the Monks were legally identical with the original monastic order and that to permit the defendants to use the marks in the United States would allow the French Government to seize United States trademarks

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and detach them from the Monks' product. In denying effect to an extraterritorial expropriation by a foreign power that would violate American policy, the court was prepared to overlook technical niceties in favor of doing substantial justice on the basis of the equities.

The fashioning of such a doctrine of equitable ownership as a counterpart of our anti-expropriation policy is frequently dictated by necessity, since expropriation usually changes the expropriated enterprise, sometimes so drastically that recognition of the survivors or their successors becomes difficult. Where the ownership of a natural person is involved (such as the expropriation of King Faisal's United States assets by the Republic of Iraq), the inquiry is a relatively simple one, the property being awarded to his estate or heirs upon his death. Republic of Iraq v. First Natl. City Bank, 353 F.2d 47 (2d Cir. 1965). Where a creature of the law, such as a partnership or corporation, is concerned, however, the inquiry into its life, death and succession is more complex. As Judge Cardozo said in Petrogradsky M. K. Bank v. National City Bank, 253 N.Y. 23, 30, 170 N.E. 479, 481 (1930):

> "There is a distinction not to be ignored between the life of a human being and the life of a *persona ficta*, the creature of the state. When a human being dies, his death is equally a fact whether it is brought about legally or illegally, whether he has died of illness in his bed or has been murdered on the highway. The event is not conditioned by the juristic quality of the cause. But in respect of juristic beings, the quality of the cause may determine the event as well. The personality created by the law may continue unimpaired until law rather than might shall declare it at an end. Conceivably, the law *will* declare it at an end when marauders have brought frustration to the purpose for which personality was given. That is another question. What is not to be lost sight of is that even so it is the law and not merely an assassin that must pronounce the words of doom."

[4] The legal existence, status, identity, and domicile of a foreign corporate entity or juristic personality, such as the Foundation here, must be determined by the laws of the country where it has been created and continues to exist, see Bank of Augusta v. Earle, 13 Pet. 519, 10 L.Ed. 274 (U.S.Sup.Ct.1839); Russian Reinsurance Company v. Stoddard, 240 N.Y. 149, 147 N.E. 703 (1925). Procedural technicalities, lack of clarity in the foreign law involved, or doubt as to its applicability, however, should rarely be viewed as insurmountable obstacles, particularly where United States property is at stake, since failure to resolve the issue would reward the oppressor, give effect to fundamentally unfair acts, or result in the property becoming "ownerless". Expropriation without compensation is an extraordinary and basically unfair measure, frequently resulting in unusual consequences not provided for in the laws of the country where the owner was established, which often assume continuation of governmental institutions according to an existing pattern rather than substitution of drastic new concepts. As a result our courts have developed a willingness to disregard technicalities in favor of equitable considerations. For instance in Zwack v. Kraus Bros. & Co., 237 F.2d 255 (2d Cir. 1956), the Court, faced with similar problems arising out of the expropriation of a Hungarian ownership, stated:

> "Under applicable Hungarian law, which regards a partnership as an entity, the individual partners have no individual rights in the firm assets. * * * The defendant seeks to analogize the Hungarian entity concept of the partnership to the American concept of the corporation and argues that the partner's interest in the firm assets consists wholly of a claim of ownership in the firm having its exclusive situs at the firm residence in Hungary. It urges that the transfer of plaintiffs' shares of ownership was accomplished in Hungary by official

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acts of the Hungarian government and therefore is not subject to collateral attack outside of Hungary even if confiscatory and therefore against the public policy of the forum.

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"We think that, where firm assets existing in the forum are concerned, technical considerations as to the manner in which the foreign state seeks to expropriate them are not controlling. Prior to confiscation the assets of the firm both here and in Hungary were equitably owned by the plaintiffs as the sole partners in the firm. It is clear that the Hungarian government could not directly seize the assets which have a situs in the stage of the forum. To allow it to do so indirectly through confiscation of firm ownership would be to give its decree extraterritorial effect and thereby emasculate the public policy of the forum against confiscation. This we decline to do." 237 F.2d at 258–259.

Similarly, in a case involving an Estonian corporation, A/S Merilaid & Co. v. Chase Natl. Bank, 189 Misc. 285, 71 N.Y.S.2d 377 (Sup.Ct.N.Y.County 1947), a majority of whose stockholders met in Sweden following expropriation and purported to transfer the corporate seat to Sweden and re-elect former directors with authority to continue the business, such action, notwithstanding irregularities, was regarded as effective to continue the corporate existence and entitle the surviving entity to funds deposited in a New York bank. The irregularities in procedure were disregarded because "all that could be done to conform with the usual formalities was done". 71 N.Y.S.2d at 379. Where a juristic entity or personality created by one state has been recognized by other states, which permit it to "do business" in their respective territories (owning property, making contracts, etc.) so that it assumes a status as an international business organization, no sound reason appears, in fairness or logic, why termination of its existence in the creating state, and purported seizure of its assets without compensation, should require those other states where its property is located to treat its existence as terminated everywhere rather than assume sponsorship or recognition of the entity as continuing to exist within their borders. Permission to "do business" would appear as a matter of international law, to carry the implied condition that the entity be treated as continuing for certain purposes within the state granting such permission.

With these principles in mind we turn to consideration of the law of the country in which the Zeiss Foundation was created. See page 898, supra, Bank of Augusta v. Earle, 13 Pet. 519, 10 L.Ed. 274 (U.S.Sup.Ct.1839); Russian Reinsurance Company v. Stoddard, 240 N.Y. 149, 147 N.E. 703 (1925). Both sides describe that law as "German law," which accords with the view that at least until September 1949, when the Federal Republic of Germany (West Germany) was formed, Germany continued to exist legally as a sovereign state occupied by four hostile powers which, through the Allied Control Council, administered it. Clark v. Allen, 331 U.S. 503, 514, 67 S.Ct. 1431, 91 L.Ed. 1633 (1947); State of Netherlands v. Federal Reserve Bank, 201 F.2d 455 (2d Cir. 1953). The parties differ sharply, however, as to whether the German law is that promulgated and interpreted by West Germany, or by East Germany. Plaintiffs argue that the former must be recognized as the only law of Germany for the reason that the United States Government, through its Executive Branch, recognizes the Government of the Federal Republic of Germany (West Germany) as the only German Government freely and legitimately constituted and entitled to speak for Germany (Policy Statement of U.S., France and U.K., September 19, 1950, 23 Dept. of State Bull. 530 (1950)), and does not recognize the existence of the German Democratic Republic (East Germany) or any other separate state or sovereign in the Soviet Zone. See Moscow Fire Insurance Co. v. Bank of New York, 280 N.Y, 286, 20 N.E.2d 758

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be given to acts of Wuerttemberg. The questions of whether a private foundation is a federal or state entity, and, if a federal entity, whether its domicile may be altered or transferred by a member state (Wuerttemberg) other than that where its domicile existed for many years (Thuringia), present issues of public policy relating directly to persons and property located in countries other than East Germany. However, to resolve these questions solely according to German law as promulgated and declared by authorities and courts of West Germany ignores the fact that even though the Foundation had no significant contacts with the authorities of Thuringia or successor political divisions in East Germany after it was destroyed in the East through Soviet expropriation, it did come into existence through action of the authorities of the Duchy of Saxe-Weimar, later merged into the State of Thuringia, which in turn became, successively, part of the territory controlled by the Soviet Military Administration and the unrecognized German Democratic Republic (East Germany). In view of the Foundation's territorial contacts with the East before its capacity to function there was destroyed, this Court should not be precluded from considering decisions handed down by the courts of East Germany with respect to the Foundation's legal identity, powers, and status, and giving them such weight as they appear to merit. Fortunately we are aided here by the continuation in effect of the provisions of the German Civil Code throughout both Germanies and by the more fluid and amorphous concept of nationality or domicile of corporations and foundations in Germany, compared with the concept in this country. Testimony of German law experts revealed that while German entities, including private corporations and foundations, depend for their existence upon the approval of their charter or "Statute" by a state, the "nationality" of the entity (which is but another way of referring to the state whose laws govern its existence and legal relationships as an entity) is influenced more by the place where it maintains its principal place of business and its administrative center than by its place of formation. See Note, "Corporations in Exile," 43 Colum.L.Rev. 364, 366 (1943). The "nationality" of a German foundation depends, therefore, at least as much on the body of law by which it is in fact governed as it does on the law of the place where it came into being. Since a foundation's principal establishment is usually located in the state where it is created, its domicile or nationality rarely comes into issue. Here, however, the Zeiss Foundation's principal establishment, its management and its business assets were all involuntarily located in one German state (Wuerttemberg) as the result of the termination of its capacity to exist in the other (Thuringia). The answer to the question of whether, in view of such an unusual change in circumstances, it is to be considered a national of Germany or of Thuringia requires a brief review of the development of relevant law in Germany.

Prior to 1871 the territory which was to become the German Empire, or federal union, was divided between numerous kingdoms, duchies, principalities and free towns, most powerful of which were Prussia, Bavaria, Saxony, Baden and Wuerttemberg. Following popular movements toward nationalism in 1848 and power struggles between rival states, Prussia took the leadership and principally through the deft negotiations of Otto von Bismarck, the various states signed treaties leading to the formation of the empire as a permanent federal state, which in 1871 adopted a constitution substantially in a form passed by Prussia's diet in 1867. One of the constituent states of the empire was the Grand Duchy of Saxe-Weimar-Eisenach, a limited hereditary monarchy governing several scattered districts (e. g., Neustadt, Weimar, Eisenach) and a score of scattered enclaves, many not even contiguous with any other lands of the Duchy. The Duchy itself had resulted from the union of smaller principalities.

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Although the member states retained this autonomy as to matters not delegated to the imperial authorities, the latter ruled supreme over all states in the delegated area. The new Constitution established "a common citizenship for all Germany" and provided that "the whole domain of civil * * * and commercial laws" was to be "under the supervision and control of the Empire", Wright, The Constitutions of the States at War, 1914–18, p. 217 (1919). Effective January 1, 1900 the German Empire adopted a federal Civil Code, applicable throughout the German federation, containing provisions relating to foundations which were expressly made applicable to existing foundations created under the laws of member states before the Civil Code was adopted. Thereafter, on January 14, 1905 the Zeiss Foundation Statute was amended by Dr. Abbe, the amendment being approved by the authorities of the Grand Duchy of Saxe-Weimar-Eisenach pursuant to the new German Civil Code.

To the extent that they occupied particular areas, the provisions of the German Civil Code represented the supreme law of the German Empire. The effect of the adoption of Code provisions governing foundations, therefore, was to constitute foundations, including those established under laws of the various German states, or laender, creatures of German federal law, or federal entities, as distinguished from entities of the states where each particular foundation was originally established. Article 55, Introductory Law. Exceptions were made in the case of specific types of foundations, such as the "Gotha" mining companies, which were expressly designated as local state entities because of their strictly local characteristics. See Wang, The German Civil Code, pp. 550–68; Arts. 164–166, The Introductory Law. Subject to such exceptions, however, Germany, having established a common citizenship for all subjects of its different member states, took a further step forward in this federalization process by constituting foundations federal, rather than state, entities. One goal was to assure that even though member states might continue to administer foundations, federal standards and federal authority would assure foundations of minimum guaranties and, if necessary, federal intervention for the purpose of enabling a foundation to continue in existence rather than be relegated to a state of limbo or dependency on the sketchy and inadequate laws of many of the member states. The need for such federally-created provisions for intervention was greater in the case of private foundations than private corporations for the reason that while the private foundation is a legal entity, capable of owning property and carrying on business under a trade name, or "firma," it is not owned by anyone, nor is it an instrument of any governmental agency; and the necessity for establishment of foundations as federal, rather than state, entities was indicated by the changing character of the German states, giving rise to serious questions as to the existence, identity and adequacy of applicable state laws. For instance, in the present case, at the turn of the century the Grand Duchy represented but one of several mergers of different German duchies, kingdoms and principalities, each with its divergent laws, and within 20 years, it in turn would be merged into another state, Thuringia. As a federal law applicable in all such states, the German Civil Code provided some measure of stability and uniformity for private foundations.

Although the Zeiss Foundation became a German federal entity upon adoption of the German Civil Code in 1900, under the German Constitution (unlike that of the United States) administration of the federal law was delegated to the individual member states, each of which was authorized to execute the federal law with full force and effect throughout Germany, subject to resolution by German federal courts of any differences, or conflicts between the states in their administration of the federal law. In implementation of the federal Civil Code's provisions govern-

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ing foundations, each member state, including Thuringia, adopted laws governing foundations domiciled in such state. Since a private foundation is in the nature of a trust, the state's participation was essentially ministerial and supervisory in nature, designed to insure that the will of the founder, as expressed in the Statute or charter, would be respected as far as possible. For instance, a foundation came into existence as a juristic person upon the state's acceptance of the Statute, a purely ministerial act.

The domicile of such a foundation would usually be in the state where its Statute was accepted or approved, for the reason that its principal place of business would normally be located there. With the adoption of the German Civil Code, of course, the concept of domicile as attaching to a particular state had less significance than theretofore, since the foundation, being a German federal entity, could do business in any other member state merely by registering its "firma" or its establishments in the other state, a ministerial matter. In other words, although it had a domicile in a particular state, it remained a creature of federal law. Essentially, therefore, the principal significance of the concept of domicile for foundations under German federal law was that it determined the state authority normally expected to supervise the foundation in accordance with federal law, at least to the extent that such supervision was required, without, however, excluding supervision also by another member state, where the foundation was actually engaged in doing business.

Although no authoritative German precedents or teachings prescribe the procedure to be followed to transfer a foundation's domicile from one German state to another, German law experts agree that the normal procedure would be for the foundation's management to obtain approval of the state where it is presently domiciled, and that a prohibition against transfer of domicile (such as that found in Section 121 of the Zeiss Foundation's Statute) would ordinarily bar such a transfer. In the present case, however, the Soviet Military Administration, which controlled the domiciliary state, by expropriating the Zeiss Foundation's assets and preventing it from continuing to function in Thuringia, destroyed its capacity to function there and made it impossible for it to carry out its founder's purposes in that state. Since it owned and operated substantial commercial enterprises elsewhere, however, dissolution was not called for under its Statute (Section 116). In the opinion of highly respected experts in German law, these unusual circumstances would call for exercise by another member state of the power granted by § 87 of the German Civil Code, which provides that where a foundation's purposes can no longer be fulfilled, its statutory purpose may be amended by "the appropriate authority" to enable it to function in accordance with the founder's intention as far as possible. Although this broad authority, in the nature of a codification of a *cy pres* doctrine for foundations, would ordinarily be administered by the state where the foundation is domiciled, and would involve an amendment of some provision of the Statute other than that relating to domicile, nothing in § 87 precludes amendment of a Statute's provision as to domicile where its stated purpose of maintaining its domicile in a particular state can no longer be fulfilled, and nothing in it requires that such an amendment be made by one member state of the German federation rather than another. This Court, therefore, accepts the view of German law experts that under the circumstances presented here (Soviet expropriation which made it impossible to fulfill Dr. Abbe's stated purpose of maintaining the Zeiss Foundation's commercial enterprises and domicile in Jena, and left its operational center and principal remaining commercial works in Wuerttemberg), the State of Wuerttemberg, as a member of the German federation, was empowered by § 87 as "the appropriate

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authority" to establish the Foundation's domicile where its administrative center and principal operations were now located.

Having in mind Dr. Abbe's intent to establish an organization that had as its primary purpose the profitable operation of its commercial enterprises in a free enterprise system as the source of funds to cultivate and maintain its operations in the precision technical industry, and that confiscation of its commercial facilities and assets in the East made it impossible to fulfill this primary purpose of the Statute, the establishment of the Foundation's domicile in Heidenheim, where its Boards of Management were located, constituted the only available course that would enable the Foundation to continue "as far as possible" in accordance with "the intention of the founder". (§ 87, German Civil Code) The authorities of Soviet-occupied Thuringia which, by expropriation, made "fulfillment of the purpose of the Foundation * * * impossible," were hardly "the appropriate authority" to amend the Foundation's Statute. It defies common sense to say that a foundation's domicile must continue in a state which seizes its basic assets and denies it the right to carry out its purposes. As an arm of the German federation, the State of Wuerttemberg was, under these extraordinary circumstances, "the appropriate authority," and since § 87 provides that "The authority can amend the Statute of the Foundation as far as the modification of purpose requires," such broad delegation of power included the power to amend the Statute's provision as to domicile (notwithstanding the Statute's provision that it could not be amended), so that the basic purpose of the founder might be continued in another part of Germany rather than be destroyed altogether. Dr. Abbe, as founder, in providing in the Statute that the Foundation's domicile should be Jena, and that this provision as to domicile could not be amended, assumed that the Foundation would be permitted to carry on its commercial enterprises (which were the source of all of its other activities) in Jena, which was the birthplace of the Zeiss and Schott works. He did not anticipate that governmental action might not only confiscate but prevent the continuation of these enterprises and operations by the Foundation in Jena, leaving others capable of continuing the Foundation's work in another part of Germany. The entire Statute, however, makes it clear that if he had contemplated such a possibility, he would have preferred that the Foundation continue elsewhere in Germany, provided its basic purposes might be achieved there, rather than dissolved. This is evidenced by the Statute's provision (Section 116) that the Foundation was to be dissolved *only* if it became impossible to continue any of its business undertakings with the result that it could "see no longer any grounds for continuing its activity in the sphere of the higher technical industry profitably and be also in possession of no other organizations of a permanent nature and of sufficient importance * * *."

After loss of its assets and ability to function in Jena, the Zeiss Foundation still owned substantial "business undertakings" and "organizations of a permament nature" in the West, which constituted "grounds for continuing its activity in the sphere of the higher technical industry profitably" there. If the founder's intention was to be respected, the proper course of action was to continue its activities in the West. This it was enabled to do by changing its domicile from Jena to Heidenheim. Section 87 of the German Civil Code permitted intervention by the state authority of Wuerttemberg for the purpose of achieving such a change, so that the validity of the state's action in exercising the supervisory power over foundations delegated to it by § 87 does not depend on the Board's authority.

Defendants' contention that a foundation is strictly a creature of the state which approved the founder's statute or charter, and the supporting testimony of German law experts offered by the de-

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fendants, Messrs. Nathan and Honig, must be rejected. Their view to the effect that a member state creating a foundation has always had the powers set forth in Articles 80–88 of the German Civil Code, including the power to dissolve such a foundation or change its purpose, would render these Civil Code provisions superfluous, whereas the interpretation furnished by plaintiffs' German law experts and authorities not only accords with the Code's pattern but gives them meaning and effect, especially in view of the generally accepted doctrine of federalism to the effect that following adoption of the German Civil Code each of the member states, or laender, had only limited autonomy which could be changed from time to time by the central government as the sovereign power. Emerson, State and Sovereignty in Modern Germany, pp. 238–241 (Yale Univ. Press 1928). The view accepted by the Court, which would give effect to the German Civil Code, is that its provisions superseded the private law systems of the states to the extent that the field was occupied by the federal government. In accepting this view the Court has carefully considered not only the authorities and arguments offered by the parties but the credibility to be extended to the experts who testified on the issue. The Court found the testimony of Professor Steindorff, offered by plaintiffs, to be particularly impressive and reliable as a thorough, fair, and carefully reasoned analysis. In contrast, that of Professor Nathan appeared for the most part to be unacceptable, not only because of its weaker support in logic but because of a strong preexisting bias evidenced in intemperate articles written by him with respect to Zeiss in which he stated that the United States was "in league with German Fascists" in April and May, 1945, when its forces entered Jena, that the history is one of a "pseudo-Zeiss scandal" in which "for monopoly capitalism no means are notorious enough illegally to enrich itself", that "all the dark powers of the German and American imperialism will appear behind the scene and pull their strings, in order to achieve judicial approval as a cope-stone of their dirty machinations", etc. Mr. Honig, a British barrister offered as another witness by defendants, suffered from the disability of never having practiced law in Germany, taught German law, or written any works or articles on the subject of German law. His testimony was unconvincing on the principal issue. After testifying that § 87 of the German Civil Code authorized a change of domicile of a foundation at least within a land or state, he withdrew this view on the following day. Furthermore, the authorities offered by Nathan and Honig are unpersuasive and clearly distinguishable. An 1843 decision by the Court of Appeal of Celle to the effect that only the state where a foundation legally has its domicile may exercise supervisory power over it, is irrelevent for the reason that it antedated the 1871 unification of Germany and the 1900 adoption of the German Civil Code, with its provisions federalizing foundations, which govern here. As both Professor Nathan and Mr. Honig conceded, the "nationality" of a foundation is essentially a term used to describe the body of law by which it is governed. Since 1900, as Professor Steindorff demonstrated, that body has been the German Civil Code.

The weakness of the position advocated by defendants with respect to § 87 lies partly in their failure to distinguish between a "private" foundation, such as the Zeiss Foundation [2] which is governed by §§ 80–88 of the German Civil Code, and a public one, such as a state insurance or charitable institution, which is essentially a state enterprise. In the case of the former, the founder's intention as expressed in the proposed statute governs, the state's function in accepting the statute being essentially

2. In 1943 the German supreme court for labor relations so decided in applying private law to internal relations of the Zeiss Foundation in a case involving an employee's claim against it. (Tr. pp. 1305–1306).

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ministerial in character, as is its function in authorizing the establishment of German private corporations, such as AGs and GmbHs. Transfer of the domicile of such private corporations from one state to another has always been treated as a ministerial matter, the transferee state routinely accepting the registration of the business enterprise at its new seat, provided its "Firma," or trade name, will not cause confusion. As a result the courts of West Germany, where a private corporation's assets in the Soviet Zone have been expropriated, have decided that no action on the part of the old domiciliary state is needed to change the domicile to a state where the AG or GmbH now has its principal office, assets and operations. Under § 87 similar principles govern the changing of the domicile of an expropriated private foundation.

The opinions of the courts of East Germany prove to be of little assistance in resolving the issues before us, including the question of whether the Zeiss Foundation's domicile could be validly transferred pursuant to § 87 of the German Civil Code by the State of Wuerttemberg-Baden from Jena to Heidenheim. In the first place, no member of the Boards or other authorized official of the Foundation ever received any advance notice of the advisory opinion rendered on April 6, 1954 by the Supreme Court of East Germany, and no Board member or authorized representative was heard with respect to it or participated in the proceeding instituted by the Council of the District of Jena and the Zeiss VEB before the District Court of Leipsig which resulted in the entry of a default judgment in September, 1959, affirmed with modifications by the Supreme Court of East Germany in March 1961. There were, therefore, in the nature of *ex parte*, default-type proceedings, unlike those which took place in West Germany, where the VEBs or their representatives actively participated as adversaries. As would be readily surmised, the result of such a one-sided type of proceeding was that the East German courts did not have before them much of the essential proof relied upon by this Court with respect to such crucial issues as whether the Boards of Management resigned and whether the effect of expropriation was to prevent the Foundation from functioning in the East as required by the Statute. With respect to these key matters, for instance, plaintiffs have adduced here the testimony of Messrs. David, Kueppenbender, Nelson, Schott, Richter, Seidel and Schacht, none of whom gave testimony, as far as can be determined, in the East German default-type proceeding. Based on such an inadequate, one-sided record, the East German court's findings are different on these essential issues from the findings made here. Deciding on such a different record that the Boards did resign and that the expropriation did not destroy the functioning of the Foundation in the East, the conclusion that the Foundation in Jena, coupled with the VEBs, is legally identical with the Abbe Foundation comes as no surprise, but must be rejected when all the facts are taken into account.

Quite aside from the fact that the decisions of the courts of East Germany were based on different factual premises, however, it must be recognized in weighing these decisions that East German courts do not speak as an independent judiciary of the type found in the United States or even in West Germany, but orient their judgment according to the wishes of the leaders of the socialist state, which are expressed through two coordinated administrative organs, the Ministry of Justice and the Office of the Attorney General. See "The Administration of Justice and the Concept of Legality in East Germany," 68 Yale L.J. 705, 707 (1959). In short, even the East German Supreme Court is made responsible to the highest authorities of the state as a means of insuring "that the content of socialist law and its implementation through the courts are in harmony with the overall state administrative activity during the period of the comprehensive construction of social-

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ism".[3] Law and Legislation in the German Democratic Republic (Comments on 1963 Decree as to Fundamental Tasks and Methods of Work of the Judiciary Organs (East Germany)). Nevertheless, to the extent that they may shed light on the legal issues before this Court, they have been considered.

Such consideration reveals the decisions of the Supreme Court of East Germany to be so completely lacking in any objectivity of approach and so thoroughly saturated with a combination of communist propaganda, diatribes against the "capitalist oriented" decisions of the West German courts, and absence of judicial restraint, that any logical analysis is obfuscated by their obvious political mission. For example, after haranguing on the importance and necessity of smashing the Foundation because its assets were used to further "the Fascist predatory war" and amounted to a "war crime", and after conceding that its Jena works had been expropriated, the Court disregards noncompliance thereafter with the essential basis of the Abbe Statute (the Foundation's ownership and operation of its commercial enterprises), simply stating that it "suffered no losses of property apart from having ceased on 17 April 1948 or 1 June 1948 to be the manager of the Jena Stiftung works of old. This, of course, is the equivalent of politely saying it ceased to function at all in Jena. West German court decisions are described in the following terms: inspired and controlled by "monopolistic-capitalistic circles"; "nothing to do with juridical reasoning but amounts to an irresponsible juggling with fictitious notions"; "formalistic bourgeois methods [which] make it impossible to veil such coarse violations of law"; "pretense of strict lawfulness"; "conscious falsification"; and "contradictions between peacefully minded population and a warlike revenge-inspired State, which find their expression chiefly in the clerico-militaristic federation at Bonn". A faint idea of this lack of a reasoned, objective approach may be gathered from the following excerpt from the Supreme Court's opinion of March 23, 1961:

> "The fact that the principle of Socialist society and power politic has of necessity opened up the way of continuously progressing development, of Socialist uplift and Democracy, thus inherently following the tenets of Democratic centralism by broadening more and more, and by no means narrowing, the sphere of duties and responsibilities of the local organs of the power politic, shows clearly enough that exactly these local organs are in most intimate contact with the workers in the cities and the countryside and are thus marked out for incorporating ever more strata of the population into political and economic leadership. That, of course, is an idea a court sworn to the Capitalist system cannot in all probability be expected to grasp. What remains to hold is that the authorities exactly of a State grounded on the fundaments of real Socialist Democracy are far better prepared to successfully carry forward the progressive ideas of the Statute of the Stiftung than is the original monarchical Special Board of the Stiftung, which follows semi-feudal ideas. The Federal Court nevertheless ought to have or could have alighted in any case on the cognition—convincingly proven in the opinion of the bourgeois lawyer Dr. Ernst Wolff of 23rd June 1957—that to explain the Statute of the Stiftung not on the basis of the Statute itself but on that of ideas imputed to the Founder—ideas concerning an economic development he did not and in fact could not anticipate—has nothing to do with juridical reasoning but amounts to an

3. Toward this purpose East German judges after being selected by the Ministry of Justice are "instructed" by it and are removable for inefficiency or unreliability arising out of policy differences. The "judge remains a simple party servant", 68 Yale L.J. 707-12, 749 (1959).

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irresponsible juggling with fictitious notions.

* * * * * *

"With a view to camouflaging such practice, certain West German theorists and experts of Capitalism and, in their wake, the West German courts have—of course by referring to their unfailing constitution—invented a so-called 'Interzonal Right' which, though not existing in any German law code, is displayed whenever capitalistic and in particular monopolistic interests feel the urge of disturbing the economic development of the German Democratic Republic by appropriation under pretence of strict lawfulness of all somehow attainable assets belonging citizens of that Republic." (Carl Zeiss Stiftung, Jena, et al. v. Firma Carl Zeiss, Oberkochen, Supreme Court of the German Democratic Republic, March 23, 1961 (D's Ex. 228 pp. 1447–48, 1454))

In contrast to those of East Germany, the decisions of the courts of West Germany appear to be restrained, objective, reasonably logical, and dispassionate in their approach. They were rendered only after all parties, including authorized representatives from East Germany (the Council of Gera purporting to act as Special Board of the Foundation in one action and for the VEB Carl Zeiss Jena in another) appeared and were given full opportunity, which they exercised, to offer proof and be heard. Nevertheless, even assuming the availability of collateral estoppel in this action with respect to issues thus thoroughly litigated between the same parties in West Germany, we do not believe that the decisions of the courts of West Germany are entitled to as much effect as is argued for them by plaintiffs here.

[7–9] The decision of the Federal Supreme Court of West Germany rendered on July 24, 1957 granting injunctive relief in favor of the Carl Zeiss firm of Heidenheim against the VEB Carl Zeiss Jena and the DIA was based on the conclusion that expropriation of the Foundation's assets had shifted the "economic center of gravity of the enterprise" to the West, with the result that the firm's principal place of business became Heidenheim, and the Zeiss Board in Heidenheim (Prof. Bauersfeld, Dr. Kueppenbender and Mr. Henrichs) was still the official Board, with authority under Section 114 of the Statute to act on behalf of the Foundation with respect to the Zeiss trademark and tradename in West Germany, regardless whether its legal domicile had been validly transferred from Jena to Heidenheim. Since we have already independently found on the basis of the evidence before us that the Board did not resign and that the effect of expropriation was to leave Heidenheim as the Foundation's administrative center or principal place of business (whether or not it be characterized as a shifting of an "economic center of gravity"), it is unnecessary to accord collateral estoppel effect to the findings of the courts of West Germany as to these issues, although we would not be prevented from doing so merely because the West German courts would not give such effect to them. However, even holding (as we do) that after such thorough consideration and determination of the issues before the courts of West Germany the necessity for putting an end to litigation requires that the parties be estopped from relitigating them here, Leo Fiest Inc. v. Debmar Publishing Co., 232 F.Supp. 623 (E.D.Pa. 1964) (per Kirkpatrick, J.); Bata v. Bata, 39 Del.Ch. 258, 163 A.2d 493 (1960), cert. denied, 366 U.S. 964, 81 S.Ct. 1926, 6 L.Ed.2d 1255 (1961); Restatement of Judgments §§ 68, 70, those decisions did not decide that the Zeiss Foundation's domicile had been validly transferred to Wuerttemberg pursuant to § 87 of the German Civil Code, which is one of the alternative bases upon which this Court rests its decision. It was unnecessary for the West German courts to decide that issue for the reason that the official members of the Board (Messrs. Kueppenbender, Bauersfeld and Henrichs) were still alive and had au-

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thority to act with respect to the business of the Zeiss firm in West Germany, regardless whether the Foundation's domicile had been validly established in the West. Since the time when the decisions of the West German courts were handed down, however, all members of the Board as it then existed except one Kueppenbender) have died, and have been replaced by members appointed by the appropriate Wuerttemberg authorities acting on the basis that since the Foundation's domicile had been established at Heidenheim they had authority to act under the applicable provisions of the Abbe Statute. Since Kueppenbender lacks authority alone under the Abbe Statute (Section 9) to prosecute the present suit, and in any event has purported to act with his newly appointed "colleagues" rather than those who had been originally appointed in Jena and then forcibly transferred to the West (Bauersfeld, Henrichs and Joos), the decisions of the West German courts estop defendants from questioning the fact (independently found by this Court on the other evidence before it) that the Foundation enterprise known as the firm Carl Zeiss was a continuation of that which had existed in Jena.[4] The West German decisions do not, however, have the effect of precluding defendants from raising legal issues not considered by the West German courts, such as the existence of the Foundation as a federal entity and the authority of Wuerttemberg to act under § 87 of the German Civil Code.

[10, 11] Plaintiffs further contend that they are entitled to judgment on the ground that the Wuerttemberg Decrees of 1949 and 1954 (the first creating an additional domicile for the Foundation in Heidenheim and the second transferring its domicile from Jena to Heidenheim) and the law passed by the West German Parliament on August 3, 1967 confirming the validity of those decrees, constituted acts of a state recognized by the United States, the validity of which may not be questioned by this Court under the "act of state" doctrine reaffirmed by the Supreme Court in Banco Nacional de Cuba v. Sabbatino, 376 U.S. 398, 84 S. Ct. 923, 11 L.Ed.2d 804 (1964); see Underhill v. Hernandez, 168 U.S. 250, 252, 18 S.Ct. 83, 42 L.Ed. 456 (1897); Banco de Espana v. Federal Reserve Bank, 114 F.2d 438 (2d Cir. 1940); Bernstein v. Van Heyghen Freres Societe Anonyme, 163 F.2d 246 (2d Cir.), cert. denied, 332 U.S. 772, 68 S.Ct. 88, 92 L. Ed. 357 (1947). The doctrine is founded on the principle that our courts should refrain from action that might hinder or embarrass our Government's Executive Branch in its conduct of our country's foreign relations. It dictates that our courts not sit in judgment as to the acts of a foreign state with respect to matters within its jurisdiction, i. e., "a thing located, or a status or other interest localized, in its territory". See Restatement of Foreign Relations Law § 17. A foreign state for such purposes is an entity recognized by our Government, which has a defined territory and population under control of its government.

4. In addition to being furnished with the decisions of the courts of West Germany and East Germany, this Court has received copies of the decisions of the High Court of West Pakistan (Sept. 29, 1967), High Court of Justice, Chancery Division (England), House of Lords, 2 AER 536 (1966), Court of Appeal of Paris (April 2, 1963), Cour de Cassation (Supreme Court) of France (March 15, 1966), and the Swiss Federal Supreme Court. However, the 1957 decision of the West German Supreme Court, being the first final judgment on the merits between the parties with respect to certain basic issues, would be entitled to *res judicata* effect with respect to such issues (in accordance with the policy of putting an end to litigation) unless the court of another country, which would normally recognize the *res judicata* effect of prior foreign judgments, refused to give such effect to it. Smit, International Res Judicata and Collateral Estoppel in the United States, 9 U.C.L.A.L.Rev. 44 (1961). None of the other aforementioned countries have so ruled. On the contrary, several of the decisions do not represent final judgments on the merits between the parties.

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Restatement of Foreign Relations Law § 4.

[12] Whether or not Wuerttemberg, at the times here involved, is considered a member state, or land, of some other entity (Germany, West Germany, or the American Zone of Occupation), it has possessed sufficient attributes of an independent sovereign to qualify as a "state" within the meaning of the "act of state" doctrine. Shapleigh v. Mier, 83 F.2d 673 (5th Cir. 1936), affd. on other grounds, 299 U.S. 468, 57 S.Ct. 261, 81 L.Ed. 355 (1937); Stark v. Howe Sound Co., Inc., 254 App.Div. 919, 5 N.Y.S.2d 551 (3d Dept.1938), rehearing denied, 255 App.Div. 737, 7 N.Y.S.2d 99, affd. per curiam, 280 N.Y. 622, 20 N.E.2d 1007, rehearing denied, 280 N.Y. 837, 21 N.E.2d 885 (1939). It has had the power to engage in foreign relations with the consent of the Government of West Germany and has done so. See Article 32, West German Constitution, Peaslee, Constitutions of Nations, Vol. 2, pp. 30, et seq. (2d ed.1956); Leisner, "The Foreign Relations of the Member States of the Federal Republic of Germany," 16 U.Toronto L.J. 346, 356 n. 36 (1966). Thus Wuerttemberg is entitled to sovereign immunity. Sullivan v. State of Sao Paulo, 36 F.Supp. 503 (E.D.N.Y.), affd., 122 F.2d 355 (2d Cir. 1941). As for West Germany, whose Parliament passed the 1967 Law, there can be no serious question about its status as a foreign "state" within the doctrine.

It is likewise clear that the Wuerttemberg acts in question were concerned with a matter of "public interest" since they related to and affected rights of thousands of employees and property worth many millions in the West. As the decrees themselves noted "It is in the public interest that the enterprises of the Carl-Zeiss Foundation may be able to enforce their rights, also abroad, and to fulfill their tasks," in view of the importance of the Foundation to the German economy's development of precision-mechanics and optics.

[13] Defendants' contentions that the Wuerttemberg acts cannot qualify as "acts of state" because they were passed without notice to persons in Jena and an opportunity to be heard and hence are offensive to the public policy of the United States, and that the 1967 Law is unconstitutional, must also be rejected. The fundamental policy underlying the "act of state" doctrine precludes our attacking or undermining the act of a foreign sovereign on such grounds. Banco de Espana v. Federal Reserve Bank, 114 F.2d 438, 444 (2d Cir. 1940); Pasos v. Pan American Airways, 229 F.2d 271 (2d Cir. 1956).

Defendants further object to treatment of the Wuerttemberg decrees as "acts of state" on the ground that aside from § 87 of the German Civil Code, Wuerttemberg lacked jurisdiction to enact a law affecting matters beyond its own territory, i. e., the status and domicile of a Foundation located in Jena. Since we have already decided that the Foundation was a federal German entity and that Wuerttemberg had jurisdiction as a member of that federation, pursuant to § 87, to act with respect to its domicile under the circumstances presented here, it is unnecessary to resolve that issue. However, since the parties have spent much time and effort on it, we state our views briefly.

[14, 15] One of the fundamental conditions of the "act of state" doctrine is that the foreign state whose act is involved have a clearly recognizable jurisdictional basis for its action, usually one based on territorial control over the subject of its action. Repeatedly our Supreme Court in reaffirming the doctrine has expressly referred to it as relating to the acts of a foreign sovereign "within its own territory". Underhill v. Hernandez, 168 U.S. 250, 252, 18 S.Ct. 83, 42 L.Ed. 456 (1897); Banco Nacional de Cuba v. Sabbatino, 376 U.S. 398, 400, 84 S.Ct. 923, 11 L.Ed.2d 804 (1964); see Restatement (2nd) on Foreign Relations Law § 43 (1965); Republic of Iraq v. First National City Bank, 353 F.2d 47 (2d Cir. 1965); F. Palicio y Compania, S. A. v. Brush, 256 F.Supp. 481, 486 (S.D. N.Y.1966), affd., 375 F.2d 1011 (2d Cir.

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1967). The "act of state" doctrine may therefore be invoked here as an independent basis for recognition of the Wuerttemberg acts and the 1967 Law only to the extent that West Germany had territorial jurisdiction to act. However, the mere fact that the foreign state's act, in addition to regulating matters within its territorial jurisdiction, may have some indirect impact outside its territory, does not preclude our treatment of it as an "act of state."

Although our Government has extended diplomatic recognition to West Germany and refused recognition to East Germany, which it considers to be under the effective control of the Soviet Union, West Germany is not recognized by us as having any territorial jurisdiction, either *de facto* or *de jure*, over East Germany. It is true that on September 19, 1950, following the organization of the West and East German governments, the United States, Great Britain and France issued a communique stating that "pending the unification of Germany" they considered West Germany "the only German government freely and legitimately constituted and therefore entitled to speak for Germany as the representative of the German people in international affairs" (23 Dept. of State Bulletin 530 (1950)). In later publications, however, our Government made it clear that the communique was not intended to constitute recognition of West Germany as the *de jure* government of East Germany. See interpretative minute issued by the three powers with respect to the September 19, 1950 communique. Bathurst and Simpson, Germany and the North Atlantic Community, A Legal Survey (1956), p. 188; Mann, "Germany's Present Legal Status Revisited," 16 Int'l & Comp.L.Q. 760, 789 (1967), instructions by our Department of State to its consuls with respect to East German nationals, "Contemporary Practice of the United States relating to International Law," 57 Am.J. Int'l Law 410 (1963), and the Supreme Court's recent decision in Zschernig v. Miller, 243 Or. 567, 412 P.2d 781, 415 P.2d 15, revd., 389 U.S. 429, at p. 449, 88 S.Ct. 664, 19 L.Ed.2d 683 (1968).

[16] The Wuerttemberg Acts of 1949 and 1954 and the 1967 Law acted substantially with respect to subjects within West Germany's territorial jurisdiction, i. e., extensive Foundation assets, employees and activities located there. In taking such action they merely gave legal recognition to the *de facto* existence of the Foundation within their borders by granting it a domicile and providing it with legitimation entitling it to be registered for the purpose of continuing to conduct the business controlled by its Boards of Management in West Germany. To that extent the Wuerttemberg Acts and the 1967 Law appear to qualify for recognition as "acts of state". To the extent that the 1954 Decree, and the 1967 Law affirming it, purported to act with respect to a matter not within the territory of West Germany, i. e., the 1954 termination of any domicile for the Foundation in Jena, they cannot be recognized as acts of state. But since the Foundation had already ceased to exist in fact in Jena, and Wuerttemberg was in effect giving legal recognition to the *de facto* continued existence of what remained of it in the West, the Wuerttemberg Act to such extent was both superfluous and immaterial.

In an effort to meet the objection that the acts in question were in part extraterritorial, plaintiffs urged that the objection cannot apply for the reason that Germany continued to exist under international law as a single unitary sovereign state occupied by four hostile powers which had neither annexed nor destroyed it as a sovereign state but were bound under Article 43 of the Hague Regulations to respect the exercise by Wuerttemberg of the powers granted to it under the German Constitution and Civil Code. Although Germany, at least prior to the formation of the Federal Republic on September 21, 1949, has been considered by the United States to be *de jure* a unified state occupied by foreign powers exercising its

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sovereign authority pursuant to the Hague Regulations, see State of Netherlands v. Federal Reserve Bank, 201 F.2d 455 (2d Cir.1953); Clark v. Allen, 331 U.S. 503, 67 S.Ct. 1431, 91 L.Ed. 1633 (1947); Documents on Germany 1944–1961, Committee on Foreign Relations, U. S. Senate, 87th Cong., 1st Sess. 1961; Mann, "Germany's Present Legal Status Revisited," 16 Int'l & Comp.L.Q. 760 (1967), the U.S.S.R. through its military administration was in fact in complete control of East Germany and vested by agreement between the four occupying powers with the exclusive power in its own zone of occupation to exercise the supreme authority in Germany. Tripartite Agreement of November 14, 1944 on Control Machinery in Germany, Article 1, Documents on Germany, 1944–1961, 87th Cong., 1st Sess. pp. 1–3; Declaration as to the Unconditional Surrender of Germany, June 5, 1945, The Axis in Defeat, State Dept. Publication 2423, pp. 62–70; Statement of the Governments of the United Kingdom, the United States of America, etc., on Control Machinery in Germany, June 5, 1945, Documents on Germany, 1944–1961, 87th Cong., 1st Sess., pp. 19–20; Protocol of Proceedings of Berlin Conference, Foreign Relations of the United States, Conference of Berlin (Potsdam), 1945, vol. 2, II, A, 1. Furthermore, following the formation of the Federal Republic of Germany in September, 1949, the government of West Germany did not purport to exercise sovereign authority with respect to matters in East Germany, either *de jure* or *de facto*. Its purported jurisdiction and its constitution were limited to West Germany, its constitution stating that it would be put into force in other parts of Germany only upon their acquiescence. Basic Law of the Federal Republic of Germany, Art. 23, Peaslee, Constitutions of Nations, Vol. II, p. 34 (2d ed.1956). As far as our Government has been concerned, sovereign power in East Germany has been exclusively exercised by the Soviet Union through its agency or instrumentality, the government of East Germany, which remains unrecognized by us as an independent state. See "Contemporary Practice of the United States Relating to International Law," 57 Amer.J. Int'l L. 403, 410 (1963), and Zschernig v. Miller, 389 U.S. 429, 88 S.Ct. 664, 19 L.Ed.2d 683 (1968).

Thus, although the Wuerttemberg decrees and the German Parliament's Act of 1967 are not entitled to recognition as acts of state to the extent that they purport to terminate the Foundation's domicile in East Germany since to that extent they acted extraterritorially, they are entitled to such recognition insofar as they acted to give a legal status to the Foundation's *de facto* existence in West Germany as a continuation in the West of the original Zeiss cooperative enterprise, whose remaining commercial assets (worth 30 million marks) and personnel were almost entirely within the West's territorial jurisdiction. See comments to § 27, Restatement of Foreign Relations Law. Although its United States trademarks are deemed to have their situs here and a line must be drawn somewhere between the direct and indirect territorial consequences of an act of state, the Wuerttemberg Decrees and 1967 Law did not purport to adjudicate ownership of these marks. They simply recognized that the Foundation was now located in West Germany. The act of state doctrine is not rendered inapplicable because the act involved has some impact outside of the territory of the acting state.

[17] Regardless of their status as acts of state, the Wuerttemberg Decrees and 1967 Law represent the acts of a friendly foreign power, diplomatically recognized by the United States, which are consistent with, and in furtherance of, our own Government's foreign policy interests, and on December 28, 1960, the Attorney General of the United States, in deciding to sell the stock of Carl Zeiss, Inc. (vested in World War II) to plaintiff rather than to Soviet-controlled VEBs or similar agencies, reaffirmed this policy, stating:

"Upon consultation with the Department of State, it has been determined

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that, in the administration of former Zeiss property in the United States vested under the Trading with the Enemy Act, the Carl Zeiss Foundation in the Federal Republic of Germany should be recognized as the legitimate Carl Zeiss Foundation and its operating firms as the producers of genuine 'Zeiss' products and that the firm now operating as 'Optik Carl Zeiss Jena V.E.B.', or related firms, using, in part, nationalized plants of the Foundation in the Soviet Zone of Germany, should not be so recognized. The foregoing determination is consistent with the foreign policy interests of the United States and supports this Government's policy of recognizing the Federal Republic as the only German Government which has been legitimately constituted."

In such circumstances, absent some fundamental policy objections (such as those inherent in penal or revenue laws), the acts in question are entitled to recognition under principles of comity, at least for purposes of determining ownership of property having its situs in the United States (i. e., the United States Zeiss name and marks). Anderson v. N.V. Transandine Handelmaatschappij, 289 N.Y. 9, 43 N.E.2d 502 (1942); State of Netherlands v. Federal Reserve Bank, 201 F.2d 455 (2d Cir. 1953). Faced with a remarkably similar situation in *Anderson*, the New York Court of Appeals stated:

"There can be no doubt that the decree of May 24, 1940, promulgated by the recognized government of the State of the Netherlands is part of the law of a friendly sovereign State of which the defendants are subjects and in which the defendants are domiciled, * * *. By comity of nations, rights based upon the law of a foreign State to intangible property, which has a situs in this State, are recognized and enforced by the courts of this State, unless such enforcement would offend the public policy of this State. That rule is part of the law of this State, as it is, in general, the law of all countries which accept the reign of law." (289 N.Y. at p. 19, 43 N.E.2d at p. 506)

Since we have decided that the Wuerttemberg Decrees are entitled to recognition as acts of state to the extent indicated, it is unnecessary to deal at any length with defendants' contention that the Law passed on August 3, 1967 by West Germany's Parliament, which affirmed Wuerttemberg's jurisdiction to adopt the decrees, should not be accepted as an act of state for the reason that it is invalid under the German Constitution. Undoubtedly for the very policy reasons which led to adoption of the "act of state" doctrine our courts have consistently refused to embark upon the treacherous and temerarious course of passing upon the constitutionality of a foreign government's acts, which could hardly serve to promote our foreign relations. Banco de Espana v. Federal Reserve Bank, 114 F.2d 438, 444 (2d Cir. 1940); Pasos v. Pan American Airways, 229 F.2d 271 (2d Cir. 1956); Shapleigh v. Mier, 83 F.2d 673 (5th Cir. 1936), affd. on other grounds, 299 U.S. 468, 57 S.Ct. 261, 81 L.Ed. 355 (1937); Eastern States Petroleum Co. v. Asiatic Petroleum Corp., 28 F.Supp. 279 (S.D. N.Y.1939); Fuhr v. Newfoundland-St. Lawrence Shipping Ltd., 24 F.R.D. 9, 12 (S.D.N.Y.1959). In any event, defendants' contention that the 1967 Law amounts to a camouflaged "Einzelgesetz," i. e., a legislative act designed to decide a particular controversy, is based entirely on suspicion. While there are circumstances indicating that the law was inspired by the Zeiss case (e. g., Dr. David's furnishing of a legal memorandum to the West German Ministry of Justice and Parliament with respect to the legal status of the Foundation, provisions of its Statute and a draft that would encompass the Zeiss issue), the law on its face does not purport to decide the Zeiss issue or limit itself to any particular controversy. On the contrary, it purports to deal with the scope of jurisdiction of all West German states, or laender, to act with respect to foundations which formerly had their domiciles

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outside of West Germany. Furthermore, defendants fail to provide any instance where such a law has been invalidated in Germany or elsewhere.

Defendants' further contention that the 1967 Law must be disregarded as an act of state on the ground that it would violate American constitutional principles must also be rejected. There is no authority for the proposition that the act of state doctrine applies only to foreign acts that would pass muster under our Constitution; on the contrary, foreign laws inimical to our constitutional principles have been recognized, e. g., Banco Nacional de Cuba v. Sabbatino, 376 U.S. 398, 84 S.Ct. 923, 11 L.Ed.2d 804 (1964). However, to the extent that principles of comity form a basis for giving effect to the 1967 Law, this Court would not be precluded from rejecting that Law if it violated our own concept of due process and fundamental fairness.

Defendants' argument is bottomed on the principle that a law passed to give retroactive validity to conduct is unjust for the reason that during the long intervening period before the retroactive law was enacted people were entitled, in entering into legal relations, to rely upon the legal order as it existed previously. Here, however, after Wuerttemberg's enactment of the 1949 and 1954 decrees, no sound basis existed for treating them as nullities or assuming that the Foundation's domicile was in East Germany rather than in Heidenheim. On the contrary, the issues of the identity, status, and domicile of the Foundation were being actively litigated in the German courts by the defendants. Since the existence of the Foundation's Boards of Management, assets, employees and operations in West Germany afforded Wuerttemberg an adequate jurisdictional basis for its action in establishing a domicile there, the 1967 Law did not constitute a curative act designed to remedy mistakes or erase illegalities. See, Swayne & Hoyt Ltd. v. United States, 300 U.S. 297 at 302, 57 S.Ct. 478, 81 L. Ed. 659 (1937). It works no injustice upon the defendants.

To the extent that principles of comity provide a basis for adherence to the Wuerttemberg decrees, defendants raise a more serious question in contending that the decrees violate United States due process concepts because they were enacted without any notice to Jena and opportunity to be heard, see Hilton v. Guyot, 159 U.S. 113, 202, 16 S.Ct. 139, 40 L. Ed. 95 (1895). Aside from the absence of any proof that such notice is customary, the record indicates that even if such notice had been given, it would have been disregarded by the defendants, at least as to the 1949 decree, since the proof is convincing that as far as the defendants and the Soviet administration was concerned at that time, the Foundation was dead and, as a practical matter, there was no real hope of enforcing the Soviet expropriation decree in the West. By November, 1951, defendants were apprised of the 1949 decree in connection with proceedings pending in the German Patent Office in Munich. No action was taken to attack it, however, until October 1954, when the Council of the District of Gera instituted an action in the Administrative Court of Stuttgart against the government of Wuerttemberg attacking the validity of both the 1949 and 1954 decrees. The Jena interests were afforded full opportunity to be heard in that proceeding, which culminated in dismissal of the action by the Administrative Court on September 29, 1961, which was affirmed by the Administrative Court of Appeals of Baden-Wuerttemberg, following which an appeal to the Supreme Federal Administrative Court was dismissed. Under all the circumstances, including the opportunity afforded to challenge extensively the legality of the Wuerttemberg decrees, we see no basis for disregarding the procedure by which they were enacted as offensive to our concepts of due process.

Our reasons for concluding that the plaintiff Foundation is identical with the original Zeiss Foundation and entitled to ownership of its United States trademarks apply with equal (if not greater) force in the case of Zeiss Ikon A.G. of

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Stuttgart. We conclude that plaintiff Zeiss Ikon A.G. is the same corporation as that which, prior to the Soviet expropriation of its assets in 1947, had its seat in Dresden (Soviet Zone), with manufacturing establishments in Stuttgart and West Berlin, and that it is the owner of the United States "Zeiss Ikon" marks. In June 1947 the Soviet controlled Ministry for Economics and Economic Planning of the Government of the Land of Saxony (where Dresden is located) expropriated all assets of Zeiss Ikon A.G. without compensation, effective July 1, 1946. As in the case of the later Soviet expropriation of the Zeiss Foundation's assets, the effect of the expropriation of Zeiss Ikon was to destroy its capacity to function in the Soviet Zone leaving unaffected its assets located beyond the territorial borders of that Zone, including its manufacturing plants in Stuttgart and West Berlin and its "Zeiss Ikon" marks there and those used in the United States in connection with sale of merchandise manufactured in Germany.

[18] The identification of plaintiff Zeiss Ikon A.G. as the same entity which owned the United States "Zeiss Ikon" trademarks is clear. The transfer of its domicile to West Germany presented few of the legal or conceptual problems encountered in the case of the Foundation. We have already noted the tendency of continental Civil Code countries to associate nationality or domicile more with the place of principal establishment than the state of origin, see Note, "Corporations in Exile," 43 Colum.L.Rev. 364 (1943), and that transfer of the domicile of an AG or a GmbH is treated in Germany essentially as a ministerial matter. Furthermore, in the case of Zeiss Ikon its by-laws expressly permitted its stockholders to hold meetings in Stuttgart, Berlin, Jena or Dresden. Two-thirds of its outstanding stock was owned by the Foundation, whose management was located in the West. Nothing in German law forbade its stockholders from holding a stockholders' meeting in Stuttgart or West Berlin and voting to transfer its domicile from Dresden to Stuttgart. This is exactly what they did. On March 3, 1948 a special meeting of its stockholders held in Stuttgart passed a resolution transferring its domicile from Dresden to Stuttgart. On August 18, 1948, an entry recording the transfer was made in the Commercial Register of the County Court in Stuttgart. The validity of this procedure under German law was attested to not only by German law experts called by plaintiffs but by one of defendants' own experts who testified that the domicile of a German AG could be validly transferred by such procedure. Furthermore, in a well-reasoned decision handed down on February 15, 1958, in a suit between plaintiff Zeiss Ikon A.G. and the V.E.B. Zeiss Ikon Dresden, the Federal Supreme Court of West Germany upheld the validity of the transfer of domicile. Accordingly, we find that the plaintiff Zeiss Ikon A.G. is identical with the corporation of that name which engaged in the manufacture and sale of photographic equipment and similar merchandise using the trademark "Zeiss Ikon" and other similar trademarks which it owned.

[19] Since we find plaintiff Foundation to be the "true" Zeiss Foundation and owner of the trade name and trademarks in dispute, it is unnecessary to dwell at length on plaintiffs' contentions that defendants' claim to ownership should be rejected as a violation of both the United States public policy against recognition of East Germany and § 5(b) of the Trading with the Enemy Act. Although our Government's policy of non-recognition has been taken into consideration in denying extraterritorial effect to confiscatory expropriation or nationalization decrees of an unrecognized foreign state, e. g., The Maret, 145 F.2d 431 (3d Cir. 1944); Latvian State Cargo & Pass. S. S. Line v. United States, 116 F.Supp. 717, 126 Ct.Cl. 802 (1953), this Court has not considered itself bound by our non-recognition policy to disregard German law as construed by courts of East Germany but, on the contrary, has carefully con-

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sidered decisions of the East German courts (see pages 906–907 supra). Likewise, in the exercise of its discretion, the Court would not be barred by our Government's non-recognition policy from awarding United States trademarks to citizens or residents of a non-recognized country found to be the owners of them any more than our Government deems itself barred from conducting trade relations with East Germany and other "Iron Curtain" countries. See Zschernig v. Miller, 389 U.S. 429, 88 S.Ct. 664, 19 L.Ed.2d 683 (1968); Bank of China v. Wells Fargo Bank & Union Trust Co., 104 F.Supp. 59 (N.D.Calif. 1952), modified, 209 F.2d 467, 48 A.L.R. 2d 172 (9th Cir.1953); Upright v. Mercury Business Machines Co., 13 App.Div. 2d 36, 213 N.Y.S.2d 417, 1st Dept. 1961).

Defendants are, however, barred from asserting any claims to the United States trademarks in dispute by § 5(b) of the Trading with the Enemy Act (50 U.S.C. App. § 1 et seq.) and regulations thereunder (8 C.F.R. § 507.46). Section 5(b) authorizes regulations prohibiting acquisition, use or transfer of rights in property subject to United States jurisdiction in which a foreign country has an interest; and 8 C.F.R. § 507.46 prohibits transfer or exercise of any rights by German nationals with respect to trademarks "in" or "registered in" the United States on December 31, 1946 without authority of the Attorney General or Director of the Office of Alien Property. The Zeiss trademarks in dispute are various United States trademarks which the United States Government has purported to vest in the Alien Property Custodian (later the office of Alien Property).

[20] Relying upon Rogers v. Ercona Camera Corporation, 107 U.S.App.D.C. 295, 277 F.2d 94 (1960), which held that the Attorney General's vesting of the Zeiss trademarks was ineffective, defendants argue that 8 C.F.R. § 507.46 is inapplicable because the marks were not effectively "registered" in the United States. Whether or not they were "registered," however, they have their situs "in" the United States, see F. Palicio y Compania, S.A. v. Brush, 256 F.Supp. 481, 491–492 (S.D.N.Y.1966), affd., 375 F.2d 1011 (2d Cir. 1967), and the Act and regulation in question are not limited to vested marks registered in the Attorney General's name but they are much broader in their application, extending to German nationals' transactions in any trademarks in the United States. *Ercona* was not concerned with what property is within the scope of § 5(b) but with the Attorney General's "vesting" rights and his right to prohibit importation of Jena-made "Zeiss"-marked goods by virtue of such purported vesting. Since the trademarks in issue are "in" the United States, neither defendant VEB, nor Ercona as its assignee, would be entitled to exercise any rights in them in the absence of authorization from the Attorney General or Director of the Office of Alien Property pursuant to 8 C.F.R. § 507.46.

We next turn to a series of arguments asserted by defendants in support of their defenses and counterclaims. The first of these is the contention that even if plaintiffs are entitled as owners to the Zeiss trade name and marks in the United States, defendants are entitled to "concurrent" use of the name and marks because of laches, acquiescence, or abandonment on plaintiffs' part, which is claimed to have caused defendants serious prejudice, and because of the American public's interest in having two competitive sources of Zeiss-marked goods. Defendants rely principally on the fact that although plaintiffs learned of the Soviet Military Administration's expropriation of the trademarks in June, 1948, the present suit claiming infringement of the United States trademarks was not instituted until 1962, 14 years later; that during the period from 1949 to 1954 plaintiffs encouraged defendants to use the Zeiss marks on Jena-manufactured goods shipped out of the Soviet Zone at a time when West Germany was unable to meet the market's demand; that in the meantime defendants increased their investment in the United States market through sales promotion and advertising;

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that plaintiffs never sought to intervene in the *Ercona* suit commenced in 1956 (in which defendants sought to restrain the Attorney General's claim of ownership in the Zeiss mark) although many of the same facts and issues were involved in that action; and that during plaintiffs' delay, many key witnesses have died and other proof become unavailable.

[21-24] Where a person entitled to exclusive use of a trademark is guilty of unreasonable delay in asserting his rights against an infringer or junior user, or acquiesces in the latter's use, or evinces an intent to abandon his rights in the marks, a court of equity has the discretionary power, after weighing the respective interests of the parties, to deny injunctive relief or an accounting. Saxlehner v. Eisner & Mendelson Co., 179 U.S. 19, 21 S.Ct. 7, 45 L.Ed. 60 (1900); La Republique Francaise v. Saratoga Vichy Spring Co., 191 U.S. 427, 24 S.Ct. 145, 48 L.Ed. 247 (1903). The denial of relief, however, is not determined by rules of thumb. The existence of laches or acquiescence, and whether it is sufficient to warrant such denial, depends upon a consideration of the circumstances of each particular case and a balancing of the interests and equities of the parties. Among the factors to be weighed in determining whether laches will bar relief are the strength and value of the trademark right asserted, Ambrosia Chocolate Co. v. Ambrosia Cake Bakery, 165 F.2d 693 (4th Cir. 1947); the plaintiff's diligence, or lack of it, in seeking to enforce the mark, Anheuser-Busch Inc. v. Du Bois Brewing Co., 175 F.2d 370 (3d Cir. 1949), cert. denied, 342 U.S. 943, 72 S. Ct. 555, 96 L.Ed. 701 (1951); the harm that will result to the senior user if relief is denied, Standard Oil Co. of Colorado v. Standard Oil Co., 72 F.2d 524 (10th Cir. 1934); whether the junior user is an innocent infringer who acted in good faith ignorance of the senior's rights, Chandon Champagne Corp. v. San Marino Wine Corp., 335 F.2d 531 (2d Cir. 1964); the extent to which the senior and junior uses of the mark are competitive, Ancient Egyptian Arabic Order of Nobles of the Mystic Shrine v. Michaux, 279 U.S. 737, 49 S.Ct. 485, 73 L.Ed. 931 (1939); Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492 (2d Cir. 1961), cert. denied, 368 U.S. 820, 82 S. Ct. 36, 7 L.Ed.2d 25 (1961); and the extent of harm or prejudice suffered by the junior user as a result of the senior's delay, Proctor & Gamble Co. v. J. L. Prescott Co., 102 F.2d 773 (3d Cir.), cert. denied, 308 U.S. 557, 60 S.Ct. 80, 84 L. Ed. 468 (1939). Where the owner of the trademark fails to take any action for many years to enforce a relatively weak trademark against a junior user who has proceeded innocently to use the same or similar mark on non-competing goods in which he has invested large sums, so that denial of relief would cause relatively little harm to the senior user in contrast to the serious prejudice that would result to the defendant, relief will be denied.

[25, 26] As distinguished from laches, acquiescence constitutes a ground for denial of relief only upon a finding of conduct on the plaintiff's part that amounted to an assurance to the defendant, express or implied, that the plaintiff would not assert his trademark rights against the defendant. Aunt Jemima Mills Co. v. Rigney & Co., 247 F. 407 (2d Cir.), cert. denied, 245 U.S. 672, 38 S.Ct. 222, 62 L.Ed. 540 (1917); Alfred Dunhill of London, Inc. v. Dunhill Tailored Clothes, 119 U.S.P.Q. 325 (S.D. N.Y.1958). Although acquiescence may bar relief even where the plaintiff acts diligently, whether conduct amounts to acquiescence warranting denial of relief turns on an examination of all the surrounding circumstances, and requires a balancing of the equities.

[27, 28] In contending that the plaintiff Foundation granted to defendants in 1950 what amounted to a "naked" license to manufacture in Jena goods bearing the Zeiss mark, thereby abandoning its trademark rights, the defendants assume a heavy burden, for abandonment constitutes a defense only upon a showing of intent to abandon, Saxlehner v. Eisner & Mendelsohn Co., 179 U.S. 19, 21 S.Ct. 7, 45 L.Ed. 60 (1900). Al-

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though a "naked" license may be the basis for an inference of abandonment where the licensor maintains no control over the quality of goods made by the licensee, E. I. Du Pont De Nemours & Co. v. Celanese Corp., 167 F.2d 484, 489, 3 A.L.R.2d 1213 (C.C.P.A.1948), the licensor is not limited by the absence of quality control provisions in the license agreement. If in fact the licensor has made a reasonable inspection of the merchandise bearing the trademark (even though not every item has been inspected) and there is no showing that any of the goods were below the essential quality standards, the defense must fail. Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358 (2d Cir. 1959); E. I. Du Pont De Nemours & Co. v. Celanese Corp., supra.

Defendants' invocation of the terms "concurrent use" and "joint use" as defenses is misplaced. Standing alone they do not represent defenses to trademark infringement claims. They simply describe factors considered in determining the equities in a particular case. To put it another way, where the products of the respective parties are not directly competitive, the plaintiff's interest in securing equitable relief may be entitled to less weight than where the infringer markets a competitive product. Chandon Champagne Corp. v. San Marino Wine Corp., 335 F.2d 531 (2d Cir. 1964). But even in the absence of product competition a trademark holder's right to relief has been recognized, such as where expansion into the infringer's market is planned or the infringer's business practices tarnish the plaintiff's reputation. Aunt Jemima Mills Co. v. Rigney & Co., supra; S. C. Johnson & Son v. Johnson, 175 F.2d 176, 178-179 (2d Cir.), cert. denied, 338 U.S. 860, 70 S.Ct. 103, 94 L. Ed. 527 (1949).

[29] The contention advanced by defendants to the effect that joint use of trademarks will be sanctioned where it will promote competition and curb monopoly deserves little mention. Unlike a patent, which grants to the holder the right to exclude all others from using a product or process, a trademark gives monopoly power only with respect to a name or mark. What market power it does possess is the result of its exploitation and development of the name. Although the right to exclusive use of a valuable trademark may facilitate restraints of trade, such conduct will not be presumed, particularly since the infringer is not prevented from selling its competing product under another name. Standard Oil Co. v. Humble Oil & Refining Co., 363 F.2d 945 (5th Cir. 1966), cert. denied, 385 U.S. 1007, 87 S.Ct. 714, 17 L.Ed.2d 545 (1967).

[30] Applying the foregoing principles here, defendants fail to show laches, acquiescence, abandonment, or joint use warranting denial of relief. Plaintiffs' failure to institute their suit for infringement of their United States trademarks until 1962 was justified by circumstances revealing that they were neither sleeping on their rights nor leading defendants to believe that no action would be taken, but that, on the contrary, they were for almost the entire period from 1949 to 1962 vigorously asserting and prosecuting their rights.

As early as October, 1949, following the Soviet expropriation of the Foundation's assets in Jena, the Boards in Heidenheim advised Sandmann of defendant VEB and the Jena "Foundation," that plaintiff Foundation claimed the trademarks outside the Soviet Zone but was willing to license the sale of Zeiss-marked VEB Jena manufactured equipment in West Germany, in view of the shortage of equipment. Thereafter, until the reopening of the German Patent Office in August 1950, plaintiffs had no means of enforcing their rights in the Zeiss marks in West Germany. In the meantime, by letter dated February 17, 1950, to VVB Optik, the Board members in Heidenheim claimed ownership for the plaintiff of the marks and proposed that the parties conduct discussions looking toward a license agreement which would recognize plaintiffs' rights but permit the state-owned VEBs to sell Zeiss-marked equipment outside the Soviet Zone, at least during the post-war short-

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age. Although the Jena gentlemen, by letter dated April 24, 1950, disputed plaintiffs' claim of ownership (when they were threatened with West German seizure of Jena-made merchandise), they continued negotiations looking toward a license, with the result that when the Board members in Heidenheim again wrote Schrade in December 1951 offering a revocable license without prejudice to the claims of ownership asserted by the Zeiss firm in Heidenheim, the head of the Central Administration at the Ministry of Machine Construction in East Berlin instructed Schrade by letter dated February 25, 1952 to adhere to the license proposal as a "modus vivendi," which was adopted by the Jena VEBs and followed until February 1954. By that time it was clear that the Jena gentlemen, having taken steps to create the sham "Foundation" already described, did not propose to adhere to or implement the license, and the Zeiss firm in Heidenheim accordingly obtained an injunction in the District Court in Goettingen against the distribution in West Germany of Jena-made goods bearing the Zeiss marks. This was followed by the institution in May 1954 of a suit by the Heidenheim Zeiss firm in Duesseldorf against the Zeiss VEB and the DIA seeking to enjoin their sale of Zeiss-marked goods anywhere in the world. Such world-wide relief was granted by the lower court but eventually limited in 1957 by the Federal Civil Supreme Court to the Federal Republic of Germany.

The arrangements thus adopted by the parties prior to February 1954 were negotiated on the express condition that the plaintiffs were not forfeiting their right to prohibit the defendants from using the Zeiss marks or to bring suit for infringement. In addition to the defendants' tacit recognition of plaintiffs' claim of ownership, the plaintiffs, from 1954 on, actively sought to enforce their rights everywhere. Having thus at all times been on full notice of the plaintiffs' claims, defendants here are hardly in the position of innocent or ignorant infringers. Furthermore, the arrangements between the parties during the period from 1951 to 1953 did not constitute a "naked" license waiving quality control inspection, since the Jena-made goods were distributed by the plaintiff and the parties have agreed in this action that the goods were not below established standards for Zeiss-marked merchandise.

Any further action on the plaintiffs' part to assert and preserve their rights was unnecessary, especially in the light of certain other circumstances. Prior to 1955 the annual importation of Jena-made Zeiss-marked goods into the United States was relatively small, except for one year, 1951, when they rose to $290,000. From the middle of 1955 to the beginning of 1959 the defendants were required by the United States Government to obliterate Zeiss marks from all merchandise imported into the United States, thus rendering it unnecessary to seek relief. Moreover, the fact that the United States trademarks were registered in the name of the Attorney General who had purported to vest them barred plaintiffs from asserting claims in the marks against third parties, 8 C.F.R. § 505.1, and precluded plaintiffs from challenging the Attorney General's ownership. 50 U.S.C. App. § 9. It was not until the entry of a final order upon the *Ercona* appeal in 1960 that the plaintiffs were in a position to sue defendants for infringement of the United States Zeiss trademarks. Counsel were retained in July 1961 and after review of the complicated picture, which took several months, instituted suit on February 14, 1962. In the meantime, defendants, who were well aware of plaintiffs' claims, did not substantially increase their imports into the United States, which declined from $149,000 in 1956 to $129,000 in 1961, and there is no proof that defendants spent large sums on promoting sales or developing the market for their products in the United States.

Under these circumstances, plaintiffs' conduct cannot be said to constitute

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laches, acquiescence, or abandonment warranting denial of relief.

[31] We next turn to defendants' estoppel defense based on the decision of the court in Ercona Camera Corp. v. Rogers, 120 U.S.P.Q. 100 (D.D.C.1958), affd., 107 U.S.App.D.C. 295, 277 F.2d 94 (1960). Defendants contend that plaintiffs here are estopped from questioning defendants' right to use the Zeiss trade name and marks in the United States for the reasons that (1) the issue was raised and decided in *Ercona* in favor of the defendants' position here, and (2) plaintiffs here, although not parties to the *Ercona* suit, were in privy with the United States Government, a defendant in that suit. A review of the *Ercona* record and comparison of it with that here reveals defendants to be wrong on both counts, and that their estoppel defense is meritless.

The *Ercona* suit arose out of a dispute over the question of whether the Attorney General had acquired ownership of the Zeiss trademarks by virtue of orders purporting to vest them under the Trading with the Enemy Act, 50 U.S.C.A. App. § 7(c). After the Attorney General, claiming such ownership, attempted to stop Ercona Camera Corp. and Steelmasters, Inc. from importing Jena-made merchandise bearing the Zeiss marks into the United States for sale, the latter brought suit in the United States District Court for the District of Columbia seeking to enjoin the Government from interfering with such importation and claiming that the Attorney General's vesting was ineffective for the reason that it purported to seize the Zeiss trademarks only, not as an appurtenance to any business in connection with which they were used. The district court so held and was affirmed on appeal. The defendants base their claim of estoppel on certain issues raised by affirmative defenses interposed by the Government, which were expressly left open by the court and never decided. In its answer the Government in *Ercona* asserted as an affirmative defense that the Jena-manufactured goods were not entitled to bear the Zeiss trademark because they were not manufactured by the Zeiss Foundation, which had been removed from Jena to Heidenheim; and that Steelmasters and Ercona were bound by judgments of the courts of West Germany which decided that Jena-manufactured goods were not entitled to bear the Zeiss trademarks. In support of that position the Government introduced the West German court decisions. In response Ercona (which was represented by counsel for defendants in the present action) successfully argued that the issues raised by the Government's affirmative defenses were irrelevant, the issue being limited to the question of whether the vesting was valid and effective. Accepting this argument, the district court, in ruling in favor of Ercona, made the following finding:

> "11. The respective rights, if any, in the 'Zeiss' trademark of the several Carl Zeiss firms now located in East Germany and in West Germany, are not in issue in this case; and the Court expresses no opinion with respect thereto. Nor are the decisions rendered by foreign courts with respect to such rights relevant here." (120 U.S.P.Q. at 105)

Upon appeal the Government did not pursue the matter but limited itself to the question of whether the vesting was sufficient to confer ownership rights in Zeiss trademarks. The limited nature of the issue thus presented on appeal, and the failure to adjudicate the question of which of the parties, as between Heidenheim and Jena, was the owner of the trademarks, was confirmed by the Court of Appeals, which stated:

> "The Attorney General has undertaken to bar the importation of Zeiss-marked Jena products solely on the premise that he owns the trademark 'Zeiss' in the United States. We are not required to consider or decide whether Zeiss-marked products produced in East Germany may be barred from the United States for some other reason. Similarly, we are not required

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to consider or decide whether Optik Jena possesses any rights of ownership in the mark. Our only question is whether the Attorney General acquired a sufficient interest in the United States rights in the trademark by reason of the various seizures of the mark to entitle him to bar use of the trademark in the United States by others." (277 F.2d at 97)

Although the Government claimed that the Jena-made goods were "spurious," that question was never litigated, Ercona's counsel stating it was "not in issue," and the record is clear that in referring to such goods as being what the Zeiss trademark signified, the district court was concerned only with the question of whether the goods were manufactured in Germany, without distinguishing between Jena and Heidenheim.

[32] Furthermore, even if Ercona had made the decision of issues attributed to it by the defendants here, the plaintiffs here would not be bound by that decision because they were neither parties nor privies to that action. The evidence offered in support of defendants' argument that they knew of the case, were kept informed of its progress and supplied evidence to the Government falls far short of demonstrating the control or participation required to establish privity. See Litchfield v. Goodnow, 123 U.S. 549, 8 S.Ct. 210, 31 L.Ed. 199 (1887); United States v. California Bridge & Construction Co., 245 U.S. 337, 38 S.Ct. 91, 62 L.Ed. 332 (1917); Hartford Acc. & Ind. Co. v. First Nat'l Bank, 281 N.Y. 162, 167-168, 22 N.E. 2d 324, 123 A.L.R. 1149 (1939). The alleged "cooperation" on the part of plaintiffs with the Government consisted essentially of supplying copies of the judgments of the West German courts (because the State Department route for obtaining them was slow), and employing private counsel to keep them advised from time to time, but not with any regularity, as to the progress of the Government litigation. Although such counsel discussed the case from time to time with the Government's attorneys and furnished to them copies of the West German judgments, the Government did not surrender to them any degree of its control of the litigation. Citizens National Trust and Savings Banks of Los Angeles v. United States, 270 F.2d 128 (9th Cir. 1959), cited by defendants in support of their position, presented an altogether different situation which is clearly distinguishable. Although the court there made reference to the fact that the bank had knowledge of the action and employed a legal representative to audit the earlier trial, the existence of privity was based on the insurer-insured relationship between the bank and the United States with respect to a note ruled not valid and enforceable in an earlier suit by the United States, as well as upon the assignor-assignee relationship stemming from assignment of the note by the bank to the United States. No such relationships existed here between plaintiffs and the Government in the *Ercona* suit.

[33] Defendants' third argument in support of its estoppel defense, that plaintiffs are bound by the *Ercona* decision because they succeeded to the Attorney General's interest in the stock of Carl Zeiss, Inc. of New York (which they purchased from the Government) is likewise without merit. Carl Zeiss, Inc., was not a party to the *Ercona* action. Although the decision was concerned with the question of how the vesting of its stock affected the vesting of the trademarks, that issue is not relevant here. The acquisition of the stock of Carl Zeiss, Inc., therefore, does not result in the *Ercona* decision binding the plaintiffs with respect to an issue not decided in *Ercona*, namely, the right of Jena-manufactured goods to bear the Zeiss marks. Defendants' estoppel defense may therefore be dismissed as frivolous.

CONCLUSION

[34] Plaintiff Carl Zeiss Stiftung (the "Zeiss Foundation") is entitled to the sole and exclusive right to use the various Zeiss trademarks and trade names in dispute and plaintiff Zeiss

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Ikon A.G. of Stuttgart is entitled to the sole and exclusive right to use the Zeiss Ikon trademark and trade name.

Since at least 1953 defendants V.E.B. Carl Zeiss Jena, Steelmasters and Ercona have infringed the trademarks of the plaintiff Carl Zeiss Foundation in the United States and have unfairly competed with the plaintiffs through the use of the trade names "Optik", "Carl Zeiss Jena VEB" and "VEB Carl Zeiss Jena" and trademarks consisting of the words "Carl Zeiss Jena" in a distinctive lens frame, the distinctive lens frame alone, and the letters "CZ".

Since in or about 1953 the defendants V.E.B. Carl Zeiss Jena, Steelmasters and Ercona have, in violation of § 43(a) of the Lanham Act, from time to time falsely described and falsely designated the origin of goods imported by them into the United States and sold in United States commerce as being goods produced by a licensee of plaintiff Carl Zeiss when in fact such goods were produced by defendant V.E.B. Carl Zeiss Jena, a nationalized East German concern, which has no legal or other connection with plaintiff Carl Zeiss Foundation or any of its affiliated firms.

Subject to resolution of the issues raised by defendants' antitrust counterclaims, trial of which has been deferred at the parties' request, each plaintiff is entitled to enforcement of its rights in its marks and trade names against the defendants and to the relief, including damages and injunctive relief, demanded against the defendants, and the defenses asserted by the defendants, other than that based on alleged violation of the antitrust laws, are dismissed for the reasons hereinbefore stated.

Review of the legal and factual issues raised by defendants' antitrust counterclaims, and of the damage issues, will proceed promptly. Toward that end the parties are directed (1) to meet together for the purpose of stipulating all facts not in dispute, designating, identifying, and marking exhibits, listing witnesses to be called, designating portions of depositions to be offered, and setting forth any objections thereto, and (2) to submit to the Court, on or before December 16, 1968, all stipulated facts, exhibits to be offered, designations of deposition testimony and objections, and trial briefs.

Pursuant to Rule 52(a), F.R.Civ.P., the foregoing shall constitute the Court's findings of fact supplementing those simultaneously filed on this date and shall constitute the Court's conclusions of law.

Pending trial and disposition of the remaining issues, a final order and judgment will be deferred.

So ordered.

UNITED STATES of America, Plaintiff,

v.

Jerry Paul BRYANT, Defendant.

No. FS-68-CR-33.

United States District Court
W. D. Arkansas,
Fort Smith Division.
Nov. 27, 1968.

Defendant was charged with unlawfully failing to perform duty required of him under Selective Service Act and neglecting to submit to induction into armed forces. The District Court, John E. Miller, Senior District Judge, held that record showed no valid basis in fact to justify action of appeal board denying defendant conscientious objector classification.

Judgment entered finding defendant not guilty, discharging him and dismissing indictment.

1. Armed Services ⇐40.1(14)

In determining whether defendant unlawfully failed to perform duty requir-

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MATERNALLY YOURS, Inc.,
Plaintiff-Appellee,
v.
YOUR MATERNITY SHOP, Inc.,
Defendant-Appellant.
No. 196, Docket 23796.

United States Court of Appeals
Second Circuit.

Argued December 19-20, 1955.

Decided June 6, 1956.

Action to enjoin trade-mark infringement and for unfair competition and for an accounting for damages and profits resulting from alleged infringement. The United States District Court for the Southern District of New York, John W. Clancy, C. J., entered interlocutory decree enjoining defendant from using the words "Your Maternity Shop" in connection with sale or advertising of maternity apparel, and ordered an accounting for damages and profits. Defendant appealed. The Court of Appeals, Waterman, Circuit Judge, held that record disclosed defendant's use of words "Your Maternity Shop" infringed plaintiff's trade-mark "Maternally Yours".

Decree affirmed.

1. Trade-Marks and Trade-Names and Unfair Competition ⇐43, 44

Where plaintiff's application for registration of trade-mark "Maternally Yours", in December, 1945, stated trade-mark had been continuously used and applied to plaintiff's business since November 27, 1945, and only evidence of any use of trade-mark prior to date of application concerned sale and mailing of maternity jumper to customer in another state, evidence of such single sale consummated by an interstate mail delivery was sufficient to justify registration of trade-mark, and plaintiff's registration was not void for false statement in application. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

2. Trade-Marks and Trade-Names and Unfair Competition ⇐45

In action to enjoin defendant from infringing plaintiff's registered mark, wherein defendant alleged plaintiff's registration of trade-mark was void because plaintiff's application contained false statement that trade-mark had been used in applicant's business prior to application, record disclosed defendant failed to rebut strong presumption of validity of plaintiff's trade-mark arising out of registration of the trade-mark. Lanham Trade-Mark Act, §§ 1 et seq., 7(b), 33(b), 15 U.S.C.A. §§ 1051 et seq., 1057 (b), 1115(b).

3. Trade-Marks and Trade-Names and Unfair Competition ⇐21, 45

Even if only reason prior similar trade-mark "Maternelle" was not in existence at time plaintiff's trade-mark was registered, was because successor to the prior registered trade-mark failed to obtain and record written assignment of such trade-mark, this would not as a matter of fact be determinative, in plaintiff's subsequent suit for infringement of trade-mark "Maternally Yours", that plaintiff's mark was invalid because of prior registration of mark "Maternelle," where defendant failed to prove fraud on part of plaintiff or other facts which would overcome statutory presumption of validity of plaintiff's registration of trade-mark "Maternally Yours" as well as prima facie correctness of Patent Office proceedings. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

4. Trade-Marks and Trade-Names and Unfair Competition ⇐59(5)

Plaintiff, in order to obtain injunctive relief under the Lanham Act for infringement of trade-mark "Maternally Yours", through defendant's use of trade-mark "Your Maternity Shop" in connection with sale and advertising of maternity apparel, had to show defendant's use of such words was likely to cause confusion or mistake or to deceive purchasers as to source of origin of such goods, but it was not necessary to show actual cases of deception or confusion, as test was likelihood that an appreciable

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number of ordinarily prudent persons would be confused. Lanham Trade-Mark Act, § 32(1), 15 U.S.C.A. § 1114(1).

5. Trade-Marks and Trade-Names and Unfair Competition ⟹59(1)

In determining likelihood of consumer confusion by use of words similar to trade-mark allegedly infringed, an intent on part of alleged infringer to palm off his products as those of another is a relevant factor, but it should be carefully weighed with other factors, such as degree of similarity between trade-marks in appearance and suggestion, strength of plaintiff's mark, area and manner of concurrent use, and degree of care likely to be exercised by purchasers. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

6. Trade-Marks and Trade-Names and Unfair Competition ⟹93(3)

In action to enjoin infringement of plaintiff's registered trade-mark "Maternally Yours" by defendant's use of words "Your Maternity Shop" in connection with sale or advertising of maternity apparel, evidence disclosed that defendant infringed plaintiff's registered trade-mark "Maternally Yours" subsequent to its registration. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

7. Courts ⟹292

The purpose of statute conferring jurisdiction on United States District Court over claim of unfair competition when joined with substantial and related claim under copyright, patent or trade-mark laws, is to avoid piecemeal litigation to enforce common-law and statutory copyright, patent, and trade-mark rights by specifically permitting enforcement in single civil action in District Court. 28 U.S.C.A. § 1338(a).

8. Courts ⟹292

Where plaintiff's claim of unfair competition originated in September, 1946, and plaintiff's trade-mark infringement claim originated in May, 1949, but close relation existed between the two claims and there was considerable overlap in their factual basis and nearly all evidence received at trial was relevant to both claims, United States District Court had jurisdiction over unfair competition claim under statute conferring jurisdiction of such claim when joined with substantial and related claim under copyright, patent or trade-mark laws. 28 U.S.C.A. § 1338(b); Lanham Trade-Mark Act, §§ 1 et seq., 43(a), 15 U.S.C.A. §§ 1051 et seq., 1125(a).

9. Trade-Marks and Trade-Names and Unfair Competition ⟹71

Where plaintiff was one of first to enter narrow and specialized field of merchandising of maternity clothes and spent substantial amount on advertising and promoting its name and mark of "Maternally Yours", and its marked success and rapid expansion produced widespread and unusual recognition of its name and operation in national press by the time defendant entered field in September, 1946, under name "Your Maternity Shop", plaintiff's name and mark had acquired secondary meaning by time of defendant's entry in such business and defendant's use of name "Your Maternity Shop" constituted unfair competition. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

10. Trade-Marks and Trade-Names and Unfair Competition ⟹98

In action for trade-mark infringement and unfair competition, ordering of an accounting for damages was proper, where evidence disclosed public was confused by entry of defendant into maternity clothing business under name "Your Maternity Shop". Lanham Trade-Mark Act, §§ 1 et seq., 35, 15 U.S.C.A. §§ 1051 et seq., 1117.

11. Trade-Marks and Trade-Names and Unfair Competition ⟹101

In action for trade-mark infringement and unfair competition, counsel fees were properly awarded to plaintiff, who was successful litigant, where there was finding of fraud on part of defendant. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

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12. Trade-Marks and Trade-Names and Unfair Competition ⟹98

In action for trade-mark infringement and unfair competition, inclusion in order requiring that defendant account in respect to defendant's stores located in areas where plaintiff did not have competing stores was proper, where trial judge found that defendant adopted its trade-name with knowledge of plaintiff's trade-mark. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

13. Trade-Marks and Trade-Names and Unfair Competition ⟹98

A trade-mark infringer must account for profits even in areas where he does not directly compete with trade-mark owner.

Hartman, Sheridan & Tekulsky, New York City (Asher Blum, Mock & Blum, New York City, of counsel), for defendant-appellant.

Gallop, Climenko & Gould, New York City, Milton S. Gould, Herbert L. Scharf, of counsel, New York City, for plaintiff-appellee.

Before CLARK, Chief Judge, and MEDINA and WATERMAN, Circuit Judges.

WATERMAN, Circuit Judge.

This action involves a claim of trade-mark infringement under the Lanham Act, 15 U.S.C.A. § 1051 et seq., and a claim of unfair competition presumably governed by the law of New York.[1] Ju-

1. Prior to Erie R. Co. v. Tompkins, 1938, 304 U.S. 64, 58 S.Ct. 817, 82 L.Ed. 1188, federal judge-made law was considered to control the determination of the issues of both trade-mark infringement and unfair competition in cases brought in the federal courts. The prevailing view subsequent to Erie has been that federal law governed infringement of federally-registered trade-marks, while state law governed common-law unfair competition. See, e. g., Pecheur Lozenge Co., Inc., v. National Candy Co., Inc., 1942, 315 U.S. 666, 62 S.Ct. 853, 86 L.Ed. 1103; Radio Shack Corp. v. Radio Shack, 7 Cir., 1950, 180 F.2d 200; Food Fair Stores v. Food Fair, 1 Cir., 1949, 177 F.2d 177; Campbell Soup Co. v. Armour & Co., 3 Cir., 1949, 175 F.2d 795; Jewel Tea Co. v. Kraus, 7 Cir., 1950, 187 F.2d 278, 282; Grocers Baking Co. v. Sigler, 6 Cir., 1942, 132 F.2d 498; Time, Inc., v. Viobin Corp., 7 Cir., 1942, 128 F.2d 860; Time, Inc., v. Life Television Corp., D.C.D.Minn.1954, 123 F.Supp. 470; National Fruit Product Co. v. Dwinell-Wright Co., D.C.D.Mass. 1942, 47 F.Supp. 499, 503-504, affirmed 1 Cir., 1944, 140 F.2d 618. The practice in this Circuit, until very recently, has been to ignore the usually-theoretical question of what law governs and to draw precedents from both federal and and state (usually New York) courts. See, e. g., Swanson Mfg. Co. v. Feinberg-Henry Mfg. Co., 2 Cir., 1944, 147 F.2d 500, where we relied on this indeterminate general law even though the lower court had discussed the question.

The Ninth Circuit has held that § 44 of the Lanham Act, 15 U.S.C.A. § 1126, enacted by Congress in 1946, created a substantive federal law of unfair competition wherever interstate commerce is involved; and that federal district courts have federal-question jurisdiction over all claims of unfair competition by those engaged in interstate commerce, even though the infringing acts are not themselves in interstate commerce. Stauffer v. Exley, 9 Cir., 1950, 184 F.2d 962; Pagliero v. Wallace China Co., 9 Cir., 1952, 198 F.2d 339. In American Auto. Ass'n v. Spiegel, 2 Cir., 1953, 205 F.2d 771, we rejected the view that the Lanham Act brought all claims of unfair competition by those engaged in interstate commerce within the federal-question jurisdiction of federal district courts. Since we held in that case that the district court did not have jurisdiction, we did not reach the corollary question of whether state or federal law governs a claim for unfair competition. However, in Artype, Incorporated, v. Zappulla, 2 Cir., 1956, 228 F.2d 695, it was clearly indicated that state law governed a claim for unfair competition brought in a federal court. It is true that federal jurisdiction in the Artype case, supra, was rested by the court on diversity of citizenship rather than on the pendent jurisdiction of federal courts over a common-law claim when combined with a substantial and related federal claim. See, with respect to the doctrine of pendent jurisdiction, Hurn v. Oursler, 1933, 289 U.S. 238, 53 S.Ct. 586, 77 L.Ed. 1148, the holding of which is now codified as to patents, trade-marks, and copyrights in 28 U.S.C.A. § 1338(b). But despite repeated statements implying the contrary, it is the *source* of the right sued upon, and not the ground on which fed-

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risdiction over the trade-mark infringement claim rests on 15 U.S.C.A. § 1121 and 28 U.S.C.A. § 1338(a), while jurisdiction over the related unfair competition claim is based on 28 U.S.C.A. § 1338 (b), if not also on the Lanham Act.[2]

Plaintiff, Maternally Yours, Inc., is a New York corporation engaged in the retail merchandising of maternity apparel in the New York metropolitan area. A predecessor partnership commenced doing business under the name "Maternally Yours" in Bronx, N. Y., in October, 1945. The partnership filed an application for registration of the trade-mark "Maternally Yours" in December, 1945, and this trade-mark was duly registered in plaintiff's name in May, 1949. The idea of a specialized retail shop selling only maternity wear was new—"Maternally Yours" was one of the first shops of its kind in the New York area, if not in the country. Business prospered from the outset, and new stores were added. By 1954 plaintiff operated ten stores in the New York metropolitan area under the name "Maternally Yours."

Defendant, Your Maternity Shop, Inc., opened a maternity wear store in New Rochelle, N. Y., in September, 1946, under the name "Your Maternity Shop." In October, 1946, plaintiff served formal notice of infringement on defendant at its New Rochelle store, but defendant continued to operate under the name "Your Maternity Shop." In November, 1946, defendant opened a store within two blocks of plaintiff's Bronx store, and in subsequent years defendant continued to expand its business. Telephone listings were made under "Maternity Shop Your" as well as "Your Maternity Shop." In 1954 defendant was operating five maternity wear stores under the name "Your Maternity Shop." Four of these stores were located in the New York metropolitan area and the fifth in Philadelphia, Pa.

Plaintiff brought this action to enjoin defendant from infringing plaintiff's alleged common-law trade-mark from 1945 to the present and from infringing plaintiff's registered mark subsequent to its registration in 1949, and for an accounting for damages and profits resulting from the alleged infringements. The trial judge found in favor of the plaintiff on both the trade-mark infringement and unfair competition claims, and issued a decree enjoining defendant from using the name "Your Maternity Shop" in connection with the sale or advertising of maternity apparel, and ordering an accounting for damages and profits by a special master.

eral jurisdiction over the case is founded, which determines the governing law. See, Hart & Wechsler, The Federal Courts and the Federal System (1953) 690–700. Thus, the Erie doctrine applies, whatever the ground for federal jurisdiction, to any issue or claim which has its source in state law. See, e. g., Rothenberg v. H. Rothstein & Sons, 3 Cir., 1950, 183 F.2d 524, 21 A.L.R.2d 832. Cf. Wichita Royalty Co. v. City National Bank, 1939, 306 U.S. 103, 107, 59 S.Ct. 420, 83 L.Ed. 515. Likewise, the Erie doctrine is inapplicable to claims or issues created and governed by federal law, even if the jurisdiction of the federal court rests on diversity of citizenship. See, e. g., Sola Electric Co. v. Jefferson Electric Co., 1942, 317 U.S. 173, 176, 63 S.Ct. 172, 87 L.Ed. 165; Pope & Talbot v. Hawn, 1953, 346 U.S. 406, 74 S.Ct. 202, 98 L.Ed. 143; cf. Prudence Realization Corp. v. Geist, 1942, 316 U.S. 89, 95, 62 S.Ct. 978, 86 L.Ed. 1293. Therefore, this court's holding in the Spiegel case, supra, when viewed in conjunction with Artype, Incorporated v. Zappulla, supra, would appear to require the application of state law to unfair competition claims, whether or not combined with a trade-mark infringement claim under federal law.

Decision of these questions, however, is unnecessary for the disposition of this case, and they are raised only to indicate that we are conscious of their existence. For the purpose of decision in this case we will assume that state law governs a claim for unfair competition, leaving to the future questions concerning the scope of the Spiegel case, supra, and its continuing validity, as well as the other related matters discussed by Judge Clark in his concurring opinion.

2. See note 5, infra.

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[1, 2] Defendant contends that plaintiff's registration is void because plaintiff's application falsely stated that "The trade-mark has been continuously used and applied [to Maternity Apparel consisting of dresses, slips, bloomers, toppers, lounging robes, housecoats, girdles, brassieres, nightgowns] in applicant's business since Nov. 27, 1945." The only evidence of any use of the trade-mark "Maternally Yours" prior to the filing of this application in December, 1945, concerned the sale and mailing of a maternity "jumper" to a customer in Newark, N. J. Defendant contends that this sale was an intrastate sale, completed by over-the-counter delivery, but the trial judge apparently believed the testimony that the sale had been consummated by an interstate mail delivery. A single instance of interstate use, when the accompanying circumstances indicate an intent to continue the use, has been held sufficient to justify registration of a trademark. Worden v. Cannaliato, 1923, 52 App.D.C. 254, 285 F. 988, 990; Montgomery Ward & Co. v. Sears, Roebuck & Co., 1931, 49 F.2d 842, 18 C.C.P.A., Patents, 1386. Moreover, the mere fact of plaintiff's registration created a strong presumption of validity, which defendant did not rebut. See 15 U.S.C.A. §§ 1057(b), 1115(b); Pastificio Spiga Societa Per Azioni v. De Martini Macaroni, 2 Cir., 1952, 200 F.2d 325.

[3] Defendant also contends that plaintiff's registration is invalid because of the prior registration of the trademark "Maternelle" by DuBarry Frock Corporation. The Patent Office declined to register plaintiff's mark from the time of application in 1945 until May, 1949, because of the similarity between "Maternelle" and "Maternally Yours." In 1949, however, the Patent Office determined that "Maternelle" had been abandoned and registered plaintiff's mark. Defendant argues that this determination was based entirely upon the failure of the successor of DuBarry Frock Corporation to obtain and record a written assignment of the trade-mark. Whether this view is correct or not as a matter of fact is not determinative, since defendant has completely failed to prove fraud on the part of the plaintiff or other facts which would overcome the statutory presumption of validity of plaintiff's registration as well as the *prima facie* correctness of Patent Office proceedings.

[4] Plaintiff's right to injunctive relief under the Lanham Act, 15 U.S.C.A. § 1114(1), depends upon a determination that the defendant's use of "Your Maternity Shop" in connection with the sale and advertising of maternity apparel "* * * is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods * * *." It is not necessary to show actual cases of deception or confusion, Admiral Corp. v. Penco, Inc., 2 Cir., 1953, 203 F.2d 517, 520; LaTouraine Coffee Co. v. Lorraine Coffee Co., 2 Cir., 1946, 157 F.2d 115, since the test is the likelihood that an appreciable number of ordinarily prudent purchasers will be confused. G. B. Kent & Sons, Limited v. P. Lorillard Co., D.C. S.D.N.Y., 1953, 114 F.Supp. 621, 626, affirmed per curiam 2 Cir., 210 F.2d 953; Miles Shoes, Inc., v. R. H. Macy & Co., 2 Cir., 1952, 199 F.2d 602; Eastern Wine Corporation v. Winslow-Warren, Ltd., 2 Cir., 1943, 137 F.2d 955, 960, certiorari denied 1943, 320 U.S. 758, 64 S.Ct. 65, 88 L.Ed. 452; United Drug Co. v. Obear-Nester Glass Co., 8 Cir., 1940, 111 F.2d 997, 999, certiorari denied 311 U.S. 665, 61 S.Ct. 22, 85 L.Ed. 427.

[5] The trial judge found that "Defendant's use of the trade-mark 'Your Maternity Shop' was misleading, caused confusion, and did divert trade from plaintiff" and that "Defendant, with knowledge of plaintiff's trade-mark, adopted the trade name 'Your Maternity Shop' and located its store in Bronx County within two blocks of plaintiff's store, imitated plaintiff's format and slanted script in its advertising, used similar packing boxes, and adopted confusing telephone listings, all with the obvious intention of misleading the public and diverting trade from the plain-

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tiff." We think that the result reached was correct, although we would place less emphasis upon the subjective intent of the alleged infringer. An intent on the part of an alleged infringer to palm off his products as those of another is, of course, a relevant factor in determining the likelihood of consumer confusion.[3] Best & Co. v. Miller, 2 Cir., 1948, 167 F.2d 374, 377; L. E. Waterman Co. v. Gordon, 2 Cir., 1934, 72 F.2d 272, 273; and see Hyde Park Clothes, Inc., v. Hyde Park Fashions, Inc., 2 Cir., 1953, 204 F. 2d 223, 226 et seq. But it is only one of the factors which should be carefully weighed, such as the degree of similarity between the trade-marks in appearance and suggestion, the strength of the plaintiff's mark, the area and manner of concurrent use, and the degree of care likely to be exercised by purchasers. See Restatement of Torts § 729.

[6] In this case the similarity of the names is not so marked as to itself create the probability that reasonably prudent consumers would be confused. But when the relatively circumscribed area of concurrent use (the New York metropolitan area), the narrow specialty market within that area to which the concurrent use was largely confined (retail maternity apparel shops), the close proximity of many of the stores, the novelty of plaintiff's trade-mark, and the seemingly studied imitation by defendant of plaintiff's signs, labels, boxes, advertising slogans, and telephone listings, all are taken into account, the likelihood of confusion is adequately established. Evidence of actual confusion bolsters this conclusion; one consumer testified to being confused; there was evidence that telephone information operators confused the names on a substantial portion of calls for information; and there was evidence that numerous mail and packages had been mis-addressed or mis-delivered. Thus we conclude that defendant infringed plaintiff's registered trade-mark "Maternally Yours" subsequent to its registration in May, 1949.

Unfair Competition

[7, 8] Defendant contends that the district court had no jurisdiction over the unfair competition claim because it originated prior to the registration of plaintiff's trade-mark in 1949. 28 U.S.C.A. § 1338(b) confers jurisdiction of "a claim of unfair competition when joined with a *substantial and related claim* under the copyright, patent or trade-mark laws." [Emphasis added.] We think that the trade-mark infringement claim in this case is a substantial and related claim, and hence the district court had jurisdiction over the unfair competition claim despite the fact that it originated prior to the trade-mark registration. The purpose of § 1338(b) as stated by the Reviser was "to avoid 'piecemeal' litigation to enforce common-law and statutory copyright, patent, and trade-mark rights by specifically permitting such enforcement in a single civil action in the district court." Reviser's Notes to 28 U.S.C.A. § 1338(b), 1948 Revision of Judicial Code. This purpose would be frustrated were we to accept defendant's contention that the two claims must have exact chronological correspondence and identity.

Prior to the enactment of 28 U.S.C. § 1338(b), this Circuit took a narrow and restrictive view of the pendent jurisdiction of federal district courts over non-federal claims joined with substantial federal claims. Zalkind v. Scheinman, 2 Cir., 1943, 139 F.2d 895, certiorari denied 322 U.S. 738, 64 S.Ct. 1055, 88 L.Ed. 1572; Treasure Imports v. Henry Amdur & Sons, 2 Cir., 1942, 127 F.2d 3; Musher Foundation v. Alba Trading Co., 2 Cir., 1942, 127 F.2d 9. Virtual identity of proof of the federal and non-federal claim was required. This view persisted

3. Evidence of the alleged infringer's intent to cause confusion, though not essential to a trade-mark or unfair competition action is relevant as an opinion by one familiar with market conditions, the alleged infringer himself, that there is likelihood of confusion. See, Triangle Publications, Inc., v. Rohrlich, 2 Cir., 1948, 167 F.2d 969; Restatement, Torts § 729, comment f (1938).

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even after the doctrine of Hurn v. Oursler, 1933, 289 U.S. 238, 53 S.Ct. 586, 77 L.Ed. 1148, was included in the 1948 Judicial Code as 28 U.S.C.A. § 1338(b). See Kleinman v. Betty Dain Creations, 2 Cir., 1951, 189 F.2d 546. However, in Telechron, Inc., v. Parissi, 2 Cir., 1952, 197 F.2d 757, it was stated that Schreyer v. Casco Products Corp., 2 Cir., 1951, 190 F.2d 921, certiorari denied 342 U.S. 913, 72 S.Ct. 360, 96 L.Ed. 683, had overruled the Kleinman case, supra. Thus we are now committed to a broader view of pendent jurisdiction, at least in those cases involving a substantial federal question under the patent, copyright or trade-mark laws within 28 U.S.C.A. § 1338(b).[4] Even under our somewhat restricted view of pendent jurisdiction prior to the enactment of 28 U.S.C.A. § 1338(b), we were careful to point out, after reviewing all the decisions in this Circuit, that "[t]he crucial factor is not * * * any mere difference in time." Zalkind v. Scheinman, supra, 139 F.2d at page 902.

In this case the claim of unfair competition originated in September, 1946, when defendant opened its New Rochelle store. Plaintiff's trade-mark was registered in May, 1949, and it is from that time that its federal claim of trade-mark infringement dates. Subsequent to May, 1949, the continuing operation of defendant under the names "Your Maternity Shop" and "Maternity Shop Your" is the basis of both the trade-mark infringement and unfair competition claims. The close relation of the two claims is demonstrated by this considerable overlap in their factual basis and by the additional fact that nearly all the evidence received at the trial, other than that concerned with plaintiff's application and registration of "Maternally Yours" was relevant to both claims. Under the circumstances, the district court was not without jurisdiction.[5]

[9] Turning to the merits of the unfair competition claim, defendant contends that plaintiff did not acquire a common-law trade-mark and that, even if so, such trade-mark was not infringed by its use of "Your Maternity Shop." This contention is governed by much the same considerations as the trade-mark infringement claim previously discussed. We agree with the trial judge that plaintiff's chosen name was arbitrary and fanciful rather than descriptive, even though it suggested to some extent the line of business. But even if this were not so, plaintiff's name would be entitled to protection if it had acquired a secondary meaning by the time of defendant's entry. Plaintiff was one of the first to enter a narrow and specialized field; it spent a substantial amount on advertising and promoting its name and mark; and its marked success and rapid expansion into an interstate chain of three stores had produced widespread and unusual recognition of its name and operation in the national press by the time defendant entered the field in September, 1946, under the name "Your Maternity Shop." We think that these circumstances indicate that plaintiff's name and mark had acquired a secondary meaning by the time of defendant's entry. The applicable New York law, which is discussed at considerable length in Artype, Incorporated v. Zappulla, 2 Cir., 1956, 228 F.2d 695, provides extensive protection for common-law trade-marks even when no secondary meaning has been established.

4. To the extent that Strey v. Devine's, Inc., 7 Cir., 1953, 217 F.2d 187, holds to the contrary, we disagree with the holding in that case.

5. Judge Clark suggests that Section 43(a) of the Lanham Act, 15 U.S.C.A. § 1125(a), provides an additional basis for federal jurisdiction over the greater portion of the unfair competition phase of this case, and one that would lead to the application of federal law. Since the plaintiff has never asserted any claim under § 43(a), and since the result is unaffected whether federal or state law is applied, we think it unnecessary, having sustained federal jurisdiction on one ground, to determine here whether such jurisdiction could be based on other grounds.

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[10] Defendant's final group of contentions relate to the relief granted by the trial judge. We think these contentions are without merit, and that the relief granted is adapted to the general equities of the situation. While we have held that an accounting of damages and profits should not be the invariable result of a finding of infringement, Admiral Corp. v. Penco, Inc., 2 Cir., 1953, 203 F.2d 517, where findings of confusion and "palming off" are supported by the record, an accounting is justified. Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co., 1942, 316 U. S. 203, 62 S.Ct. 1022, 86 L.Ed. 1381; Century Distilling Co. v. Continental Distilling Corp., 3 Cir., 1953, 205 F.2d 140. The assessment of damages and profits, of course, must be in accordance with statutory provisions and long-settled equitable principles. See 15 U.S.C.A. § 1117.

[11] Defendant also objects to the inclusion in the interlocutory decree of a provision awarding counsel fees to the plaintiff. It is now settled that counsel fees may be awarded to the successful litigant in trade-mark infringement cases where there is a finding of fraud. Keller Products, Inc., v. Rubber Linings Corp., 7 Cir., 1954, 213 F.2d 382; Century Distilling Co. v. Continental Distilling Corp., supra; Admiral Corp v. Penco, Inc., supra; Aladdin Mfg. Co. v. Mantle Lamp Co., 7 Cir., 1941, 116 F.2d 708; General Motors Corp. v. Circulators & Devices Mfg. Corp., D.C.S.D.N.Y. 1946, 67 F.Supp. 745. Gold Dust Corp. v. Hoffenberg, 2 Cir., 1937, 87 F.2d 451, which is to the contrary, would appear to have been overruled *sub silentio* by Admiral Corp. v. Penco, Inc., supra.

[12, 13] Finally, defendant contends that its New Rochelle and Philadelphia stores should not be included in the accounting, the New Rochelle store because it was established prior to the formal notice of infringement, and the Philadelphia store because plaintiff does not have a competing store in the Philadelphia area. However, the trial judge found that defendant adopted its trade-name with knowledge of plaintiff's trade-mark; and an infringer must account for profits even in areas where he does not directly compete with the trade-mark owner. Blue Bell Co. v. Frontier Refining Co., 10 Cir., 1954, 213 F.2d 354; Dad's Root Beer Co. v. Doc's Beverages, Inc., 2 Cir., 1951, 193 F.2d 77.

The decree is affirmed.

CLARK, Chief Judge (concurring).

My concurrence in Judge Waterman's able opinion herewith perhaps ought not to be marred by a query as to his reliance on the state law of unfair competition, for a more academic issue can hardly be conceived. Since problems of unfair competition in trade and trade names almost invariably concern also trade-marks and transcend state lines, it is not surprising that the governing law developed in the federal courts and much of its doctrine is connected with the names of great federal judges. So the issue is really whether we shall apply our regurgitation of the state redistillation of federal precedents or go more directly and realistically to the sources themselves. Actually, so far as I can discover, we have never found any difference in ultimate result, and so quite often lump federal and New York law together, as in Hyde Park Clothes, Inc., v. Hyde Park Fashions, Inc., 2 Cir., 204 F.2d 223, 225, certiorari denied 346 U.S. 827, 74 S.Ct. 46, 98 L.Ed. 351, or—even more conveniently—eschew all reference to the matter. Mastercrafters Clock & Radio Co. v. Vancheron & Constantin-Le Coultre Watches, Inc., 2 Cir., 221 F.2d 464, certiorari denied 350 U.S. 832, 76 S.Ct. 67. The latter is the course taken below in a decision and judgment which we are finding correct and which in all its major essentials is admittedly subject to federal law. As a matter of fact it requires rather diligent search to find a small corner of the relief granted which may even present the issue.

But the demands of doctrine, pure and true, must be served; and since the subject begets confusion, some comment upon it is justified. Of course I should prefer the direct and realistic approach in-

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dicated above, and do believe we are entitled to go directly to the apposite federal precedents without subterfuge or ornamental rationalization. But if the latter is required, I believe it is rather easily found—in several different ways in fact. Thus Judge Waterman relies on *diversity* cases in unfair competition as affording a state basis for claims *pendent* to trade-mark claims, and so within federal jurisdiction under 28 U.S.C. § 1338 (b). But the conclusion is clearly not required by the premise, and to me seems too great a jump to be accepted. Federal jurisdiction is here justified entirely because of the close interrelation of the two claims, the practical impossibility of disentwining them, and the intention (as the Reviser in the quoted Note says) "to avoid 'piecemeal' litigation." Is the desirable Congressional purpose to be hampered, if not thwarted, by reading into the statute some requirement of doctrinal piecemealing? I do not think we should here (a bit unnecessarily) initiate a novel precedent thus impairing the statutory union.

Then, too, I do not see how we can avoid the clear federal jurisdiction arising under the new and quite extensive provision covering the false description or representation of goods introduced into commerce. Lanham Act, § 43(a), 15 U.S.C. § 1125(a). By the broad and liberal construction properly given this remedial legislation, as in L'Aiglon Apparel, Inc., v. Lana Lobell, Inc., 3 Cir., 214 F.2d 649, the major and more important portions of the relief here granted would be supported under federal law. I think we must consider the applicability of this statute, and cannot avoid it, even though counsel does not cite it; for we are bound by the law of the land, whether cited to us by counsel or not. See Sword Line, Inc., v. United States, 2 Cir., 230 F.2d 75. Indeed, there is indication here and elsewhere that the bar has not yet realized the potential impact of this statutory provision.

Only when we pass these points of federal jurisdiction do we come to the point particularly stressed in note 1 of the opinion, in apparent criticism of the Ninth Circuit view that § 44 of the Lanham Act, 15 U.S.C. § 1126, created a substantive federal law of unfair competition wherever interstate commerce is involved. I hope I have demonstrated that, even though the Ninth Circuit's interpretation is rejected, it does not follow that New York law must govern here; for the reasons stated above, I think the contrary must be the view. But though not strictly necessary, I do want to reiterate briefly the support I have already expressed for that interpretation, as in, e. g., Hyde Park Clothes, Inc. v. Hyde Park Fashions, Inc., supra, 2 Cir., 204 F.2d 223, 227; Admiral Corp. v. Penco, Inc., 2 Cir., 203 F.2d 517; Dad's Root Beer Co. v. Doc's Beverages, Inc., 2 Cir., 193 F.2d 77, 80. It is true that the contrary has been held by a panel of our court. American Auto. Ass'n v. Spiegel, 2 Cir., 205 F.2d 771, certiorari denied 346 U.S. 887, 74 S.Ct. 138, 98 L.Ed. 391. But I feel constrained to point out that the discussion there was most summary and that the decision has been subjected to question on other grounds, since it made not one but three very restrictive holdings as to federal jurisdiction, which have been brilliantly criticized, as, for example, in 39 Corn.L.Q. 351. The destructive effects of that case upon useful and respected trade-marks suggest that the whole question deserves re-examination, if not by us, at least by some tribunal.[1] As I have pointed out above, we

1. The AAA case, supra, went beyond questions of controlling law to deny federal jurisdiction to protect the AAA trademark, so well known to autoists. Thus it rejected as grounds (1) infringement of a federally registered mark, (2) pendent jurisdiction over a claim of unfair competition, and (3) the Ninth Circuit rule; although it did remand for the limited possibility of a further showing of facts to support a bona fide claim of trademark infringement to which the claim of unfair competition could be related. But thus it made what is aptly termed in 39 Corn.L.Q. 351, 352, a "narrow and technical construction," to limit remedies available on the first two grounds and to reject the third ground entirely. It held

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necessarily have now at least a partial federal law of unfair competition; we so much need a complete and uniform law to supplement and round out the existing federal law of trade-mark infringement that we should be astute to avoid this confusing fragmentation of decision wherever we reasonably can.

Ralph GREEN and William L. Groesbeck, doing business as Ralph Green and W. L. Groesbeck, Appellants,

v.

Harry F. DINGMAN, Appellee.

No. 15487.

United States Court of Appeals
Eighth Circuit.
June 14, 1956.

Action on an employment contract by which plaintiff was to be paid a salary and was to participate in the profits or losses arising out of construction work which he supervised. Judgment for plaintiff in the United States District Court for the District of Nebraska, John W. Delehant, Chief Judge, and the defendants appealed. The United States Court of Appeals, Van Oosterhout, Circuit Judge, held that the evidence sustained the findings of the District Court in favor of the plaintiff and that they were not clearly erroneous.

Judgment affirmed.

1. Courts ⇐406.3(6)

Finding of fact of a trial court in a nonjury case may not be set aside unless there is no substantial evidence to sustain it and unless it is against the clear weight of evidence or unless it was induced by an erroneous view of the law.

2. Master and Servant ⇐80(9)

In action arising out of an employment contract evidence sustained judgment awarding plaintiff 50 per cent of the profits on the original air base contract disallowing certain expenses charged by defendants to various jobs and allowing plaintiff damages for breach of an option contract and finding was not clearly erroneous.

3. Appeal and Error ⇐171(1)

On appeal the appellant must adhere to the theory upon which the case was tried in the court below and the appellant cannot seek a reversal upon a different theory than that upon which the case was tried below.

4. Appeal and Error ⇐173(2)

In action on an employment contract issue of modification of a contract was not raised by the pleadings below so as to permit defendant to raise the contention on appeal.

5. Master and Servant ⇐80(9)

In action on an employment contract substantial evidence did not warrant a

the AAA's trade mark to be infringed only in connection with *goods*, not *services*, and, upon finding its use as to goods limited, essentially denied a remedy for its protection, as well as removed the basis for pendent jurisdiction of a claim for unfair competition. Hence the cited criticism is pointedly persuasive even if the Ninth Circuit view is to be rejected. But as stated in, e. g., 39 Corn.L.Q. 351, supra, and 6 Syracuse L.Rev. 200, rather strong arguments can be made for the Ninth Circuit's conclusion of a Congressional intent for a wider and more uniform remedy for unfair competition; and the Supreme Court has already shown its awareness of the problem. See Steele v. Bulova Watch Co., 344 U.S. 280, 283, note 6, 73 S.Ct. 252, 97 L.Ed. 252. The restricted construction to the contrary depends perhaps more on judicial conservatism and inability to accept easily a broadening of remedies, even in response to felt needs, than upon any necessity of statutory interpretation in itself. Such a construction of remedial legislation may itself engender problems, as we have discovered. Transmirra Products Corp. v. Fourco Glass Co., 2 Cir., 233 F.2d 885, 887 and note 4 thereof.

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District Court, E.D. New York

Bambu Sales Inc. v. Testini

No. 87 CV 3190

Decided December 19, 1988

TRADEMARKS AND UNFAIR TRADE PRACTICES

1. Infringement; conflicts between marks — Defenses — Fraud or unclean hands (§335.1009)

REMEDIES

Monetary — Damages — Trademarks (§510.0508)

Evidence regarding trademark infringement defendants' assertion that plaintiff sells its "Bambu" cigarette paper to stores that cater to drug users is not admissible at trial to prove affirmative defense of unclean hands that would bar infringement action, in view of defendants' failure to establish any logical nexus between their claim that plaintiff sells cigarette paper to drug trade and plaintiff's claim that defendants have violated "Bambu" trademark, although such evidence may be relevant in determining any monetary award to plaintiff, even though plaintiff is seeking only defendants' profits rather than damages, since all monetary awards under Lanham Act are subject to principles of equity.

Action by Bambu Sales Inc. against Hilda Testini and Gennaro Testini for trademark infringement. On plaintiff's motion to strike defendants' affirmative defense of unclean hands. Motion denied.

Milton Springut, of Blum, Gersen, Dollard & Stream, New York, N.Y., for plaintiff.

Joel K. Dranove, New York, for defendants.

McLaughlin, J.

On July 6, 1988 the Court received the annexed Report and Recommendations ("the Report") from the Honorable Magistrate Carol Bagley Amon. Plaintiff timely served and filed written objections to the Report. 28 U.S.C. §636(b)(1); Local R.Mag.P. 7.

Plaintiff moved pursuant to Fed.R.Civ.P. 12(f) to strike the affirmative defense of unclean hands set forth in paragraph 10 of defendants' answer. In substance, the affirmative defense alleges that plaintiff distributes its product, cigarette paper, as part of "business plan" to cater to drug users.

Magistrate Amon concluded that, although the allegations set forth in paragraph 10 of the answer do not amount to an unclean hands defense and thus would not defeat an injunction, proof thereof may be relevant in determining plaintiff's damages. Plaintiff is entitled under 15 U.S.C. §1117 to recover its own damages (including, *inter alia*, damages for diverted sales and damage to reputation) and costs, and seek an accounting of defendants' profits.

In its objections to the Report, plaintiff takes issue only with Magistrate Amon's conclusion that defendants' unclean hands defense is relevant to *all* damages to which plaintiff may be entitled. Plaintiff offers to forgo its own damages suffered by defendants' alleged infringement. This proffer, plaintiff argues, eliminates any potential relevance of the unclean hands defense. Plaintiff still intends to seek defendants' profits, however, and argues that plaintiff's alleged unclean hands are irrelevant to such an award.

At first blush, plaintiff's argument is appealing. An unclean hands defense looks to the conduct of plaintiff. On the other hand, to obtain an accounting in a trademark infringement case, the court must focus on defendant's conduct. *See Spring Mills, Inc., v. Ultracashmere House, Ltd.*, 724 F.2d 352, 356-57 [221 USPQ 577, 581] (2d Cir. 1983).

[1] Nevertheless, the Lanham Act specifically provides that *all* monetary awards "are subject to the principles of equity." 15 U.S.C. §1117; *see Burger King Corp. v. Mason*, 710 F.2d 1480, 1495 [219 USPQ 693, 703] (11th Cir. 1983), *cert. denied*, 465 U.S. 1102 (1984); *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf v. Steinway & Sons*, 523 F.2d 1331, 1344 [186 USPQ 436, 446-47] (2d Cir. 1975). Indeed, the Second Circuit has reversed a judgment awarding profits while simultaneously affirming the injunctive relief awarded by the district court on the ground that the equitable defense of laches, which also focuses on the trademark owner's conduct rather than that of the infringer, barred recovery "notwithstanding ... deliberate infringement." *Steinway, supra*, 523 F.2d at 1344 [186 USPQ at 446-47].

In this context, the Court fails to perceive any meaningful distinction between the defense of laches and the defense of unclean hands. Thus, the Court cannot agree that an unclean hands defense becomes irrelevant simply because the trademark owner chooses one monetary remedy over available others.

No other objections to the Report have been made. Accordingly, the Court adopts the Report in its entirety.

SO ORDERED.

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MAGISTRATE'S REPORT AND RECOMMENDATION
June 30, 1988

Amon, U.S. magistrate.

Introduction

This case was referred to me by the Honorable Joseph M. McLaughlin for a Report and Recommendation on plaintiff's motion made pursuant to Fed.R.Civ.P. 12(f) to strike the affirmative defense of unclean hands' set forth in paragraph 10 of defendants' answer.

For the reasons set forth herein, it is respectfully recommended that plaintiff's motion to strike be denied.

Parties' Contentions

In its complaint, plaintiff Bambu Sales, Inc. (Bambu) alleges that it is owner of the Bambu mark and design for cigarette rolling paper, and avers a cause of action for trademark infringement by the defendants in violation of 15 U.S.C. §1114 and 15 U.S.C. §1125. Defendants interpose as a first affirmative defense in their answer, the doctrine of unclean hands, in which they include the allegation that plaintiff knowingly distributes its cigarette paper product bearing the trademark at issue here, "Bambu", to stores "catering" to drug users who use the paper as marijuana cigarette paper.[1] The defendants acknowledge that the cigarette papers have legitimate uses and that there are sales free of this alleged taint but aver that the volume of plaintiff's sales far exceeds any discernable legitimate use of its product (Defendants' Answer ¶10). At trial, defendants assert that they would show that the plaintiff is actively involved in aiding illegal sales of Bambu brand cigarette paper. Citing the decision of the Second Circuit in *Youngs Rubber Corporation, Inc. v. C.I. Lee & Co., Inc.*, 45 F.2d 103 [6 USPQ 123] (2d Cir. 1930), the defendants maintain that "general equitable principals (sic) would bar enforcement of the mark" upon proof of these assertions.[2]

Plaintiff maintains that the allegations of paragraph 10 cannot stand since they do not constitute a cognizable unclean hands defense and are otherwise immaterial and scandalous.

Discussion

A. *Motions to Strike*

Rule 12(f) of the Federal Rules of Civil Procedure permits the court, in its discretion, to strike ". . . from any pleading any insufficient defense or any redundant, immaterial, impertinent, or scandalous matter." Motions to strike under Rule 12(f), however, are not favored and will not be ". . . granted unless it can be shown that no evidence in support of the allegation would be admissible" at trial, *Lipsky v. Commonwealth United Corporation*, 551 F.2d 887, 893 (2d Cir. 1976); *see also Mikropol Corp. v. Desimone & Chaplin-Airtech, Inc.*, 599 F.Supp. 940, 945 (S.D.N.Y. 1984). Generally ". . . questions of relevancy and admissibility . . . require the context of an ongoing and unfolding trial in which to be properly decided." *Lipsky v. Commonwealth United Corp.*, 551 F.2d at 893. Thus, ordinarily a court should not grant a motion to strike on the "sterile field of the pleadings alone." *Id.*

Motions to strike an affirmative defense for legal insufficiency under Rule 12(f) must likewise meet a stringent standard. They will not be granted ". . . unless it appears to a certainty that plaintiff would succeed despite any state of the facts which could be proved in support of the defense." *Durham Industries, Inc. v. North River Insurance Co.*, 482 F.Supp. 910, 913 (S.D.N.Y. 1979) (cited with approval in *William Z. Salcer, Panfeld, Edelman v. Envicon Equities Corp.*, 744 F.2d 935, 939 (2d Cir. 1984), *vacated on other grounds*, 106 S.Ct. 3324 (1986)).

As discussed herein, although the allegations in paragraph 10 of defendants' answer do not constitute an unclean hands defense and cannot defeat the issuance of an injunction, the allegations may be relevant to elements of plaintiff's claimed damages. Ac-

[1] In their answer defendants separately label three affirmative defenses. The first affirmative defense is broken into two paragraphs (numbered 9 and 10). Paragraph 9 alleges unclean hands in that plaintiff acquired the Bambu trademark just prior to the time that the owner of the mark was enjoined from transferring it. This paragraph is specifically labeled "unclean hands". Paragraph 10 alleges that plaintiff distributes its product as part of a business plan to supply drug paraphernalia. While contained under the same general heading of "First affirmative Defense", paragraph 10 is not specifically labeled an unclean hands defense. Plaintiff only seeks to strike this paragraph of defendant's answer.

[2] Defendant's Memorandum of Law in Opposition to Plaintiff's Motion to Strike Pursuant to F.R.Civ.P. 12(f), dated November 12, 1987.

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cordingly, it cannot be shown at this time that no evidence pertaining to this allegation would be relevant at trial, and therefore plaintiff's motion to strike paragraph 10 of defendants' answer should be denied.

B. *Unclean Hands Defense*

The Supreme Court has described the unclean hands defense as:

> . . . a self-imposed ordinance that closes the doors of a court of equity to one tainted with inequitableness or bad faith relative to the matter in which he seeks relief, however improper may have been the behavior of the defendant.

Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806, 814, 65 S.Ct. 993, 997 [65 USPQ 133, 137-38] (1945).

At issue here is whether or not a general allegation that the plaintiff is engaged in and uses its trademark in an unlawful business, i.e., in the distribution of drug paraphernalia, establishes an unclean hands defense which stands as a bar to the plaintiff's claim of infringement. The weight of the authority holds that it does not.

It is well-settled that a defense of unclean hands is not to be considered independently of the merits of plaintiff's claim. *Republic Moulding Corporation v. B.W. Photo Utilities*, 319 F.2d 347, 350 [138 USPQ 101, 102-03] (9th Cir. 1963); *see also A.H. Emery Company v. Marcan Products Corporation*, 389 F.2d 11, 18 [156 USPQ 529, 533] (2d Cir.) *cert. denied*, 393 U.S. 835 [159 USPQ 799] (1968). More specifically, "[t]he maxim of unclean hands is not applied where plaintiff's misconduct is not directly related to the merits of the controversy between the parties, but only where the wrongful acts 'in some measure affect the equitable relations between the parties in respect of something brought before the court for adjudication.'" *Mitchell Brothers Film Group v. Cinema Adult Theater*, 604 F.2d 852, 863 [203 USPQ 1041, 1051] (5th Cir. 1979) (citing *Keystone Driller Co v General Excavator Co.*, 290 U.S. 240, 245, 54 S.Ct. 146, 148 [19 USPQ 228, 230] (1933)), *cert. denied*, 445 U.S 917 (1980). For this reason "[t]he alleged wrongdoing of the plaintiff does not bar relief unless the defendant can show that he has personally been injured by the plaintiff's conduct." *Id* (citing *Lawler v. Gillam*, 569 F.2d 1283, 1294 (4th Cir. 1978)); *see also Mallis v. Bankers Trust Co.*, 615 F.2d 68, 75 (2d Cir. 1980) (decided under New York law), *cert. denied*, 449 U.S. 1123 (1981).

In *Mitchell Brothers Film Group. v. Cinema Adult Theater*, where copyright owners of the movie "Behind the Green Door" sued for copyright infringement, the court found that the affirmative defense of unclean hands premised on the claim that the movie was obscene was not a proper defense because the alleged wrongful conduct did not injure the defendant in any way and had not changed the equitable relationship between the parties. 604 F.2d at 863 [203 USPQ at 1051]. In that case, the court observed "that limiting copyright protection on a broad public injury rationale would lead to absurd and unacceptable results." *Id.* at 864 [203 USPQ at 1052]. Noting that unless the defense were limited to misuses frustrating the purposes of the copyright or trademark statute, the court posed the incongruous result that "[a]rguably an infringer could defend on the ground that the work had been transported into the state in the copyright owner's truck that does not meet federal safety and pollution requirements or by an interstate carrier not certificated as required by the Interstate Commerce Act. The possibilities are well nigh limitless." *Id.* In a similar case, the Third Circuit refused to permit the defense of unclean hands to stand where a defendant sought to preclude a claim of patent infringement on the allegation that the plaintiff used the patented product in an illegal gambling business. The court rejected the defense observing: ". . . . if the defendant can do no more than show that the complainant has committed some legal or moral offense, which affects the defendant only as it does the public at large, the court must grant the equitable remedy and leave the punishment of the offender to other forums." *Fuller v. Berger*, 120 F. 274, 278 (7th Cir. 1903); *see also Board of Trade of City of Chicago v. L.A. Kinsey Co.*, 130 F. 507, 513 (7th Cir. 1904), *aff'd*, 198 U.S. 236 (1905) (plaintiff entitled to enforce its property rights in market quotations by a writ of injunction despite defendant's claim that plaintiff used the quotations in gambling carried on its premises; no showing that defendant directly affected by alleged misdeeds); *Anheuser-Busch v. Cohen*, 37 F.2d 393, 395 [4 USPQ 105, 107-08] (D. Md. 1930) (defendant's allegation that plaintiff was selling the product which bore its trademark primarily for the illegal manufacture of intoxicants held to be a collateral issue and no grounds for defense to plaintiff's claim of trademark infringement).

In the present case, the defendants fail to establish any logical nexus between their claim that Bambu sells cigarette paper to the drug trade and the allegations against defendants that they have violated Bambu's trade-

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mark. As in *Mitchell Brothers Film Group*, plaintiff's alleged wrongful conduct has not affected the equitable relationship between the parties, has in no way injured the defendant, and would not be admissible at trial to prove an affirmative defense of unclean hands.

Defendants' reliance on the decision of the Second Circuit in the *Youngs Rubber* case is misplaced to the extent that it is cited for the proposition that, in an action for trademark infringement, it is an affirmative defense if a portion of plaintiff's product which bears the trademark is sold illegally. In that case, the lower court dismissed the plaintiff's case on the grounds that both parties were engaging in an illegal business pertaining to the sale of prophylactics. The suit was reinstated on appeal. The defendant there maintained that plaintiff, a manufacturer of prophylactics which it supplied to druggists and pharmacists, was aware based on the volume of its sales that the druggists and pharmacists were illegally distributing the items without a physician's prescription. The question posed by the court was whether general equitable principles precluded the plaintiff from maintaining its suit where some of plaintiff's goods were sold legitimately but others with plaintiff's knowledge, were sold illegally. *Youngs Rubber Corporation v. C.I. Lee & Co.*, 45 F.2d at 109-110 [6 USPQ at 123-124]. Citing the Seventh Circuit decisions in *Fuller v. Berger*, 120 F. at 274, and *Board of Trade of City of Chicago v. L.A. Kinsey Co*, 130 F. at 513, the court concluded that where there were legal sales of the product, illegal sales even where made with plaintiff's knowledge, would not excuse defendant's infringement of plaintiff's valid trademark and plaintiff would be entitled to an injunction and an accounting. *Youngs Rubber Corporation v. C.I. Lee & Co.*, 45 F.2d at 109-110 [6 USPQ at 123-124].

The court noted, however, that in the accounting the plaintiff would only be entitled to damages for sales that were legally made. *Id.* at 110 [6 USPQ at 123-124].

Interpreting *Youngs Rubber* in conjunction with the decisions in *Fuller v. Burger* and the *Board of Trade of City of Chicago v. L.A. Kinsey Co.*, cited with approval therein, I would recommend that defendant's allegations of plaintiff's complicity in the drug trade be stricken if plaintiff's requested relief were limited to an injunction. Where, however, plaintiff seeks monetary damages, the issue of the legality of its sales under the *Youngs Rubber* decision becomes relevant.[3]

In the present action, plaintiff demands ". . .all profits and damages resulting from Defendants' respective infringing activities. . ." (Complaint at 10, ¶II). Under 15 U.S.C. §1117, plaintiff is entitled to recover defendants' profits, and plaintiff's damages and costs. *Sony Corporation v. S.W.I. Trading Inc.*, 104 F.R.D. 535, 541 (S.D.N.Y. 1985); *Invicta Plastics (USA) Ltd. v. Mego Corp.*, 523 F. Supp. 619, 624 [214 USPQ 650, 653] (S.D.N.Y. 1981). The plaintiff may recover damages for diverted sales, damage to its reputation or for any other harm that plaintiff can prove stems from the infringement. *Vuitton et Fils, S.A. v. Crown Handbags*, 492 F.Supp. 1071, 1077 [206 USPQ 907, 911-912] (S.D.N.Y. 1979), *aff'd*, 622 F.2d 577 (2d Cir. 1980); *see also Invicta Plastics (USA) Ltd. v. Mego Corp.*, 523 F.Supp. at 624 [214 USPQ at 653]; *Playboy Enterprises, Inc. v. P.K. Sorren Export Company Inc. of Florida*, 546 F. Supp. 987 [218 USPQ 795] (S.D. Fla. 1982). Accordingly, to the extent that plaintiff is seeking damages for diverted sales, the allegations of paragraph 10 should not be stricken since they are conceivably relevant to the issues before the court.

The plaintiff's attempt to discount the *Youngs Rubber* case as having been decided under a provision of the now repealed Trade-Mark Act of 1905 is not persuasive. The provision in question was not central to the court's decision, since it specifically concluded that this provision gave no greater or lesser protection than general equitable principles. *Youngs Rubber Corporation v. C.I. Lee & Co.*, 45 F.2d at 109-110 [6 USPQ at 123-124].

Conclusion

For the reasons set forth above, it is respectfully recommended that the motion of Bambu to strike paragraph 10 of defendants' answer be denied.

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[3] In its complaint, in addition to asking for defendant's profits, plaintiff's damages and costs, Bambu also requests that any award made to it be increased as provided in 15 U.S.C. §1117. (Complaint at 10, ¶II). §1117 provides that "[i]n assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount." The allegations in paragraph 10 of defendants' answer may affect plaintiff's right to treble damages and costs. *See Victor Lalli Enterprises, Inc. v. Robert Lalli Enterprises, Inc.*, 74-CV-387 (MEF), slip. op. (S.D.N.Y. July 24, 1978) (available on LEXIS), *aff'd*, 607 F.2d 1000 (2d Cir. 1979).

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Pursuant to Rule 7 of the local Magistrate Rules any objections to this Report and Recommendation must be filed with the Court and served on opposing parties within ten days. Failure to file objections within the specified time waives the right to appeal the District Court's order.

District Court, N.D. Illinois

Imperial Service Systems Inc. v. ISS International Service System Inc.

No. 87 C 5959

Decided December 1, 1988

TRADEMARKS AND UNFAIR TRADE PRACTICES

1. Infringement; conflicts between marks — Likelihood of confusion — Evidence of — In general (§335.0303.02)

Infringement; conflicts between marks — Passing off; state law trademark infringement — State and common law (§335.0705)

Summary judgment is not warranted for cleaning service in its action under Illinois Trademark Act, Ill.Rev.Stat. 140, paragraphs 8-28, and Illinois Uniform Deceptive Trade Practices Act, Ill.Rev.Stat. 121½, paragraph 312, against defendant cleaning service for use of mark "ISS," in view of plaintiff's failure to show that existence of likelihood of confusion between parties' uses of "ISS" is "foregone conclusion," in view of plaintiff's failure to demonstrate weight that should be accorded to its evidence of actual confusion, and in view of question of material fact as to degree of care exercised by consumers of parties' services.

Action by Imperial Service Systems Inc. against ISS International Service System Inc. for trademark infringement. On plaintiff's motion for summary judgment on counts alleging violation of Illinois Trademark Act and Illinois Uniform Deceptive Trade Practices Act. Motion denied.

Michael A. Hierl, of Olson & Hierl, Chicago, Ill., for plaintiff.

Joseph F. Schmidt and Henry C. Query, of Laff, Whitesel, Conte & Saret, Chicago, for defendant.

Williams, J.

The plaintiff Imperial Service Systems, Inc. brings this six-count complaint against the defendant ISS International Service System, Inc. alleging violations of federal trademark law, Illinois law, and the common law. Imperial moves for summary judgment pursuant to Federal Rules of Civil Procedure 56 on Counts III and IV which allege violations of the Illinois Trademark Act, Ill.Rev. Stat., chap. 140, paras. 8-28 and the Illinois Uniform Deceptive Trade Practices Act, Ill. Rev. Stat., chap. 121½, para. 312. Imperial's motion for summary judgment is denied for the following reasons.

I
Rule 56 Summary Judgment

Summary judgment pursuant to Federal Rules of Civil Procedure 56(c) is appropriate when the moving party uses the

> pleadings, depositions, answers to interrogatories, and admissions on file together with the affidavits, if any, [to] show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.

Fed.R.Civ.P. 56(c). A material fact is one that "must be outcome determinative under the applicable law." *Big O Tire Dealers, Inc. v. Big O Warehouse*, 741 F.2d 160, 163 (7th Cir. 1984); *see also Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986) (substantive law determines material facts); *Egger v. Phillips*, 710 F.2d 292, 296 (7th Cir.) (en banc), *cert. denied*, 464 U.S. 918 (1983). A genuine dispute about a material fact arises when "the evidence is such that a reasonable jury could return a verdict for that party." *Anderson*, 477 U.S. at 248. After the movant has made a properly supported summary judgment motion, "the nonmovant does have the burden of setting forth specific facts showing the existence of a genuine issue of fact for trial." *Shlay v. Montgomery*, 802 F.2d 918, 920 (7th Cir 1986); *see also Matushita Electric Industrial Co., Ltd., v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986) (the nonmovant "must do more than simply show that there is some metaphysical doubt as to the material facts.") The nonmovant *may not* rely on the allegations or denials in its pleadings to establish a genuine issue of fact. *See* Fed.R. Civ.P. 56(e).

Furthermore, summary judgment *must* be entered "against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). Finally, "the trial judge must accept as true the nonmovant's

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activities which clearly implicate the first amendment. These decisions pay heed to the precepts counselling against unnecessary adjudication of constitutional issues. *See Ashwander v. TVA*, 297 U.S. 288, 346–48, 56 S.Ct. 466, 482–83, 80 L.Ed. 688 (1936) (Brandeis, J., concurring); *United States v. Curcio*, 712 F.2d 1532, 1541 n. 14 (2d Cir. 1983). "Thus, if a case can be decided on either of two grounds, one involving a constitutional question, the other a question of statutory construction or general law, the Court will decide only the latter." *Ashwander*, 297 U.S. at 347, 56 S.Ct. at 483.

This very year, in the *Lowe* case, the Supreme Court construed the Investment Advisors Act not to reach non-personalized investment advice in an investment newsletter even where the source of that advice was a person barred from being a professional investment advisor because of past criminal conduct. In *Lowe*, the congressional purpose of protecting the public from investment advice by persons determined to be untrustworthy was far more deeply implicated by the newsletter than are the purposes of federal proxy regulation implicated by the advertisement at issue in the present case. *Lowe* actually involved the giving of investment advice by one barred from the profession by the Investment Advisors' Act, whereas the relationship of the advertisement in this case to the exercise of shareholder proxies is on its face very attenuated.

Similarly, in *Eastern Railroad Conference v. Noerr*, 365 U.S. 127, 81 S.Ct. 523, 5 L.Ed.2d 464 (1961), the Supreme Court construed the Sherman Act not to reach appeals to the public designed to further a political campaign for a legally protected monopoly even where those appeals were false in their content as well as in their purported source.[1] Again, the congressional purpose of preventing monopolization was more deeply implicated by the activities in *Noerr* than is in the congressional purpose of proxy regulation implicated by the advertisement in the present case.

Applying *Lowe* and *Noerr* to the present case, I believe the advertisement in question is not subject to federal proxy regulation regardless of Matthews' participation in its publication or the motives of its authors. Further discovery is irrelevant in my view,[2] and I would affirm.

MOREX S.P.A. and Morex USA, Inc., Plaintiffs-Counterdefendants-Appellees-Cross-Appellants,

v.

DESIGN INSTITUTE AMERICA, INC., Defendant-Counterclaimant-Appellant-Cross-Appellee,

v.

FRANKART DISTRIBUTORS, INC., Counterdefendant-Appellee-Cross-Appellant.

Nos. 1228, 1268, Dockets 85–7142, 85–7172.

United States Court of Appeals, Second Circuit.

Argued May 21, 1985.

Decided Dec. 12, 1985.

Company which was manufacturing etagere similar to competing manufacturer's brought declaratory judgment action to enjoin competitor from alleging to dis-

1. Unethical or deceptive conduct is not protected under *Noerr*'s progeny when it occurs in the context of adjudicatory tribunals. *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 92 S.Ct. 609, 30 L.Ed.2d 642 (1972); *Landmarks Holding Corp. v. Bermant*, 664 F.2d 891 (2d Cir.1981); *Litton Systems Inc. v. American Telephone and Telegraph Co.*, 700 F.2d 785 (2d Cir.1983).

2. Such discovery itself may raise a constitutional issue to the extent that it enables one political antagonist to inquire into the associational activities of its enemies. *NAACP v. Alabama*, 357 U.S. 449, 78 S.Ct. 1163, 2 L.Ed.2d 1488 (1958).

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tributors, retailers, and consumers that company was violating the Lanham Trade-Mark Act or engaging in unfair competition by copying and selling the etagere, and the competitor counterclaimed for injunctive relief and damages based on the alleged trademark violations. The United States District Court, Southern District of New York, Charles M. Metzner, J., held that neither company which built the allegedly copied etagere nor distributors were violating Lanham Act or engaging in unfair competition under New York common law, but directed company and distributors to identify company as manufacturer. Competitor appealed, and company and distributors cross-appealed. The Court of Appeals held that: (1) competitor failed to prove a violation of the Lanham Act, but (2) reconsideration of claim of unfair competition under New York law, along with those parts of judgment requiring identification of company as manufacturer was required.

Affirmed in part; reversed in part; and remanded.

1. Trade Regulation ⇐724

Furniture manufacturer failed to prove violation of the Lanham Trade-Mark Act [15 U.S.C.A. § 1051 et seq.], regardless of whether incorrect standard for determining functionality of allegedly copied features had been used, where even if the etagere's design were nonfunctional, design still lacked secondary meaning which 15 U.S.C.A. § 1125(a) requires for finding of violation of the Act. Lanham Trade-Mark Act, §§ 1 et seq., 43(a), 15 U.S.C.A. §§ 1051 et seq., 1125(a).

2. Trade Regulation ⇐727

Reconsideration of furniture manufacturer's claim of unfair competition based on New York law was required, along with reconsideration of requirement that allegedly infringing manufacturer identify its etageres by hang tag and by legible type in advertisements, where court's finding that allegedly copied features of etagere were "functional" so as to negate unfair competition claim was based on incorrect standard for determining functionality, even though finding that Lanham Trade-Mark Act [15 U.S.C.A. § 1051 et seq.] had not been violated remained in force due to failure to prove secondary meaning, as proof of secondary meaning of the allegedly copied features was not an element of unfair competition claim under New York law and furniture manufacturer might be able to prove its New York claim despite its failure to prove a violation of the federal Act. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

Peter T. Cobrin, New York City (Stempler, Cobrin & Godsberg, P.C., New York City, of counsel), for plaintiffs-counter-defendants-appellees-cross-appellants.

Andrew Baum, New York City (Nims, Howes, Collison & Isner, New York City, of counsel), for defendant-counterclaimant-appellant-cross-appellee.

Before MANSFIELD and PRATT, Circuit Judges, and MacMAHON, District Judge.*

PER CURIAM.

This is an appeal from a judgment of the United States District Court for the Southern District of New York, Charles M. Metzner, *Judge*, granting a declaratory judgment and dismissing counterclaims alleging violations of the Lanham Act, 15 U.S.C. § 1125, and unfair competition. The district court permanently enjoined Design Institute America, Inc. ("DIA"), a furniture manufacturer, from alleging that Morex S.p.A. and Morex USA, Inc. (collectively "Morex") and FrankArt Distributors, Inc. ("FrankArt") were violating the Lanham Act or engaging in unfair competition under New York common law by copying and selling an etagere, a shelf unit.

DIA began marketing its etagere in 1979. In December 1982, FrankArt commissioned Morex to build an etagere resembling DIA's. Morex then brought this de-

* Of the United States District Court for the Southern District of New York, sitting by designation.

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claratory judgment action to enjoin DIA from alleging to distributors, retailers and consumers that Morex was violating the Lanham Act or engaging in unfair competition by copying and selling the etagere. DIA counterclaimed for injunctive relief and damages based on the alleged violations.

After a non-jury trial, the district court held that Morex and FrankArt were neither violating the Lanham Act nor engaging in unfair competition under New York common law. The court permanently enjoined DIA from making those claims, dismissed DIA's counterclaims based on those theories, and directed Morex and FrankArt to identify Morex as the manufacturer of their etageres by the display of a "hang tag" on the etageres and by legible type in advertisements. The court also rejected the claim by Morex and FrankArt for attorneys' fees.

DIA now appeals from the imposition of the injunction and the dismissal of its counterclaims. Morex and FrankArt cross-appeal from those parts of the judgment requiring the identification of Morex as the manufacturer on the etageres and in advertisements and denying attorneys' fees.

Correctly noting that Section 43(a) of the Lanham Act provides protection for unregistered trademarks only if "the features allegedly copied have acquired secondary meaning in the marketplace and are nonfunctional," *Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 652 F.2d 299, 303 (2d Cir.1981), *cert. denied*, 455 U.S. 909, 102 S.Ct. 1257, 71 L.Ed.2d 448 (1982), the court held that there had been no violation of the Lanham Act because the design of the etagere lacked secondary meaning and was functional. The court also held, on the basis of its finding that the design was functional, that there was no unfair competition under New York common law.

[1] In finding that the design was functional, the district court relied chiefly on *I.A. Fratelli Saporiti v. Charles Craig, Ltd.*, 725 F.2d 18, 19 (2d Cir.1984). The *Craig* standard for functionality was implicitly rejected, however, by our decision in *LeSportsac, Inc. v. K Mart, Corp.*, 754 F.2d 71 (2d Cir.1985). *LeSportsac* resolved for this circuit the standard for determining the functionality in a trademark infringement action. Judge Metzner had no opportunity to consider the *LeSportsac* standard, however, because that case was decided more than one month after he filed his decision. Nonetheless, the district court used an incorrect standard for determining functionality. The error is harmless, however, as to the Lanham Act claim, for Judge Metzner also found that, even if the design were non-functional, it still lacked the other required element of a Lanham Act claim, secondary meaning. We agree. Thus, regardless of the test used for determining functionality, DIA failed to prove a violation of the Lanham Act.

[2] Turning to DIA's appeal from the dismissal of its counterclaim for unfair competition, we cannot say that the district court's flawed finding of functionality, however blameless, was harmless. Judge Metzner correctly noted that a claim for unfair competition under New York law requires proof of a competitor's deliberate use of a non-functional tradedress and likelihood of public confusion. Proof of secondary meaning is not required. *Perfect Fit Industries, Inc. v. Acme Quilting Co.*, 618 F.2d 950, 952-53 (2d Cir.1980), *cert. denied*, 459 U.S. 832, 103 S.Ct. 73, 74 L.Ed.2d 71 (1982). Recognizing that functionality is the key issue of fact common to both the claim under the Lanham Act and the unfair competition claim, the district court dismissed DIA's counterclaim "in view of [its] determination that the design is functional." The court thus dismissed DIA's counterclaim for unfair competition solely on the basis of its finding of functionality and did not reach the issue of likelihood of confusion to the public. As we have seen, the elements of an unfair competition and Lanham Act claim are different, and the court's finding of functionality is vulnerable. DIA may well be able to prove its counterclaim for unfair competition under New York law despite its failure to prove a violation of the Lanham

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Act.[1] Reconsideration of DIA's counterclaim is therefore necessary.

Reconsideration is especially appropriate here because there is evidence indicating that Morex and FrankArt intentionally copied DIA's design. Indeed, the court below found "less than credible" FrankArt's assertion to the contrary, and, although it found no need to decide the issue of public confusion, it noted a lack of proof on that issue. Such proof may have been unnecessary, however, for under New York law in the event of "intentional copying the second comer will be presumed to have intended to create a confusing similarity of appearance and will be presumed to have succeeded." *Perfect Fit Industries, Inc. v. Acme Quilting Co., supra*, 618 F.2d at 954.

In view of our decision, reconsideration of those parts of the judgment denying attorneys' fees and requiring the identification of Morex by a hang tag on the etageres and by legible type in advertisements is also appropriate. The *LeSportsac* standard and a different outcome on the unfair competition claim might compel different conclusions on those issues.

Accordingly, we affirm that part of the district court's judgment dismissing DIA's counterclaim for protection under Section 43(a) of the Lanham Act and granting Morex and FrankArt declaratory and injunctive relief under that statute. We reverse and remand that part of the judgment dismissing DIA's counterclaim for unfair competition and granting Morex and FrankArt declaratory and injunctive relief on that theory. We also remand for reconsideration those parts of the judgment denying attorneys' fees and requiring identification of Morex as the manufacturer on the etageres and in advertisements.

Affirmed in part, reversed in part, and remanded for further proceedings not inconsistent with this opinion.

1. New York law governs the unfair competition claim. *Flexitized, Inc. v. National Flexitized Corp.*, 335 F.2d 774, 780–81 (2d Cir.1964), *cert. denied*, 380 U.S. 913, 85 S.Ct. 899, 13 L.Ed.2d 799 (1965).

Keith GAYLE, Petitioner-Appellant,

v.

Charles SCULLY, Superintendent, Green Haven Correctional Facility, Respondent-Appellee.

No. 846, Docket 84–2374.

United States Court of Appeals, Second Circuit.

Argued Feb. 26, 1985.

Decided Dec. 12, 1985.

Petitioner appealed from order of the United States District Court for the Eastern District of New York, Henry Bramwell, J., denying his application for writ of habeas corpus. The Court of Appeals, Pierce, Circuit Judge, held that petitioner was not denied fair trial by state trial judge's conduct.

Affirmed.

Oakes, Circuit Judge, filed dissenting opinion.

Criminal Law ⇐655(1), 656(2)

Petitioner was not denied fair trial by state trial judge's conduct, which included making caustic statements, questioning witnesses so as to effectively bolster prosecution's case and making negative comment about Rastafarian religion. U.S.C.A. Const.Amends. 5, 14.

Barry Bassis, New York City (Legal Aid Society, Federal Defender Services Unit, New York City, of counsel), for petitioner-appellant.

Shulamit Rosenblum, Brooklyn, N.Y. (Elizabeth Holtzman, Dist. Atty., Barbara

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PERFECT FIT INDUSTRIES, INC.,
Plaintiff-Appellant,

v.

ACME QUILTING CO., INC.,
Defendant-Appellee.

No. 155, Docket 79-7329.

United States Court of Appeals,
Second Circuit.

Argued Nov. 19, 1979.

Decided Feb. 26, 1980.

Action was brought for infringement of trade dress. The United States District Court for the Southern District of New York, Constance Baker Motley, J., 484 F.Supp. 643, entered judgment for defendant, and plaintiff appealed. The Court of Appeals, Kearse, Circuit Judge, held that plaintiff was not required to prove secondary meaning and that plaintiff was entitled to injunctive relief but not damages.

Affirmed in part, reversed in part and remanded.

1. Federal Courts ⇐573

Even though judgment was not final because counterclaims remained pending after dismissal of complaint, where judgment denied request for injunctive relief, Court of Appeals had jurisdiction to hear the appeal. Fed.Rules Civ.Proc. Rule 54(b), 28 U.S.C.A.; 28 U.S.C.A. §§ 1291, 1292(a)(1).

2. Trade Regulations ⇐574

Under New York law, party claiming trade dress infringement was not required to prove that trade dress had acquired secondary meaning. Lanham Trade-Mark Act § 43(a), 15 U.S.C.A. § 1125(a).

3. Trade Regulations ⇐582

Evidence in infringement of trade dress suit made sufficient showing of likelihood of confusion to warrant injunctive relief.

4. Trade Regulations ⇐348

Doctrine of "secondary meaning" holds that a descriptive or geographical mark receives protection against copying only if consumers have come to associate it with a particular manufacturer or source. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

See publication Words and Phrases for other judicial constructions and definitions.

5. Trade Regulations ⇐334

In assessing likelihood of confusion to public by use of similar trade dress important factor under New York law is whether or not second comer created similar trade dress intentionally. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

6. Trade Regulations ⇐346

Under New York law, it is the combination of features as a whole rather than a difference in some of the details which must determine whether competing product is likely to cause confusion in mind of public. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

7. Trade Regulations ⇐671

In absence of proof of actual confusion to consumers, party claiming infringement of its trade dress by second party was not entitled under New York law to damages or an accounting. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

Arthur H. Seidel, Philadelphia, Pa. (Roberta L. Jacobs, Seidel, Gonda, Goldhammer & Panitch, P. C., Philadelphia, Pa., Fink, Weinberger, Fredman, Berman & Lowell, P. C., New York City, on brief), for plaintiff-appellant.

John N. Cooper, New York City (Cooper, Dunham, Clark, Griffin & Moran, New York City, on brief), for defendant-appellee.

Before MULLIGAN, MESKILL and KEARSE, Circuit Judges.

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KEARSE, Circuit Judge:

Plaintiff Perfect Fit Industries, Inc. ("Perfect Fit") appeals from a judgment of the United States District Court for the Southern District of New York, Constance Baker Motley, *Judge*, entered for defendant Acme Quilting Co., Inc. ("Acme") after a bench trial, in this action for trade dress infringement brought under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1976), and the New York law of unfair competition. The amended complaint charged that Acme deliberately copied the trade dress which Perfect Fit had created for a new line of mattress pads. The district court agreed that there was deliberate copying, but denied relief on the ground that Perfect Fit had not shown that its trade dress had acquired secondary meaning. Since we conclude that on the facts shown, Perfect Fit was entitled to an injunction under New York law, we reverse in part and remand so that the district court may enter an injunction against further use of the infringing materials.

I

Perfect Fit and Acme have manufactured and sold mattress pads for many years. Until several years ago, two styles of mattress pads were offered: in one style, the padding covered only the top of a mattress, and was to be fastened to the mattress by elasticised anchor bands; the other style was a contour-fitted pad in which, again, the padding covered only the top of the mattress, but was fastened to the mattress by netting on the four sides. These two types were usually packaged for sale in printed plastic bags. In May 1976, Perfect Fit introduced a new type of mattress cover which it called "BedSack," and which was contour-fitted and fully quilted—*i. e.*, the padding covered the top and the four sides of the mattress.

Perfect Fit also designed new packaging for its new product. Instead of the printed bag, it used a clear plastic bag into which was inserted a printed piece of cardboard, called a J-board. The bottom portion of a J-board bends to a 90-degree angle over the end of the packaged product so that a portion of the board is visible to the prospective purchaser whether the packages are laid end-to-end on a table or stacked on a shelf. The dominant feature of the BedSack J-board is a "high fashion" photograph of a blonde woman in night clothes, lounging at the head of a bed covered by a BedSack mattress pad. The photograph has a brown background, and is surrounded by an "art deco" frame in silver and gold, with a thin white border between the two colors. At the top of the frame there is a white BedSack logo in distinctive type face.

The BedSack was a popular success, and Perfect Fit's sales rose as a result. In the words of Acme's counsel at trial, "The product was hot."

Approximately four months after the BedSack was brought to market, Acme introduced its own contour-fitted, fully-quilted mattress cover, which it called "BedMate."[1] To market its new product Acme, like Perfect Fit, turned to a clear plastic bag with a J-board. The first J-board used by Acme for its BedMate bears a strong resemblance to Perfect Fit's BedSack J-board. It consists of a "high fashion" photograph of a brown-haired woman in night clothes, lounging at the head of a bed covered by a mattress pad. The photograph has a brown background, and has an "art deco" frame in silver and gold, with a thin black border between the two colors. Just inside the top of the frame appears a white "BedMate" logo, the lettering of which is similar in several respects to that used in the BedSack logo. After using this BedMate J-board for a short time, Acme had the design slightly modified: the brown-haired woman was replaced by a blonde woman, a deeper brown background was used, and the words "The Original" were placed at the top of the "art deco" frame. The net result of these changes to the BedMate J-board was

1. Perfect Fit contests the district court's finding that only four months elapsed between the introduction of the two products, arguing that in fact, some seven or eight months had elapsed. Given our disposition of the case, we conclude that the difference is not material.

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to make its resemblance to the BedSack J-board even more striking.[2]

Perfect Fit commenced suit on April 26, 1977. Its amended complaint, filed October 19, 1977, claimed that Acme's BedMate J-board infringed Perfect Fit's common law rights in its trade dress—specifically, in the BedSack J-board—and constituted a false designation of origin under § 43(a) of the Lanham Act.[3] Perfect Fit demanded injunctive relief, an accounting, and punitive damages.

At trial, Perfect Fit introduced evidence that Acme had deliberately copied Perfect Fit's J-board. The graphic artist hired by Acme testified, *inter alia*, that he had initially produced several designs of a J-board, none of which was acceptable to Acme; that an officer of Acme then gave him a Perfect Fit BedSack J-board, whereupon he designed the first BedMate J-board used by Acme; that in Acme's view the colors of this first J-board were not quite right, and that he thereupon designed the second J-board adopted by Acme, the colors of which were chosen by Acme and were closer to the colors of Perfect Fit's J-board; that he selected the type face for the Acme J-board from a book displaying one or two hundred type faces, and that his selection might have been a subconscious reaction to seeing the Perfect Fit J-board.

Perfect Fit also sought to prove that the BedSack J-board had acquired secondary meaning. This proof consisted solely of evidence of BedSack sales and advertising expenditures. No consumer surveys were offered, and no evidence was presented as to any instance in which a consumer actually mistook the BedMate for the BedSack.

After trial, the district court found that Perfect Fit's trade dress was "distinctive and memorable," and that the BedSack had become "very popular." It also found that Perfect Fit's and Acme's J-boards were "very similar," and "that Acme deliberately copied the insert being used by Perfect Fit." However, the court concluded that secondary meaning was a necessary element of a claim for relief under either § 43(a) or New York law, and found that Perfect Fit had failed to meet its burden of proof on the question of secondary meaning. The district court concluded:

> Since the court finds that Perfect Fit has failed to prove secondary meaning for its tradedress, the court need not reach the question of whether Perfect Fit proved that there was a likelihood of confusion between the two tradedresses.

[1] Thus, the district court entered judgment for Acme. This appeal followed.[4]

II

[2, 3] We conclude that under New York law, Perfect Fit was not required to prove secondary meaning in order to obtain relief from Acme's infringing trade dress. We also find that Perfect Fit made a sufficient showing of likelihood of confusion to warrant injunctive relief, but that it did not demonstrate entitlement to any other relief. We do not reach any of the other issues raised by the parties.

[4] Secondary meaning was originally a trademark concept designed to limit the extent to which a manufacturer could monopolize words and symbols that are useful in describing products. The doctrine holds

2. The bottom of each J-board bore the name of its manufacturer in small print.

3. Perfect Fit's original complaint raised a single claim of copyright infringement, involving a pattern of quilting which Perfect Fit had developed for its mattress pads. After this claim was dismissed, Perfect Fit filed its amended complaint alleging trade dress infringement.

Perfect Fit does not assert in this proceeding any claim of trademark infringement with respect to its mark BedSack, any claim of copyright infringement with respect to its J-board, or any claim of product simulation with respect to the mattress pads themselves.

4. Acme's answer to the amended complaint interposed four counterclaims, which remained pending after the dismissal of the complaint. Despite the fact that the judgment therefore was not "final," Fed.R.Civ.P. 54(b), so as to permit appeal pursuant to 28 U.S.C. § 1291 (1976), we have jurisdiction to hear the appeal under 28 U.S.C. § 1292(a)(1) (1976) since the judgment denied Perfect Fit's request for injunctive relief.

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that a descriptive or geographical mark receives protection against copying only if consumers have come to associate it with a particular manufacturer or source. When this association is established and the mark has thus acquired secondary meaning, a second comer is barred from using it because such use is virtually certain to create confusion in the public mind as to the source of the product. *See* J. T. McCarthy, *Trademarks and Unfair Competition* § 15.3 (1973).

When a manufacturer employs marks that are not descriptive, however, there is less need to prevent their monopolization, for there is an unlimited number of nonfunctional words and symbols available for use by later comers in the marketing of their products. Similarly, monopolization is not a problem in the realm of trade dress, because the possible varieties of advertising display and packaging are virtually endless. Thus, in this area New York law has concerned itself principally with whether or not the public is likely to be confused, rather than with whether the first comer's trade dress has acquired secondary meaning. *See Feathercombs, Inc. v. Solo Prods. Corp.*, 306 F.2d 251, 258 (2d Cir.), *cert. denied*, 371 U.S. 910, 83 S.Ct. 253, 9 L.Ed.2d 170 (1962); *Avon Periodicals Inc. v. Ziff-Davis Publishing Co.*, 282 App.Div. 200, 122 N.Y.S.2d 92 (1953), *aff'g* 27 Misc.2d 160, 113 N.Y.S.2d 737 (Sup.Ct.1952); *see also Noma Lites, Inc. v. Lawn Spray, Inc.*, 222 F.2d 716 (2d Cir. 1955); *International Latex Corp. v. Flexees, Inc.*, 281 App.Div. 363, 119 N.Y.S.2d 409 (1953); *Pharmaceuticals, Inc. v. United Whelan Corp.*, 22 Misc.2d 532, 197 N.Y.S.2d 22 (Sup.Ct.1959).

The teaching of these cases is that, in certain circumstances under New York law, an injunction will issue against confusingly similar trade dress, even though no secondary meaning is shown. In *Feathercombs*, for example, this Court stated as follows:

> "It is so easy for the honest business man, who wishes to sell his goods upon their merits, to select from the entire material universe, which is before him, symbols, marks and coverings which by no possibility can cause confusion between his goods and those of [his] competitors, that the courts look with suspicion upon one who, in dressing his goods for the market, approaches so near to his successful rival that the public may fail to distinguish between them." *Florence Mfg. Co. v. J. C. Dowd & Co.*, 178 F. 73, 75 (2 Cir. 1910).
>
> "In this circuit and others, numerous decisions have recognized that the second comer has a duty to so name and dress his product as to avoid all likelihood of consumers confusing it with the product of the first comer." *Harold F. Ritchie, Inc. v. Chesebrough-Pond's, Inc.*, 281 F.2d 755, 758 (2 Cir. 1960).

Solo contends, however, that Feathercombs' display did not acquire any secondary meaning and that the finding of unfair competition should be set aside. The reply to this is that there is no need for the display combination to acquire an extraordinary meaning; it need merely be distinctive enough to become recognized as "a public guaranty of origin and quality."

306 F.2d at 257-58. *See also Flexitized, Inc. v. National Flexitized Corp.*, 335 F.2d 774 (2d Cir. 1964), *cert. denied*, 380 U.S. 913, 85 S.Ct. 899, 13 L.Ed.2d 799 (1965), in which this Court held that the defendant's use of the plaintiff's trademark constituted unfair competition despite the invalidity of the mark and despite the conclusion that the mark had not acquired secondary meaning:

> [R]elief has been granted in New York in a wide variety of situations to insure that "one may not misappropriate the results of the skill, expenditure and labors of a competitor" . A doctrine particularly developed in New York is that of granting relief upon the theory of the misappropriation of a property right or a commercial advantage of another . . . Particularly where the defendant's conduct has involved a clear attempt to profit at the expense of the plaintiff, . . . New York courts have deemed the conduct to be unfair competition despite the

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fact that plaintiff's mark has not acquired a secondary meaning.

Id. at 781–82.

In the present case, by dint of its own skill, efforts and expenditures, Perfect Fit had gained a commercial advantage over Acme. The district court found that Perfect Fit's trade dress was distinctive and memorable, and that the BedSack had become very popular. Acme clearly sought to nullify Perfect Fit's advantage by copying its trade dress. The finding that Perfect Fit had failed to show that its dress had acquired secondary meaning, therefore, should not have foreclosed inquiry into whether the public was likely to be confused by the similarity of the trade dresses.

[5] In assessing the likelihood of confusion to the public, an important factor is whether or not the second comer created the similar trade dress intentionally. If there was intentional copying the second comer will be presumed to have intended to create a confusing similarity of appearance and will be presumed to have succeeded. *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058, 1060 (2d Cir. 1979); *Harold F. Ritchie, Inc. v. Chesebrough-Pond's, Inc.*, 281 F.2d 755, 758–59 (2d Cir. 1960); *American Chicle Co. v. Topps Chewing Gum, Inc.*, 208 F.2d 560, 562–63 (2d Cir. 1953); *G. H. Mumm Champagne v. Eastern Wine Corp.*, 142 F.2d 499, 501 (2d Cir.), *cert. denied*, 323 U.S. 715, 65 S.Ct. 41, 89 L.Ed. 575 (1944); *My-T Fine Corp. v. Samuels*, 69 F.2d 76, 77 (2d Cir. 1934), *Bristol-Myers Co. v. Approved Pharmaceutical Corp.*, 149 U.S.P.Q. 896 (N.Y.Sup.Ct.1966); *Restatement of Torts* § 729, comment *f* (1938).

In *American Chicle Co. v. Topps Chewing Gum, Inc., supra*, Judge Learned Hand stated as follows:

> [I]t is generally true that, as soon as we see that a second comer in a market has, for no reason that he can assign, plagiarized the "make-up" of an earlier comer, we need no more: for he at any rate thinks that any differentia he adds will not, or at least may not, prevent the diversion and we are content to accept his forecast that he is "likely" to succeed.

208 F.2d at 563. Judge Hand went on to quote from the *Restatement of Torts, supra*, which comments as follows:

> [O]ne may infringe another's trade-mark or trade name by adopting a confusingly similar designation whether he does so innocently or for the purpose of deceiving prospective purchasers. But his knowledge or purpose is an important factor in determining whether or not his designation is confusingly similar. . . . [I]f he adopts his designation with the intent of deriving benefit from the reputation of the trade-mark or trade name, his intent may be sufficient to justify the inference that there is confusing similarity. Since he was and is intimately concerned with the probable reaction in the market, his judgment manifested prior to the controversy, is highly persuasive.

[6] In the present case, the evidence and the district court's findings compel the conclusion that Acme's BedMate J-board was likely to confuse the public.[5] The finding that "Acme deliberately copied the insert being used by Perfect Fit," is amply supported by the evidence. Acme's artist testified that he tried several times before he had finally emulated the Perfect Fit J-board to Acme's satisfaction; Acme gave him a Perfect Fit J-board as a sample after his first efforts proved unacceptable. We further agree with the district court's finding that Perfect Fit's J-board was "distinctive and memorable," and that Perfect Fit's and Acme's J-boards are "very similar."[6] While there are some differences, such as

5. This conclusion is not altered by the district court's finding that after Acme copied the Perfect Fit J-board, Perfect Fit began to use, in addition to its original J-board, other, similar J-boards in supplying mattress covers to, for example, certain department stores.

6. Since this Court has been presented with photographs of the J-boards, it is in as good a position as the district court to determine whether they are confusingly similar. *Fur Information & Fashion Council, Inc. v. E. F. Timme & Son, Inc.*, 501 F.2d 1048, 1050–51 (2d Cir.), *cert. denied*, 419 U.S. 1022, 95 S.Ct. 498, 42 L.Ed.2d 296 (1974).

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the pattern of stitching of the mattress cover and the color of the border between the gold and silver portions of the "art deco" frame, it is the "combination of features as a whole rather than a difference in some of the details which must determine whether the competing product is likely to cause confusion in the mind of the public." *Pharmaceuticals, Inc. v. United Whelan Corp., supra*, 22 Misc.2d at 534–35, 197 N.Y.S.2d at 25. Looking at the packaging as a whole, we conclude that the dress adopted by Acme is indeed quite similar to that of Perfect Fit. Given the fact that Perfect Fit's product was "hot," and given Acme's assiduous efforts to copy Perfect Fit's dress and to cause the public to believe that BedMate was "the original," we reject any contention by Acme that public confusion was unlikely.

On the present record, therefore, Perfect Fit is entitled to injunctive relief against further use of the offending J-boards by Acme.

[7] At the same time, it is clear that Perfect Fit did not make out a case for monetary relief. There was no showing at trial that the similarities in trade dress resulted in actual confusion of consumers. Perfect Fit offered to prove that various retailers had confused BedSack with BedMate, advertising the latter while showing a picture of the former, or advertising the latter and seeking reimbursement therefor from Perfect Fit. These offers were properly rejected since none of the proffered exhibits involved the use of the J-boards or the J-board designs, and there was no proof that the retailers' confusion derived from the similarity of the J-boards. Even had Perfect Fit adduced admissible evidence of confusion on the part of retailers, however, such evidence would not have shown actual confusion of the public but only the likelihood of such confusion. In the absence of proof of actual confusion of consumers, Perfect Fit is not entitled to damages or an accounting. *G. H. Mumm Champagne v. Eastern Wine Corp., supra.*

Accordingly, we affirm so much of the district court's decision as denied the claim for an accounting and damages, but reverse the judgment dismissing the complaint and remand so an injunction may be entered.

CITY OF NEW HAVEN, CONNECTICUT, Petitioner,

v.

CIVIL AERONAUTICS BOARD, Respondent,

Eastern Air Lines, Inc., Allegheny Airlines, Inc., Intervenors.

No. 153, Docket 79–4100.

United States Court of Appeals, Second Circuit.

Argued Oct. 3, 1979.

Decided March 3, 1980.

On petition for review of an order of the Civil Aeronautics Board which declined to prohibit intervenor air carriers from suspending service to New Haven, Connecticut, the Court of Appeals, Kearse, Circuit Judge, held, inter alia, that: (1) under the 1978 amendments to the Federal Aviation Act, intervenor carriers were entitled, upon giving 90 days' notice of intent to do so, to suspend service at New Haven, Connecticut, unless the suspensions "reasonably appear[ed] to deprive" New Haven of "essential air transportation"; (2) although the Board, in determining whether proposed suspensions of service would deprive New Haven of "essential air transportation", did not use the precise words of pertinent statutory provision, the Board made the finding required by statute; and (3) the Board did not act in an arbitrary or capricious manner in determining that the proposed terminations of service did not "reasonably appear" to deprive New Haven of "essential air transportation."

Petition denied.

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Exhibit 2

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LEVEL 1 - 2 OF 49 STORIES

Copyright 1992 International Herald Tribune
International Herald Tribune

October 2, 1992

SECTION: FEATURE

LENGTH: 1147 words

HEADLINE: The Hong Kong Cigar Divan

BYLINE: Laurence Zuckerman

DATELINE: HONG KONG

BODY:

- "There is a direct relationship between the size of the cigar and the size of the smoker," says Abel Gonzalez, explaining the proper way to match man and cigar. "A very big man doesn't look good with a small cigar."

With his close-cropped wiry hair, easy smile and thick mustache, Gonzalez, who claims to be the first Cuban to be issued a business visa to Hong Kong, looks right holding any sized cigar.

A 12-year veteran at Cuba's state tobacco monopoly, Gonzalez, 33, was recently lured to Hong Kong to help revive a nearly extinct 19th-century tradition. Before there were smoke shops and kiosks, gentlemen patronized local bars called cigar divans, where they gossiped with friends and savored a smoke over an espresso or a stiff drink.

Now, at the recently opened Cohiba Cigar Divan in a tiny room off the lobby of the Mandarin Oriental Hotel, well-heeled capitalists can linger with a Montecristo or a Partagas, sip a "mojito," a mixture of rum and mint tea.

The story goes that, after Castro came to power in 1959, he appointed Che Guevara to head the state tobacco monopoly. The revolutionary immediately set out to create the world's finest cigar. Two years later, the Cohiba - the Indian word for tobacco - was born.

Selected from a blend of the country's highest quality leaf fermented three separate times by a special process, Cohibas are rolled at a mansion on the outskirts of Havana that once belonged to the Marquesa de Pinar del Rio.

"To a cigar lover, smoking a Cohiba is a moment to savor. It gives the same kind of satisfaction as a wonderful glass of Chateau Lafite-Rothschild does to a wine lover or a superb main course at a Michelin three-star restaurant does to a gourmet," crooned Cigar Aficionado magazine in a recent review that rated the Cohiba Esplendido and Robusto the world's best.

Until 1982, Cohibas were the preserve of Cuba's elite, presented only to such dignitaries as King Juan Carlos I of Spain, Queen Elizabeth II and President Saddam Hussein of Iraq. The closest a layman could get was the Davidoff brand, which was rolled in the same workshop.

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Recently, however, Davidoff and Cubatabaco, the state monopoly, severed their long relationship. Spotting an opportunity, the Hong Kong entrepreneur David Tang secured the exclusive franchise to distribute Cuban cigars in Asia, Australia and the South Pacific.

A lover of fine art and style with a circus master's flair for marketing, Tang designed the Cohiba Cigar Divan to be the first of what he hopes will become a chain of franchises in the region.

The space, though not much larger than the bath in one of the Mandarin's luxury suites, is decorated in an eclectic Cuban style, with Spanish tile, Mediterranean wall paintings and hand-painted reproductions of classic cigar bands.

Five-foot (1.5-meter) high wood humidors holding more than 75,000 cigars flown from Cuba line the walls. A Dali from Tang's personal collection hangs behind the bar; a bust of Tang himself - cigar held in disembodied hand - sits on a nearby shelf. But it is a black-and-white photograph of Guevara that has pride of place, hanging directly above the cash register.

IN the Divan's carefully calibrated climate, which is held at a constant humidity and temperature, patrons are offered 15 contemporary Cuban brands as well as a selection from Tang's private collection of vintage pre-Castro cigars dating back to the early 1940s. A special brand of Partagas is on sale in a hand-made tortoise-shell box. Tang also provides clients with the option of having their image reproduced on specially designed cigar bands, another fading tradition he hopes to revive.

"It's nice to see your face on there every morning, and then peel it off," he said.

Gonzalez plays the role of majordomo, offering advice to the clientele and carefully monitoring the stock. "If you have really good conditions, any cigar will be good. But in bad conditions even the best brand is terrible. It's a waste," he says, sucking deeply on a Bolivar brand.

"I am a bad boy. I cannot resist inhaling," he confessed.

Explaining the finer points of cigar smoking to a tyro, Gonzalez waved off a request for a Cohiba, which sells for between $23 and $26 each. " Cohiba is a cigar for a special moment," he said.

Just then, a tall, smartly dressed young man no more than 25 entered the shop. After attending to him, Gonzalez returned to his seat. "He comes in twice every day for Montecristo No. 2. We call it 'the Torpedo' because of its shape," he said. "That guy, he loves cigars."

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Exhibit 3

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LEVEL 3 - 1 OF 28 STORIES

Copyright 1992 The Financial Times Limited;
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November 11, 1992, Wednesday

SECTION: Commodities and Agriculture; Pg. 32

LENGTH: 1297 words

HEADLINE: Cuba fumes over Havana name-game - Frank Gray reports on a legal battle over famous cigar brands

BYLINE: By FRANK GRAY

BODY:

CUBATABACO, the state company responsible for supplying Cuba's famous Havana hand-made cigars, is locked in an angry dispute with its largest customer, Tabacalera, the Spanish state cigar giant.

Tabacalera, which owns the three Havana marques, Upmann, Montecristo and Larranaga, has withdrawn those brands from several key European markets, notably France, as a result of litigation started in the 1980s by the three brands' former owners, Cuban Cigar Brands (Curacao) of the US. Tabacalera bought the brands from the US group a few years ago and carried the case forward in the French courts.

The French court ruled last summer that Tabacalera's French counterpart, Seita, could no longer sell the Cuban-made brands in France. According to Cubatabaco officials, this has caused a row between it and Tabacalera that could see the withdrawal of the same three marques from other markets.

Spain last year imported 28m cigars from Cuba, more than a third of its 80m exports. Mr Francisco Padron, head of Cubatabaco, said in an interview that Cuba was prepared to resume exporting the same three marques to France but with different labels 'as early as next year'. It might resume sales to Spain as well, Mr Padron said, but this would require the setting up of an independent importing agency in Spain and aggravating already tense relations with Tabacalera.

Cubatabaco was in discussions with Tabacalera over the impasse. 'They are being difficult, but they are no longer a complete monopoly. This means we can be an importer into Spain,' Mr Padron said. 'Tabacalera's profits from Havana cigar imports are too big for our taste, even though it is our biggest market, although our supplies have slipped from 34m a few years ago to 28m last year.

' The nub of the dispute is the fact that the three marques, of which Upmann and Montecristo are by far the most famous, are produced in other cigar -manufacturing countries, such as the Dominican Republic (as are numerous other famous Havana marques such as Partagas and Romeo y Julieta, though these are not, as yet, subjects of litigation) .

This anomaly arose in the 1960s following the Cuban revolution and the subsequent expropriation of the famous cigar companies. Many cigar company proprietors switched production offshore but did not have the economic clout to raise a lawsuit against Cuba over the continued production within Cuba of the

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same brands. This only became possible when the US group took control of some of the offshore brands, which has now moved to Tabacalera. Tabacalera controls the brand names for all markets outside the US.

The sale side-by-side in some overseas markets of Havana and non-Havana cigars bearing the same labels is creating market ambiguity, say Cubatabaco officials, and diverts attention from the acknowledged supremacy of Havana cigars.

This has prompted Cubatabaco to undertake new strategies in Europe to boost sales and broaden its revenue base. A few years ago, a Swiss holding company was established by Cubatabaco to take a minority stake in importing companies, such as Coprova of France, a small competitor to Seita, and Hunters and Frankau of the UK, the prime UK importer.

Mr Padron said that strategy was being expanded to include the establishment of Havana Houses in certain markets. These were franchise retail outlets, which would be supplied by Cubatabaco-approved suppliers. One had been set up in Cancun, Mexico, he said, another was planned for next year in Paris and a so-called Cohiba Divan had been established in Hong Kong. Others were being considered for Tokyo and the Middle East.

A third element of the strategy is beefing up production of Cuba's post-revolution 'own brand' the top marque Cohiba cigar, partly to fill the void created by the departure of Swiss-based Davidoff from the Havana market into Dominican Republic cigars.

Cubatabaco last week used the occasion of the Fifth Centenary Anniversary Conference in Havana celebrating Christopher Columbus's discovery of tobacco (for it was in Cuba that the explorer saw Indians smoking rolled up tobacco leaves on his first voyage) to display the latest range of Cohiba cigars. These, at least, will be exempt from brand-ownership disputes abroad, officials point out.

One official noted that, for its part, Cuba had successfully caused the withdrawal of 50 brands from the international market place for erroneously claiming to be Havana cigars.

Mr Padron acknowledged that the Cuban tobacco industry was undercapitalised. 'We are having good crops, but the problems are in the fields (58,000 hectares were under cultivation). We are suffering investment shortages,' he said, 'some of which have been caused by the collapse of Comecon.

' Cuba, he said, was supplying 10m-11m mainly machine-made cigars a year into eastern Europe, partly paid for through barter arrangements, but this had been shaken up. Cuba now was having to reorientate itself to the eastern European markets, through the setting up of 'joint accounts' in all the region's capital cities.

Of total sales last year of 250m cigars, 80m were exported. Export revenues for all Cuban tobacco was Dollars 115m, of which about Dollars 75m came from cigars, he said.

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Exhibit 4

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Copyright 1989 The Financial Times Limited
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February 17, 1989, Friday

SECTION: SURVEY; Pg. 38

LENGTH: 1419 words

HEADLINE: Cuba 6;
A Glow In The Havana Trade

BYLINE: Frank Gray

BODY:

For cigar smokers, the date of March 2, 1961 is, to borrow a phrase from Franklin Roosevelt, "a day that will live in infamy."

It was on that date that President Kennedy of the US, in office just six weeks, announced the imposition of an immediate ban on all imports from Cuba, then at the height of its anti-capitalist, revolutionary fervour, marked by wholesale nationalisations without compensation of virtually all its industries, many of which were US-owned.

The trade embargo meant an immediate stoppage of shipments to the US of such Cuban staples as sugar, refined petroleum products, nickel, rum, tobacco and the product for which the island republic is most famous, hand-rolled cigars. Mr Pierre Salinger, the president's ebullient press secretary, now head of the US ABC News network in London, recalls that momentous day as if it were yesterday.

"The president called me into his office one night and said: 'I need 1,000 cigars fast. Go out and see what you can do before tomorrow morning.' He smoked petite Upmann cigars at the time, and didn't say why he needed them. I saw him the following morning and told him: 'I did better than expected. I've got you 1,200.' He thanked me, then took of out of his drawer the Cuban trade decree."

An early example of insider trading at the highest level, perhaps, but 28 years later, the trade embargo is still rigidly enforced; with few government-approved exceptions, no Cuban goods may officially enter the US. Unofficially, it is another matter. For decades, cigar merchants abroad, especially in the UK, Canada, Spain, France and Switzerland, have been deriving a substantial portion of their earnings from US tourists.

The merchants will now package Havanas anonymously, removing incriminating cigar bands and steaming or burning off cigar box labels. "Just tell New York customs that they're from the Canary Islands," they counsel their American customers, and occasionally admit to inquisitive journalists, though never for attribution.

There is no telling just how much this business is worth, but that it goes on is proof positive that the Cuban cigar industry did not collapse as a result of the loss of its biggest foreign market.

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Indeed, despite the emergence of the anti-smoking lobby, the trade is in surprisingly good health after some admittedly bad years, not helped by the decision five years ago by President Castro to give them up - a serious blow by any standards to the export efforts of a country badly in need of public relations.

Mr Francisco Padron, the head of Cubatabaco, the state monopoly, said in a interview in London recently that the country was producing 300 m cigars a year, most of them hand-made. That is about what was produced before the revolution. Spain, Cuba's colonial master from the days of Columbus until independence in 1898, remains by far the biggest importer, taking some 30 m a year, followed by Switzerland at 10 m, France at 9 m and the UK 5 m. Mr Padron claimed that some 1 m a year sold in Moscow find their way into the diplomatic pouches of US embassy officials.

A total of 80 m cigars are exported yearly, not to mention millions more sold at Cuba's dollar shops to tourists. In all, the trade is worth about Dollars 50 m a year in hard currency to Cuba's troubled exchequer.

Until the early 1980s, Cubatabaco had left the responsibility for marketing entirely in the hands of foreign importers, such as the Tabacalera monnpoly in Spain, the Regie de Tabac in France and a core of individual importers such as Hunters & Frankau, Joseph Samuels and Knight Brothers in the UK and Davidoff and Gerard Pere et Fils in Switzerland. In recent years, Cubatabaco has undertaken what for it is an aggressive, selective campaign in the West. "We are only just beginning to learn about marketing," says Mr Padron.

This is good news to importers, who well recall the tough times the trade went through in the years following the revolution of 1959.

The impact of the revolution was not immediately felt, and the Castro regime went through an 18-month honeymoon lasting before its nationalisation intentions became clear. As a result, the halcyon days of the cigar trade in the 1950s looked like extending into the 1960s.

As historian Hugh Thomas points out in his book, The Cuban Revolution, some 350 m cigars were smoked in Cuba and another 40 m or so were exported in 1957. Tobacco was grown on a quarter of all farms. Workers in tobacco factories numbered 35,000, and there were 50,000 tobacco selectors and 8,000 twisters of leaf. Farmers included, the sector employed 130,000.

The cigar trade produced about 1,000 different brands, many of them "own label" marques for specific clients, including many of the world's famous restaurants, such as Rules in London. According to US trade figures, the US imported 11 m cigars in 1949, and the US itself produced 141.5 m cigars made from Cuban tobacco. The import figure rose to 28 m by the end of the Batista regime.

The industry was dominated by American-owned groups, among them the Cuban Land and Leaf Tobacco Company and the American Tobacco Trust, now American Brands, proprietors of such famous, and now passe, marques as La Corona and Henry Clay. Even well-heeled individuals, such as film magnates Sir Alexander Korda and Daryl Zanuck of Twentieth Century-Fox, teamed up to buy a piece of the action to feed their enormous consumption, reckoned to be two boxes a day between them.

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The big cigar producers before the revolution were Menendez Garcia, Cifuentes, Tabacos Rey del Mundo, J Palacio, Tabacalera Moya and Romeo y Julieta, the last brand being the favoured marque of Sir Winston Churchill.

All of this came to an end with enforced collectivisation, under the supervision of Ernesto "Che" Guevara, who took control of the industry in the early 1960s. It was not a pleasant time. Importers found their supplies drying up, and began to turn to other sources, such as Jamaica and the Philippines. In more recent years, other locations such as the Dominican Republic, Honduras, Brazil, Puerto Rico and Florida have moved into the field, where their cigar production is almost invariably dominated by expatriate Cubans.

The refugee problem immediately savaged the Havana cigar trade, as did the new Government's proposal that all the famous old brands be scrapped in favour of a generic "people's" cigar. Pressure from importers and recognition by the Government that it could not sustain a prolonged loss in hard currency earnings from the Havana trade persuaded it to maintain several dozen of its most famous names.

The long, slow road to recovery got under way in the 1970s, though it was not helped by serious crop losses at the end of the decade caused by the "blue mold" epidemic. As importers will attest, sailing has been much smoother in the 1980s, and the Havana cigar trade has in effect regained its supremacy over "made-by-Cubans" imposters from neighbouring states.

That is, except for the US, which relies exclusively on non-Cuban hand-mades, many of them bearing famous names such as Upmann and Partagas, though without the critical Cuban Government seal of authenticity. European importers acknowledge that there could be a shortage of Havanas should trade peace break out between the US and Cuba after 28 years of embargo. There will certainly be a loss of US tourist custom this side of the Atlantic and there would be a wrangle over brand names. Only a few brands, such as Bolivar, Romeo y Julieta, Davidoff and Dunhill, are protected Cuban marques. Dunhills in London recently stepped up its imports of Havanas and, among all brands, is probably best poised to serve the US market if the barriers come down.

Meanwhile, Cubatabaco is devoting its attention to protecting the trade name of Cuban tobacco and promoting its image. It has taken out some 80 legal actions against misuse of the name and counterfeit operations (especially filling the shelves of duty-free shops). Of these actions 40 have been settled out of court. The company is also reviewing its European retail activities in the light of 1992, trying to ensure more direct control of distribution.

Mr Padron of Cubatabaco says Havana would welcome a revival of US trade but adds: "As for the problem of the different brands, such is not for us to solve. The Europeans, who supported us through these difficult years, would continue tc get priority treatment - the US could have whatever is left over."

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EXHIBIT 4A

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256-4056

TABLE III - SUMMARY OF REGISTRATION OWNERSHIP IN EEC FOR FLOR DE CANO AND COHIBA
(Guide to International Classes Is Attached)

	Benelux	Denmark	France	Germany	Greece	Ireland
COHIBA						
1. Tobacco Class	ECDT (2)	ECDT (2)	ECDT (2)	(a) Reemstma Cigarenfab-GmbH (regd.) *(ass'd. to ECDT)* (b) ECDT (pending)	ECDT	ECDT (2) *(pending)*
2. Other Classes	No Registration	No Registration	(a) Robert Camps (Int. Cls. 3,18,30,32,33) (b) Papaya S.A. (Int. Cls. 35 and 42)	No Registration	No Registration	ECDT (Int. Cls. 14,18,20,25,28,30,33)
FLOR DE CANO						
1. Tobacco Class	No Registration	No Registration	ECDT (2)	ECDT (2 *pending*)	No Registration	No Registration
2. Other Classes	No Registration	No Registration	No Registration	No Registration	No Registration	No Registration

	Italy	Portugal	Spain	U.K.	Int'l (Madrid Arrangement)
COHIBA					
1. Tobacco Class	ECDT (4)	ECDT *(1 reg'd., 1 pending)*	*(a) ECDT (2)* *(b) Juan C. Barrachina (appl. abandoned)*	ECDT	No Registration
2. Other Classes	ECDT (Int. Cl. 14)	No Registration	No Registration	ECDT (Int. Cls. 14,18,20,25,28,30,33)	No Registration
FLOR DE CANO					
1. Tobacco Class	ECDT *(voluntarily cancelled)*	No Registration	Commercial Ibero Americana S.A. (2 pending)	ECDT (LA FLOR DEL CANEY)	*(a)* G. Van Schuppens Rittmeister (FLOR DE CABANA, for Benelux, Germany and France) *(b) American Cigarette Company (Overseas) Ltd. (JUAN SEB. DEL CANO, for Germany) (EL CANO, see Table V for countries)*
2. Other Classes	No Registration	No Registration	No Registration	No Registration	No Registration

2/6/92 16:00

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246-4056

REVISED TABLE I - SUMMARY OF REGISTRATION OWNERSHIP IN EEC IN CIGAR AND TOBACCO CLASSES

	PARTAGAS	S. BOLIVAR	UPMANN*	MONTE CRISTO	R. ALLONES	CIFUENTES	CANARIA D'ORO
Benelux	Internacional Cifuentes, S.A. (2)	ECDT	(a) CCB, N.V. (3) *(b) H. Upmann & Co. (Intl. Reg.) (different design than (a))* (c) *H. Upmann & Co. (Intl. Reg.)* +	(a) CCB, N.V. (b) ECDT (2)	No Registration	No Registration	ECDT
Denmark	Cifuentes y Cia.	Walters & Co. (Havana) Ltd.	CCB, N.V.	CCB, N.V.	No Registration	No Registration	No Registration
France	(a) Cifuentes y Cia. (b) Internacional Cifuentes, S.A.	ECDT	(a) Menendez, Garcia y Cia., Ltda. (b) CCB, N.V. (c) Cadena Claassen B.V. + (d) *H. Upmann & Co. (Intl. Reg.)* (e) *H. Upmann & Co. (Intl. Reg.)* + (f) *Carl Upmann Cigarenfabr.* +	(a) Menendez, Garcia y Cia., Ltda. (b) CCB (c) Claude Coca *(pending)* (d) *ECDT*	(a) Cifuentes y Cia. (b) Internacional Cifuentes, S.A.	ECDT-Cubatabaco	ECDT
Germany	*(a) ECDT-Cubatabaco (pending)* *(b) Int'l Cifuentes, S.A.*	Walters & Co. (Havana) Ltd.	*(a) CCB, N.V. (pending) (des.)* *(b) Menendez, Garcia y Cia., Ltda. (same design) - ass'd. to ECDT* *(c) H. Upmann & Co. (diff. design)* *(d) H. Upmann & Co. (Intl. Reg.)* +	*(a) ECDT-Cubatabaco (pending)* (b) CCB, N.V. *(c) Menendez, Garcia y Cia., Ltd. - ass'd. to ECDT (wldes.)* *(d) Dannemann Cigarrenfarik GmbH (2)*	(a) ECDT-Cubatabaco *(b) Int'l Cif., S.A. (wldes.)*	ECDT-Cubatabaco (2)	No Registration
Greece	Internacional Cifuentes, S.A.	No Registration	ECDT	No Registration	No Registration	No Registration	No Registration
Ireland	(a) Cifuentes y Cia. (b) ? (pending)	J. Samuel & Son, Ltd.	Menendez, Garcia y Cia., Ltda.	CCB, N.V.	Cifuentes y Cia. (2)	No Registration	No Registration
Italy	*(a) Cifuentes y Cia. - ass'd. to Int'l Cif.* (b) Internacional Cifuentes (pending; claims ownership of "(a)")	*(a) Walters & Co. (Havana) Ltd. - ass'd. to ECDT* (b) ECDT-Cubatabaco (2)	*(a)* CCB, N.V. (b) Menendez, Garcia y Cia., Ltda. - ass'd. to CCB *(c) V. Sigarenfabr. Cadena Claassen* *(d) H. Upmann & Co. (Intl. Reg.)* *(e) H. Upmann & Co. (Intl. Reg.)* + *(f) Carl Upmann Cigarenfabr.* +	*(a) Menendez, Garcia y Cia., Ltda. (2) - ass'd to CCB* (b) CCB (2)	Cifuentes y Cia. (2)	ECDT-Cubatabaco (2)	Cubatabaco
Portugal	(a) ECDT-Cubatabaco (pending) *(b) Cifuentes y Cia. (reg. lapsed)*	ECDT-Cubatabaco (pending)	(a) Menendez, Garcia y Cia., Ltda. (b) *H. Upmann & Co. (Intl. Reg.)* +	CCB, N.V.	*(a) Cifuentes y Cia. (lapsed)* *(b) ECDT - pending*	No Registration	ECDT-Cubatabaco
Spain	(a) D. Ramon Cifuentes Llano and D. Francisco Paso Pita (regd.): *ass'd. to Int'l Cif.* (b) Commercial Ibero Americano S.A. (pending)	D. Leopoldo Heredia Vilches - *ass'd. to Intl. Cif.*	(a) H. Upmann & Co. (Intl. Reg.) + *(b) H. Upmann & Co. (Intl. Reg.) (cancelled)* *(c) Commercial Ibero Americano S.A. (1 abandoned appl., 1 pending)*	Particulares, S.A. *(ass'd to CCB) (appeal pending)*	(a) Cifuentes, Pego y Cia. (regd.) - *ass'd. to Intl. Cif.* (b) Comercial Ibero Americano S.A. (pending)	Cifuentes, Pego y Cia. *(2) - ass'd. to Intl. Cif.*	*ECDT (abandoned)*
U.K.	Messrs. Rafael, Ramon and Manuel Cifuentes Tonello (2)	J. Samuel & Son, Ltd. (1 regd., 3 pending)	ECDT	ECDT	(a) Messrs. R. R. and M. Cifuentes Tonello (b) Cifuentes y Cia.	No Registration	*ECDT*
International (Madrid Arrangement)	No Registration	No Registration	(a) H. Upmann & Co. *(see Table V for countries)* (b) H. Upmann & Co. (Spain) + *(ditto)* (c) Carl Upmann Cigarenfabr. + *(ditto)*	No Registration	No Registration	No Registration	No Registration

ABBREVIATIONS
ECDT - Empresa Cubana Del Tabaco
CCB - Cuban Cigar Brands

NOTES
* - H. UPMANN, unless otherwise indicated
+ - CARL UPMANN

February 6, 1992 1550

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Exhibit 5

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LEVEL 1 - 24 OF 49 STORIES

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March 15, 1990, Thursday, BC cycle

LENGTH: 236 words

HEADLINE: CUBA, DAVIDOFF CIGAR PARTNERSHIP ENDS IN ROW

DATELINE: GENEVA, March 15

KEYWORD:
SWISS-CIGARS

BODY:
Elite cigar-maker Davidoff, supplier to the rich and the titled, ended its partnership with the state-owned Cuban company Cubatabaco on Thursday, citing the declining quality of its tobacco as the main reason.

"This decision had to be taken because Cubatabaco is obviously no longer in a position nor does it want to satisfy Davidoff's demand for top quality and an end to the export to Davidoff cigars on parallel markets," Davidoff said in a statement.

The Swiss-based firm left the door open to a possible resumption of their 40-year agreement,saying it might reconsider its decision if Cubatabaco was in a position to resume the supply of top quality cigars.

The row had been smouldering since 1988 when Davidoff said it had been forced to return thousands of cigars to Cuba, complaining they were of poor quality.

The Swiss company, founded by Russian-born Zino Davidoff, was peeved when Cubatabaco launched what it said was an even better cigar than the ones they supplied to Davidoff, the Cohiba.

Several rounds of talks between top officials of Davidoff and Cubatabaco last October failed to settle the dispute.

The statement said that whatever the reasons for the poor quality of Cuban cigars no immediate improvement was in sight.

And it warned customers that only those cigars whose wrappings stated "quality controlled by Davidoff et Cie-Geneve" responded to its high quality criteria.

SUBJECT:
LIFESTYLE; COMPANY NEWS

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Exhibit 6

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LEVEL 1 - 29 OF 49 STORIES

Copyright 1989 Reuters

October 13, 1989, Friday, AM cycle

LENGTH: 372 words

HEADLINE: CUBA, DAVIDOFF TO HOLD TALKS IN SMOKING CIGAR DISPUTE

BYLINE: By Marc Niederhauser

DATELINE: PARIS

KEYWORD:
FRANCE-CIGARS

BODY:
The state Cuban tobacco company Cubatabaco and elite cigar maker Davidoff will meet next week in a last-ditch attempt to end a bitter dispute over trademarks and tobacco quality.

Francisco Padron, president of Cubatabaco, told a news conference Friday the battle started when Davidoff canceled its contract for Havana cigars in September 1988, saying their quality had taken a nose dive.

Davidoff board director George Sehelker said from the firm's headquarters in Basle, Switzerland said the meeting would take place next week. He did not elaborate.

Cubatabaco says its hand-wrapped cigars, some costing as much as $50 each, have not declined in quality. It accuses the Swiss cigar maker of marking up prices, making them 25 percent more expensive than similar brands.

Sehelker said legal action has been started against Cubatabaco to stop it using the Davidoff trademark in West Germany, Switzerland and The Netherlands.

But the agreement between Cuba and Davidoff says any legal disputes must be settled in British courts.

Davidoff in 1988 charged that it had been forced to return thousands of inferior cigars to Havana. The company said it has even had to burn 130,000 of them.

The Swiss company, founded by Russian-born emigre Zino Davidoff, was peeved when Cubatabaco launched what it said was an even better cigar than the ones supplied to Davidoff, the Cohiba.

Davidoff say that under its contract, Cubatabaco pledged to supply them with their best tobacco.

But Padron, in Paris to promote the new cigar, said it was a coincidence that the first Cohiba cigars were launched when Davidoff's first complaints were registered.

The argument between Cuba and Davidoff involves the top of the range "Chateaux de Davidoff" cigars, and has not affected sales of other Davidoff

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GCP 0089.189

Reuters, October 13, 1989

Havanas.

But the battle involves the sale of some three million cigars annually.

Padron, saying "a Havana is more than a Davidoff," said the Cuban company and Davidoff had split the trademark rights in various countries around the world, and that the Swiss company had no automatic right to use the name Davidoff.

"They say that the trademark Davidoff belongs to them. We say that is not the case. It belongs to us," said Padron.

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Exhibit 7

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LEVEL 1 - 2 OF 49 STORIES

Copyright 1992 International Herald Tribune
International Herald Tribune

October 2, 1992

SECTION: FEATURE

LENGTH: 1147 words

HEADLINE: The Hong Kong Cigar Divan

BYLINE: Laurence Zuckerman

DATELINE: HONG KONG

BODY:

- "There is a direct relationship between the size of the cigar and the size of the smoker," says Abel Gonzalez, explaining the proper way to match man and cigar. "A very big man doesn't look good with a small cigar."

With his close-cropped wiry hair, easy smile and thick mustache, Gonzalez, who claims to be the first Cuban to be issued a business visa to Hong Kong, looks right holding any sized cigar.

A 12-year veteran at Cuba's state tobacco monopoly, Gonzalez, 33, was recently lured to Hong Kong to help revive a nearly extinct 19th-century tradition. Before there were smoke shops and kiosks, gentlemen patronized local bars called cigar divans, where they gossiped with friends and savored a smoke over an espresso or a stiff drink.

Now, at the recently opened Cohiba Cigar Divan in a tiny room off the lobby of the Mandarin Oriental Hotel, well-heeled capitalists can linger with a Montecristo or a Partagas, sip a "mojito," a mixture of rum and mint tea.

The story goes that, after Castro came to power in 1959, he appointed Che Guevara to head the state tobacco monopoly. The revolutionary immediately set out to create the world's finest cigar. Two years later, the Cohiba - the Indian word for tobacco - was born.

Selected from a blend of the country's highest quality leaf fermented three separate times by a special process, Cohibas are rolled at a mansion on the outskirts of Havana that once belonged to the Marquesa de Pinar del Rio.

"To a cigar lover, smoking a Cohiba is a moment to savor. It gives the same kind of satisfaction as a wonderful glass of Chateau Lafite-Rothschild does to a wine lover or a superb main course at a Michelin three-star restaurant does to a gourmet," crooned Cigar Aficionado magazine in a recent review that rated the Cohiba Esplendido and Robusto the world's best.

Until 1982, Cohibas were the preserve of Cuba's elite, presented only to such dignitaries as King Juan Carlos I of Spain, Queen Elizabeth II and President Saddam Hussein of Iraq. The closest a layman could get was the Davidoff brand, which was rolled in the same workshop.

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Recently, however, Davidoff and Cubatabaco, the state monopoly, severed their long relationship. Spotting an opportunity, the Hong Kong entrepreneur David Tang secured the exclusive franchise to distribute Cuban cigars in Asia, Australia and the South Pacific.

A lover of fine art and style with a circus master's flair for marketing, Tang designed the Cohiba Cigar Divan to be the first of what he hopes will become a chain of franchises in the region.

The space, though not much larger than the bath in one of the Mandarin's luxury suites, is decorated in an eclectic Cuban style, with Spanish tile, Mediterranean wall paintings and hand-painted reproductions of classic cigar bands.

Five-foot (1.5-meter) high wood humidors holding more than 75,000 cigars flown from Cuba line the walls. A Dali from Tang's personal collection hangs behind the bar; a bust of Tang himself - cigar held in disembodied hand - sits on a nearby shelf. But it is a black-and-white photograph of Guevara that has pride of place, hanging directly above the cash register.

IN the Divan's carefully calibrated climate, which is held at a constant humidity and temperature, patrons are offered 15 contemporary Cuban brands as well as a selection from Tang's private collection of vintage pre-Castro cigars dating back to the early 1940s. A special brand of Partagas is on sale in a hand-made tortoise-shell box. Tang also provides clients with the option of having their image reproduced on specially designed cigar bands, another fading tradition he hopes to revive.

"It's nice to see your face on there every morning, and then peel it off," he said.

Gonzalez plays the role of majordomo, offering advice to the clientele and carefully monitoring the stock. "If you have really good conditions, any cigar will be good. But in bad conditions even the best brand is terrible. It's a waste," he says, sucking deeply on a Bolivar brand.

"I am a bad boy. I cannot resist inhaling," he confessed.

Explaining the finer points of cigar smoking to a tyro, Gonzalez waved off a request for a Cohiba, which sells for between $23 and $26 each. " Cohiba is a cigar for a special moment," he said.

Just then, a tall, smartly dressed young man no more than 25 entered the shop. After attending to him, Gonzalez returned to his seat. "He comes in twice every day for Montecristo No. 2. We call it 'the Torpedo' because of its shape," he said. "That guy, he loves cigars."

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Exhibit 8

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LEVEL 1 - 30 OF 49 STORIES

Proprietary to the United Press International 1989

October 10, 1989, Tuesday, BC cycle

SECTION: Domestic News

LENGTH: 151 words

HEADLINE: Quirks in the News

DATELINE: PARIS

KEYWORD: Quirks

BODY:

Cohiba, the cigar that gained world fame hanging from the lips of Cuban leader Fidel Castro, will soon be sold in France for the first time, officials say.

The cigar company Coprova will soon begin marketing the most prestigious of Cuban cigars in France, which is a leading importer of Havana-rolled cigars, officials announced Monday.

Cohiba was born in 1968, when Fidel Castro asked the state company Cubatabaco to create a unique cigar. Avelino Lara, the creator of Davidoff cigars, was commissioned to fulfill the Caribbean island nation leader's request.

Lara selected the best tobacco leaves from 10 farms in Cuba's rich Vuelta Abajo tobacco region. Cohiba cigars are rolled by some 100 women in the El Laguito Palace.

The first Cohibas appeared in 1974 and were reserved for Castro and his prestigious guests. In 1982 they were exported to Spain and then sold in airport duty free shops.

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Exhibit 9

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LEVEL 3 - 2 OF 28 STORIES

Copyright 1992 Reuters, Limited
The Reuter Library Report

November 5, 1992, Thursday, BC cycle

LENGTH: 224 words

HEADLINE: CUBA MARKS EUROPEAN DISCOVERY OF TOBACCO SMOKING WITH NEW CIGAR

DATELINE: HAVANA, Nov 5

KEYWORD:
CUBA- CIGAR

BODY:
Cuba, producer of world-famous hand-rolled cigars, has launched a new line to commemorate the 500th anniversary of the discovery of tobacco-smoking in the Americas by Spanish explorers.

The new line of luxury cigars, named ''1492,'' was presented to international cigar buyers and connoisseurs in Havana on Wednesday night by Francisco Padron, director of the state tobacco company Cubatabaco.

Historians say November 4, 1492, was the day when Rodrigo de Xerez and Luis de Torres, two Spaniards who had sailed with Christopher Columbus on his voyage of discovery, first saw local Taino Indians smoking twisted rolls of tobacco near Gibara in north-eastern Cuba.

Cubatabaco's ''1492'' line will be sold in five different sizes under the existing ''Cohiba'' brand name. ''Cohiba'' is a derivation from the original native Indian name for cigars.

Cubatabaco officials said they had sought to improve the aroma of the ''1492'' cigars by putting the tobacco used to make them through an extra fermentation process.

The launching of the new line formed part of Cubatabaco's efforts to boost world sales of its Havana cigars, which are exported to more than 80 countries and are an important source of hard currency for the communist-ruled island. Padron said Cuba's export sales of cigars and tobacco in 1991 were worth $115 million.

TYPE:
International news, analysis, profiles

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EXHIBIT 9A

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GCP 0089.198

LEVEL 1 - 34 OF 49 STORIES

Origin Universal News Services Limited, 1989

January 24, 1989

SECTION: FEATURES

LENGTH: 235 words

HEADLINE: THE SMOKE OF THE REVOLUTION

KEYWORD:
CONSUMER Cigars

BODY:
Thirty years ago this month the victorious Fidel Castro and the legendary Che Guevara took control of Cuba as former President Batista fled the country.

The smoke of the revolution has long since died away but the memory of Che lingers on in the mind of many a capitalist cigar connoisseur.

As Minister for Industry with responsibility for tobacco, he created Cohiba - claimed to be the finest cigar in the world.

Cohiba - the Taino Indian word for tobacco - is the product of the first People's Cigar Factory. It was a matter of national pride to create a cigar which was highly original and of exceptional quality - an exclusive symbol of centuries of craftsmanship.

For two decades only those priviledged politicians who found favour with the Government were permitted to smoke it. From 1982 small reserves were released for sale outside Cuba, initially to Spain only. Even now it has a limited distribution to just five European countries.

Cohiba reached the UK in 1984. It is rolled by an all-women workforce but contrary to pouplar belief, cigars are rolled on tables, not thighs. While the work goes on a "reader" sitting at the front of the room entertains the workers with anything from items from the morning papers to extracts from great works of literature - a sort of South American live Jimmy Young show.

Contact: Denise Elphick or Camilla Webster, The PR Connection, 01-799 2300.

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Exhibit 10

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LEVEL 1 - 49 OF 49 STORIES

Copyright 1983 The Economist Newspaper Ltd.
The Economist

August 20, 1983

SECTION: Business, finance and science; BUSINESS BRIEF; Pg. 74 (U.S. Edition Pg. 74)

LENGTH: 1901 words

HEADLINE: Cigar-makers smoke out new sales

BODY:

The cigar, old man of the tobacco industry, is still being asphyxiated by its upstart descendant, the cigarette.

In 1982, the world's smokers puffed their way through 4,800 billion cigarettes (more than 1,000 for each man, woman and child) and fewer than 20 billion cigars. Cigars accounted for less than 1 1/2% of tobacco production. Although the premium prices charged for top-quality cigars allow them a disproportionate share of consumer spending on tobacco, even that has been falling. The $2 billion spent on cigars in Europe and the United States in 1982 represented less than 4% of tobacco sales. In 1979, cigars accounted for about 4 1/2% of tobacco spending.

While annual production in the world's four biggest cigar-making countries--America, Holland, West Germany and Belgium--declined by 20% between 1976 and 1982, to 9 billion cigars, cigarette production has been rising. The fall in cigarette sales to health-conscious smokers in rich countries has been more than offset by sales to developing countries. Although third-world smokers do not want to spend their money on cigars, cigar-makers are hoping to mimic the cigarette-makers' tactic of switching into new markets to offset the decline in sales elsewhere. They may succeed.

Not everybody in the developed world is smoking fewer cigars. American cigar sales fell by 46% between 1972 and 1981, while sales of cigarettes were rising. In Britain, by contrast, cigarette sales have been falling since 1973, while cigar sales rose to their highest-ever level in 1979. Although recession has since cut into British cigar sales, they are still falling more slowly than sales of cigarettes.

Encouraged by the fact that some people are smoking more cigars, cigar men point out that many could smoke far more than they now do. No country yet rivals the Danes' average annual cigar consumption of 131 per mouth (see table). The relatively low consumption in countries like France, Britain and Spain has set cigar-makers a challenge.

A whiff of sucess

Conventional wisdom says cigar sales do best in those countries where cigar smoking has been ''de-snobbified''. Not even the most ambitious cigar-sellers are yet trying to convert women to the cigar habit. But they do want to convince smokers that cigars are for mechanics as well as tycoons.

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The Economist, August 20, 1983

Some of the trick lies in creating the right product. Technically, the difference between cigars and cigarettes is that a cigarette is tobacco rolled in paper while a cigar is tobacco rolled in tobacco. But that definition includes a variety of different types of cigars of varying size, flavour and purity. Instead of tobacco itself, most of today's cigars are wrapped in ''homogenised leaf''--tobacco crushed to a pulp and rolled out like paper, with the help of artificial additives to hold it together.

Despite the complaints of cigar connoisseurs, the trend is now towards smaller and cheaper cigars. A cigar that does not require an hour spent over port and coffee to be smoked comfortably is more likely to sell into the mass market. Marketing figures back up this common sense. The Danes' high cigar consumption is made up almost entirely of small cigars. Where smokers hold back--in America and Spain, for example--large cigars dominate the markets.

Although British smokers buy only a few more cigars each year than the Americans or Spanish, the British market has already shifted to smaller cigars. In 1980, about L180m ($415m) of Britain's nearly L250m worth of cigar sales was accounted for by the medium-sized cigars known in the trade as ''whiffs''; L30m went on large ''panatellas''; L37.5m was spent on miniature cigars. The growth of sales of whiffs and miniature cigars, cigar men say, accounts for the relative prosperity of the British market, and sales of these cigars are still expanding at the expense of their larger rivals.

While cheap, small- and medium-sized cigars are the industry's best hope for growth, they offer no consolation to many cigar-makers. Competition for sales of these cigars is fierce. In many countries the markets are dominated by tobacco giants who can afford to back their products with huge marketing and advertising budgets.

In Britain, where 82% of the cigars sold are domestically produced (from imported tobacco), two companies dominate the market: Gallaher, a subsidiary of BAT, and Imperial Tobacco. Between them, these two produce over 90% of Britain's cigars. Although Gallaher has a slight lead over Imperial in domestic production, Imperial also claims a 70% share of Britain's cigar imports. Confusingly, the key to Imperial's import success is its contract to distribute Henri Wintermans, a Dutch cigar whose maker is, like rival Gallaher, owned by BAT.

Despite co-operation over Henri Wintermans, competition between these two giants has intensified steadily since 1975, when restrictions banning the sales of cigars not made of 100% tobacco (ie, cigars wrapped in ''homogenised leaf'') were lifted. Each company now has several brands vying for sales, even in the same part of the market. And each backs its products with big advertising campaigns. In 1980, companies spent over L5m on cigar advertisements--more than double the previous year's total. By 1982, advertising on cigars had climbed to L8m. Most of that was spent on television, where cigar advertisements have escaped the ban placed on cigarettes.

The success story of the British market is Gallaher's ''Hamlet'' brand, which by itself accounts for over a third of British cigar sales. Its success seems to have earned more kudos for the men who sold it than for those who make it. The inventor of the advertising campaign which helped launch ''Hamlet'' to stardom, Mr Geoff Seymour, is now among the highest paid advertising men in the country, having been recruited to create Saatchi & Saatchi's advertising campaign for

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British Airways.

Britain's only independent cigar producer, E. Alton of Nottingham, is having trouble keeping up with the giants. Although its products are aimed at more up-market consumers than most of Gallaher's or Imperial Tobacco's, it cannot afford to back them with huge advertising campaigns. It has been forced to cut production from 1.7m cigars a year in 1978 to 1.1m last year.

In America the market is dominated by three companies: Consolidated Cigar (whose management recently bought out the firm from parent Gulf + Western for $120m), with 27% of cigar sales, Swisher (a subsidiary of American Maize), with 24%, and General Cigar (a subsidiary of food mini-conglomerate Culbro), with 19%. Their combined 70% share of the American market is not the sort of stranglehold Imperial and Gallaher have on British cigar sales, but it is growing. In 1978, the three American cigar giants accounted for only about 66% of the market.

The growth has come both through acquisition and marketing slog. Swisher, producer of the ''King Edward'' cigar, reputedly the world's best-selling brand, relied largely on its marketing men to push its share up from 22% in 1978 to 1982's 24%. General Cigar, on the other hand, bought itself an extra 2% or so of the market when it acquired the Garcia y Vega brand in 1982.

Unlike Britain, where sales growth lies in cheap cigars, General Cigar reports that sales of its up-market Dominican and Jamaican cigars in the first five months of 1983 were up 10% on the same period a year ago.

American cigar-makers seem still to be struggling to fill the gap in the market left by the ban on imports of Cuban cigars imposed by President Kennedy during the Cuban missile crisis of 1962. American firms then bought up Jamaican and South American cigar companies. And by teaming up with Cuban exiles who had brought tobacco seeds, cigar-making talents and brand names into exile with them, the Americans offered a variety of quasi-Havanas. But the hunger for a really good cigar lingers in America, and companies are vying for

the opportunity of filling that demand.

Havanother

Although sales of luxury cigars are dwindling in most countries, life at the top of the cigar market is a far cry from the hurly-burly of competition below. The decline is graceful. Merchants whose cigars sell at up to L10 each do not have to worry that a government's decision to add a bit of extra tax to their product will cause sales to plummet. Many of their customers smoke them after business lunches or diplomatic dinners paid for out of the other fellow's expense account, and rises in prices do not

worry them. In consequence, luxury cigar sales bring in lots of money. Cuba earned $41m from the 58m cigars it exported in 1980. America earned only $10m on the 354m cigars it exported that year.

None the less, up-market cigar men are worried. In Britain, sales of Havana cigars have fallen from their prewar heyday of 35m to about 10m. Of those 10m, only 5m-7m are actually smoked in Britain. The rest are re-exported, often by Americans, who purchase in Britain the cigars they cannot buy at home.

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To reverse the decline, up-market cigar men are working on two very different strategies. One is to try to reap the maximum from their richest customers, embellishing ranges of expensive cigars with sales of even more expensive accessories. The other is to try to win new customers, and stop existing ones defecting, by offering machine-made cigars--cheaper, but still a fine smoke--as an alternative to hand-rolled Havanas.

Two European cigar-makers, Dunhill and Davidoff, have decided to cater to the very rich. Davidoff Havanas sell for 20% more than most of their competitors. Davidoff's stores also stock a wide range of luxury smoking accessories, from a Van Cleef and Arpels humidor selling for L12,750 to a humble cigar cutter, a snip at L86. Davidoff is now considering selling its cigars through jewellery shops.

Even the Cubans have been tempted to design new products for the imperialist smoker. They launched the '' Cohiba'' cigar at the World Cup in Spain in 1982, at a price that would make Davidoff blush.

Cuba's biggest marketing push, however, has been to join those trying to produce cheaper luxury cigars by replacing the old hand-rolled product with machine-made ones. Purists disdain them. They say that the process of cutting up tobacco needed to make cigars by machine makes for an inferior smoke, and they are annoyed that many retailers of machine-made cigars do not admit openly how their smokes are made. Half of Cuban cigars are now made by machine, and, as the rising costs of hand-rolling push up prices of traditional cigars, the machines' share--even of the Havana market--seems bound to increase.

All luxury cigar-makers share the same fear: shortages of Cuban tobacco. Cuba is falling well below the goal set in its 1981-85 plan of exporting 100m cigars a year. Having barely recovered from the blue-mould disease which decimated the tobacco crop in 1978, Cuba's cigar-makers have been hit by freak storms both last year and this. Although up-to-date figures for Cuban cigar exports are unavailable, Havanas are certainly becoming harder to get.

As Cuban exports have dropped, other Caribbean and Latin American countries are stepping into the gap. Jamaica boosted its exports from 17m cigars in 1978 to 31m in 1979, the first year of Cuba's bad harvests. But cigar-makers reckon the Cuban tobacco will regain its markets easily if and when production recovers.

GRAPHIC: Graphs 1 and 2, Puffed up in Britain, Sources: Tobacco Merchants' Association; ERC statistics; Picture, Luckily nobody rolls their own; Table, Smokers league table; Graphs 3 and 4, Puffed out in America, Sources: Tobacco Merchants' Association; Tobacco Quarterly

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Exhibit 11

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LEVEL 1 - 36 OF 49 STORIES

Copyright 1988 The Financial Times Limited
Financial Times

November 26, 1988, Saturday

SECTION: WEEKEND FT; Pg. XI

LENGTH: 992 words

HEADLINE: Weekend FT Report, Christmas Fare;
New Lease Of Life For Endangered Species

BYLINE: Frank Grey

... an 18 cm bottle of special cognac and cigars go together, Davidoff has drawn on the reserves of Hennessy, the cognac-maker, to produce a blend of stern, heavy spirits, ranging in ages from 20 to 100 years. This is not for the weak of heart, either in terms of flavour or price - a carrying case for a snooker cue.

Hunters, however, has been told that there will be a fresh supply of Cohiba cigars, Fidel Castro's own post-revolution creation. Cohiba's capacity to meet demand has been limited by Castro's preoccupation with sending special shipments to favourite world leaders such as King Juan Carlos and Felipe Gonzalez of Spain, but assurances have been given that supplies are being stepped up. Given the small range, the Cohiba is probably the world's most expensive cigar, ounce for ounce. A pack of five Lanceros, the flagship piece, sells for 44 pds.

Knight Brothers - at 120 years, the oldest family-owned importing concern in the UK and controller of the Romeo Y Julieta brand - is branching out. This week it launched a new brand, the Gloria Cubana, which is being supplied to UK retailers in four sizes. Knight Brothers describes the ...

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Exhibit 12

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05101937
FRANCE TO SELL CASTRO'S CIGAR
SAN FRANCISCO CHRONICLE (SF) - THURSDAY November 16, 1989
By: UNITED PRESS INTERNATIONAL
Edition: FINAL Section: PEOPLE Page: B6
Word Count: 81

TEXT:
Paris - **Cohiba**, the **cigar** that gained world fame hanging from the lips of Cuban leader Fidel Castro, will soon be sold in France for the first time, officials say.

The **cigar** company Coprova will soon market the most prestigious of Cuban **cigars** in France, a leading importer of Havana-rolled **cigars**.

Cohiba was born in 1968, when Fidel Castro asked the state company Cubatabaco to create a unique **cigar** . Avelino Lara, the creator of Davidoff **cigars**, was commissioned to fulfill the request.

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DESCRIPTORS: FRANCE; CUBA; TOBACCO; COHIBA; FIDEL CASTRO

5/9/13 (Item 2 from file: 640)
05094216
CUBAN CIGAR QUALITY A BURNING ISSUE
SAN FRANCISCO CHRONICLE (SF) - SATURDAY October 14, 1989
By: Reuters
Edition: FINAL Section: BUSINESS Page: B3
Word Count: 292

TEXT:
Paris - The state Cuban tobacco company Cubatabaco and elite cigar maker Davidoff will meet next week in a last-ditch attempt to end a bitter dispute over trademarks and tobacco quality.

Francisco Padron, president of Cubatabaco, told a news conference yesterday the battle started when Davidoff canceled its contract for Havana cigars in September 1988, saying their quality had taken a nose-dive.

Davidoff board director George Sehelker said from the firm's headquarters in Basle, Switzerland, that the meeting will take place next week. He did not elaborate.

Cubatabaco says its hand-wrapped **cigars**, some costing as much as $50 each, have not declined in quality. It accuses the Swiss **cigar** maker of marking up prices, making them 25 percent more expensive than similar brands.

Sehelker said legal action has been started against Cubatabaco to stop it from using the Davidoff trademark in West Germany, Switzerland and The Netherlands.

But the agreement between Cuba and Davidoff says any legal disputes must be settled in British courts.

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Exhibit 13

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? T 8/9

8/9/1 (Item 1 from file: 774)
06843539
SEITA ENDS SALE OF CUBAN CIGARS
Financial Post (FINPO) Page: 8
Word Count: 191

TEXT:
Connoisseur French smokers will soon be deprived of their favorite Havana cigars.

A spokeswoman for French state-owned tobacco distributor Seita said yesterday it will stop selling Monte Cristo, H. Upmann and Por Larranaga cigars on Sept. 7 as a result of a Paris Appeal Court ruling in March on a *trademark* dispute.

The court upheld a 1989 French ruling that the three brand names belong not to the Cuban state, but to their original private owners, who fled the island at the time of its Marxist revolution in 1959.

Spanish tobacco firm Tabacalera is now their lawful owner in France in the view of the judges, after the exiled cigar makers sold the rights to the *trademarks*.

The spokeswoman said the three brands, made and marketed worldwide by Cuba's state tobacco company *Cubatabaco*, accounted for the bulk of the 7.7 million large Cuban cigars sold last year in France, the second-biggest buyer of Havanas after Spain.

The spokeswoman said Cuban cigars with other brand names may still be sold in France but added that the three disputed brands account for nearly all the French market for big fat Havanas.

COMPANY: S E I T A (FRA) (SEITA)
INDUSTRY: Tobacco Industry (429); Sugar & Sugar By Products (42)
COUNTRY: France (FRA)
REGION: France (FRA); European Community (EEC); Western Europe (WEUR); Europe (EUR); Organisation for Economic Coop. and Dev. (OECD); North Atlantic Treaty Organisation (NATO); United Nations (UN); Mediterranean Countries (MED); Group of Five (GFIVE)
EVENT: Corporate (CCAT); Domestic Markets (C311); Markets, Marketing (C31); Legal, Judicial (C12); Products, Services (C21)
LANGUAGE: English

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Exhibit 14

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LEVEL 3 - 12 OF 28 STORIES

Copyright 1991 Reuters
The Reuter Library Report

December 18, 1991, Wednesday, BC cycle

LENGTH: 132 words

HEADLINE: ELITE CIGAR -MAKER DAVIDOFF ENDS BRAND ROW WITH CUBA

DATELINE: BASLE, Switzerland, Dec 18

KEYWORD:
SWISS- CIGARS

BODY:
Swiss cigar -maker Davidoff & Cie, supplier to the rich and titled, said on Tuesday that Cuba had settled a lengthy row by agreeing not to use the Davidoff brand-name for its own cigars any more.

Davidoff's 40-year relationship with state-owned Cubatabaco, the world's biggest cigar exporter, soured last year when the Swiss firm switched suppliers after accusing the Cubans of supplying poor quality tobacco.

But Cubatabaco continued to sell Havana cigars under the Davidoff name, leaving smokers to distinguish between the rival products for themselves.

The dispute reached a theatrical climax last year when Cubatabaco chief Francisco Padron challenged Davidoff's founder, Russian-born Zino Davidoff, to a televised "smoke-off" to prove his standing as a cigar connoisseur.

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Exhibit 15

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LEVEL 3 - 14 OF 28 STORIES

Copyright 1990 The Times Mirror Company
Los Angeles Times

May 6, 1990, Sunday, Bulldog Edition

SECTION: Part A; Page 18; Column 1; Advance Desk

LENGTH: 655 words

HEADLINE: SPARKS FLY IN ROW OVER CUBAN CIGARS

BYLINE: By PASCAL FLETCHER, REUTERS

DATELINE: HAVANA

BODY:

It's enough to make lifetime connoisseurs of Cuban tobacco choke on their cigars -- the possibility that world-famous Davidoff cigars may no longer be made exclusively from Cuban tobacco.

The collapse of a 1983 business agreement between Cuba, the world's biggest cigar exporter, and Swiss-based distributor Davidoff et Cie. has sparked a smoldering dispute between the two over ownership of the Davidoff brand name.

Cuba's state tobacco company Cubatabaco is hotly disputing moves by the European distributor to sell Davidoff cigars made not on the Communist-ruled island but in neighboring Caribbean states like the Dominican Republic.

"Davidoff means a Havana cigar . . . there can't be a Davidoff that isn't a Havana," Roberto Yaech, a deputy director of Cubatabaco, told Reuters in an interview.

Yaech said that since the Geneva-based company run by tobacco merchant Zino Davidoff began its relationship with Cuba, Davidoff cigars had been made from top-quality tobacco leaves harvested from select fields in the Vegas de Vueltabajo region of Cuba's western Pinar del Rio province.

The aroma, texture and taste of hand-rolled Havana cigars made them unique in the world and inimitable, he added.

"The Havana is the Rolls-Royce of cigars . . . the best in the world, there's no disputing that," Yaech said.

After the failure of months of negotiations, Cubatabaco recently pulled out of the 1983 distribution agreement with Davidoff in which the two parties divided up sales markets.

Yaech said this agreement also provided for the transfer of ownership of the Davidoff brand name to Cubatabaco and stressed that the company would go on distributing cigars under this name despite the breakup.

The case has been taken to British courts for arbitration.

Davidoffs are among the top range of Cubatabaco's cigars, with about 3 million to 4 million being produced each year and sent to markets in Spain,

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France, Britain and other European countries.

A single Davidoff can cost up to $15 in Europe.

Cuba produces about 80 million cigars a year for export to Europe and other markets, earning more than $100 million in precious foreign exchange.

Yaech does not believe that cigars produced by Davidoff outside Cuba will threaten Cuba's sales.

"Absolutely not. Because the Havana smoker will always smoke Havanas and knows how to differentiate," he said.

Producing cigars outside Cuba will, however, allow Davidoff to sell in the United States, a market barred to Cuban cigars due to the ongoing U.S. trade embargo against the island.

"If Zino Davidoff gets into the U.S. market, well, good luck to him," Yaech said.

He said boxes of Davidoffs produced in Cuba could be identified by the Cubatabaco logo, the words "Made in Cuba" and the seal of guarantee of their Cuban origin.

Yaech said the move to make Davidoff-brand cigars outside the island could tarnish Zino Davidoff's own prestige as a cigar expert. "By doing this, after saying all his life that Cuban cigars are the best in the world -- he's committing suicide," he added.

What particularly irks the Cubans are allegations by Davidoff that there had been a drop in the quality of the cigars produced by Cuba. Cubatabaco officials vehemently deny this.

"Using the fame of Havana cigars, Zino Davidoff has tried to set himself up as the supreme arbiter of what is a good cigar or not," Yaech said.

Davidoff, who is in his 80s, had appeared on Swiss television judging the quality of Havana cigars by sight and burning "bad" Havanas in an incinerator.

In Paris, Francisco Padron, head of Cubatabaco, told reporters that Davidoff "had not been to Cuba in over 20 years" and knew nothing about Havana tobaccos.

Offering a televised challenge, he said: "We are ready to prove it. We will meet him on French television or the European television of his choice, face to face with Cuban experts, in front of an independent panel of connoisseurs."

TYPE: Wire

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Exhibit 16

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Copyright 1990 The Economist Newspaper Ltd.
The Economist

March 31, 1990

SECTION: Business, finance and science; BUSINESS; Pg. 66 (U.K. Edition Pg. 82)

LENGTH: 343 words

HEADLINE: Que cigar cigar

BODY:

THE placid and stimulating influence of tobacco smoke permits men to sit together in silence with naught an anxiety," murmured Thomas Carlyle, a nineteenth-century Scottish historian. Davidoff International, a posh Swiss-based cigar distributor, and Cubatabaco, Cuba's state tobacco monopoly, would not agree.

A year and a half of wrangling between the two companies has come to a head. On March 15th Davidoff announced that it will get its cigars from the Dominican Republic in future. National pride cut to the quick, Cubatabaco's managing director, Mr Francisco Padron, recently challenged Mr Zino Davidoff, the Swiss firm's 84-year-old White Russian founder, to a televised cigar -appreciation contest.

Cubatabaco wants to earn more hard currency for its exports. Last year it secured a foothold in Britain by buying Knight Brothers, an old, family-owned importer of its prestigious Romeo y Julieta brand. In France a two-month row was resolved this week with Cubatabaco's French importer, SEITA, France's state tobacco company: the issue this time was probably pricing.

Cubatabaco's quarrel with Davidoff stems from a 1983 contract which the Cubans claim gives them the rights to thegrand Davidoff name. The tobacconist does not agree. Oettinger Imex, the Basel-based marketing group that owns Davidoff, rejected a takeover bid from Cubatabaco last year. Davidoff accused the Cubans of supplying poor-quality cigars; it took the extraordinary step of burning some of them to prove the point. Davidoff says it will consider renewed cooperation once Cubatabaco's cigar are back up to standard. But unless the two groups sort matters out, the Davidoff label will be found wrapped only around Dominican cigars after the autumn. Yet it is hard to believe that Davidoff will gain many new acolytes by offering the finest Dominicans. Mr Edward Sahakian, manager of Davidoff's London store, admits that nothing matches a fine Havana rolled to the sound of a Che Guevara speech on a dusky Creole thigh. Aficionados are already panic-buying.

GRAPHIC: Picture, Zino bids farewell to Havanas

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Exhibit 17

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BECAUSE HE WON'T BE ABLE TO SMOKE HIS FAVORITE "**COHIBA**" **CIGARS**. WORSE YET, HE WON'T BE ABLE TO GET ANY "ROMEO Y JULIETAS," NOR "PARTAGAS," NOR "CORONA CORONAS," IN FACT, NO **CIGARS** AT ALL. ALL THE FACTORIES ARE SHUT BECAUSE A FUNGUS HAS HIT THE TOBACCO CROP.
BOSTON GLOBE (BG) - SUNDAY January 20, 1980
By: Sam Heilner
Edition: FIRST Section: RUN OF PAPER
Word Count: 3

HEILNE;01/17,21:16 GALLAG;01/22,09 B08047455

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5/9/7 (Item 3 from file: 631)
00508065
NAMES . . . FACES
BOSTON GLOBE (BG) - SATURDAY January 19, 1980
By: Sam Heilner
Edition: FIRST Section: RUN OF PAPER
Word Count: 60

TEXT:
Fidel Castro may be a bit grouchy from now until July, because he won't be able to smoke his favorite "**Cohiba**" **cigars**. Worse yet, he won't be able to get any "Romeo y Julietas," nor "Partagas," nor "Corona Coronas," in fact, no **cigars** at all. All the factories are shut because a fungus has hit the tobacco crop.

HEILNE;01/18,17:55 GALLAG;01/21,11 B08047588

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5/9/8 (Item 1 from file: 632)
01992579
Cuba's lucrative cigar industry looks for a light from outside
Chicago Tribune (CT) - SUNDAY July 26, 1992
By: Reuters
Edition: FINAL EDITION Section: BUSINESS Page: 6C Zone: C
Word Count: 880

TEXT:
HAVANA) - For connoisseurs of cigars, an aromatic, hand-rolled Havana is the perfect end to a good meal.

For Cuba, the Communist-ruled Caribbean island nation that produces them, cigars are a major foreign-currency earner helping to keep the recession-hit economy afloat.

Shortages of fuel, fertilizer and pesticides reduced Cuba's tobacco production in 1992, but the island is drawing on foreign capital to expand lucrative sales of its world-famous "Habanos."

Cuba earns more than $100 million a year from **cigar** and tobacco exports, and tobacco growing is considered a strategic economic sector along with sugar, tourism, nickel mining and fisheries.
This year's production problems, caused by the collapse of vital

farming supplies from Eastern Europe and the former Soviet Union, cut the tobacco crop by 10 to 15 percent and resulted in a 20 percent decline in exports.

"The drop was in quantity, not quality," Adriano Martinez of the state tobacco-selling company Cubatabaco told Reuters.

He was quick to counter suggestions that the Cuban product might be losing the uniqueness that gives it a virtually unchallenged position in the world of luxury **cigars**.

"The Havana **cigar** is for Cuba what champagne is for France . . . it's more than just a brand name," he said.

Martinez said Cubatabaco and distributors abroad are launching a promotion campaign to defend the quality and uniqueness of the Havana **cigar**.

Cuba has fought dozens of legal cases to counter attempts at forgery, imitation and unfair competition by other **cigar**-makers. "We've won nearly all of them," Martinez said.

He said the best proof of continuing quality is that world demand for hand-rolled luxury Cuban **cigars**, such as the **Cohiba**, Montecristo and Romeo y Julieta brands, is rising and that new markets are opening in the Far East and Latin America.

"We've got much more demand than we can supply," he said.

To cash in on the increased demand and to guarantee stable future production, Cubatabaco has made agreements with some key distributors in Europe that will enable it to buy vital inputs for tobacco growing.

Under the agreements, Cuba will receive credit on soft terms to buy fertilizers, pesticides, fuel and other equipment for production of tobacco for **cigars**.

"The sources of foreign financing are available . . . the production inputs are assured," Martinez said. "We're talking about several million dollars."

He said the credits came from a number of European nations, but he would not specify the companies.

Bolstered by the external financing, Cubatabaco is preparing to expand sales. "We think we can grow by between 15 and 20 percent in a three-year period," Martinez said.

Europe remains Cubatabaco's most important market, absorbing about 70 percent of the 100 million **cigars** exported each year. Spain is the biggest customer, and other major buyers are Switzerland, Germany, France and Britain.

Martinez said Cubatabaco met in May with distributors to discuss implications of the creation of one European market, which would seek to harmonize prices and taxes among European Community states.

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"This means the Havana **cigar** will also have to standardize its prices," he added. Top-of-the-range Cuban **cigars** sell for $30 or more apiece in France and Britain but traditionally are much cheaper in Spain.

Cubatabaco hopes to standardize in the high-price bracket.

However, a spokeswoman for Seita, a state-owned distributor in France, said last week that it would stop selling Cubatabaco's Montecristo, H. Upmann and Por Larranaga **cigars** in September after a Paris appeals court's ruling in a trademark dispute.

The court upheld a 1989 French ruling that the three brand names belong to their original private owners, who fled Cuba at the time of its Marxist revolution in 1959.

Spanish tobacco firm Tabacalera is their lawful owner in France, according to the judges, because the exiled **cigarmakers** sold their rights to the trademarks in the 1970s.

The spokeswoman said Cuban **cigars** with other brand names may still be sold in France, though the three disputed brands account for nearly all the French market for big, fat Havanas.

Cubatabaco aims to develop promising markets in the Middle East, especially Saudi Arabia and Kuwait, and the Far East. "Sales in the Far East are rising substantially," Martinez said, mentioning Hong Kong, Singapore, Australia and New Zealand.

Cubatabaco recently granted exclusive rights to a Hong Kong company, Pacific **Cigars**, to distribute in the Far East.

Closer to home, Mexico is a growing market for Havanas, and Cubatabaco has two distributors there, one in the popular tourist resort Cancun.

The huge U.S. market remains closed to Cuba because of a trade embargo. But U.S. tourists are big buyers of Havana **cigars** at European duty-free shops.

Strange though it may seem, the best brands of Cuban **cigars** are out of reach for ordinary Cubans.

Cubans, forbidden by law from holding U.S. dollars, do not have access to the tourist-dollar shops where luxury selections are on sale.

Instead, each is entitled to four lesser-quality **cigars** a month under Cuba's tight rationing system, which controls the supply of basic foodstuffs and consumer goods.

CAPTION:
Photo: A worker rolls a Havana cigar at a factory in the Cuban capital. Cuba, which earns more than $100 million a year from cigar and tobacco exports, is drawing on foreign capital to expand sales. Reuters photo.

DESCRIPTORS: CUBA; ECONOMY; STATISTIC; INDUSTRY; PRODUCT; IMAGE; AGREEMENT ; FINANCE; FOREIGN

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Exhibit 18

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1/9/12
05562652
CUBAN: CIGARS BYPASSING EMBARGO
MIAMI HERALD (MH) - TUE SEP 18 1990
By: MIRTA OJITO Herald Staff Writer
Edition: FINAL Section: FRONT Page: 12A
Word Count: 229

MEMO:
AROUND THE AMERICAS

TEXT:
Cuba is bypassing the U.S. economic embargo introducing into the United States, through a Canadian firm, thousands of cigars with phony Philippine labels, according to a Cuban official who defected last month.

Carlos Lugo, a CubaTabaco official until his defection in Toronto Aug. 2, said Monday that he worked for three months for a Canadian firm with the exclusive contract to sell Cuban cigars in Canada.

According to Lugo, Havana House Cigar and Tobacco Merchandise sends Cuban cigars to 714 customers in U.S. cities, including Miami, Chicago and New York.

Havana House president, Thomas Hinds, acknowledged he "occasionally" sends cigars to "private customers" in the United States, but he denied they were sneaked through U.S. Customs as Philippine cigars.

"We occasionally send gifts to our customers. Sometimes those who come here to visit send them by mail to their friends in the United States. It's a minimal part of our business, not a regular operation," Hinds said.

Lugo, who said he was sent four months ago to the Canadian company to look after the Cuban interests, insists that the operation's goal is to bypass the embargo. A U.S. Treasury official, who asked not to be identified, expressed interest in talking to Lugo.

"I'd be delighted to talk to that gentleman," he said. "We know nothing about this operation, but we would love to get some details."

DESCRIPTORS: cuba; trade; smuggling; us

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Exhibit 19

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MORGAN & FINNEGAN

ATTORNEYS AT LAW

345 PARK AVENUE

NEW YORK, NEW YORK 10154

TEL. (212) 758-4800

TELEX 421792

TELECOPIER. (212) 751-6849

WRITER'S DIRECT DIAL NUMBER:

(212) 415-8543

JEROME G. LEE
JOHN D. FOLEY
JOHN A. DIAZ
THOMAS P. DOWLING
JOHN C. VASSIL
WARREN H. ROTERT
ALFRED P. EWERT
DAVID H. PFEFFER, P.C.
HARRY C. MARCUS
ROBERT E. PAULSON
STEPHEN R. SMITH
KURT E. RICHTER

J. ROBERT DAILEY
EUGENE MOROZ
JOHN F. SWEENEY
ARNOLD I. RADY
CHRISTOPHER A. HUGHES
WILLIAM S. FEILER
JANET DORE
JOSEPH A. CALVARUSO
JAMES W. GOULD
RICHARD C. KOMSON
ISRAEL BLUM
CHRISTOPHER K. HU

GEORGE B. FINNEGAN JR.
GRANVILLE M. PINE, P.C.
COUNSEL

JOHN D. MORGAN
1893-1939

HOBART N. DURHAM
1930-1969

THOMAS M. HAMMOND*
BARTHOLOMEW VERDIRAME
MARIA C. H. LIN
JOSEPH A. DeGIROLAMO
DICKERSON M. DOWNING
JOHN C. ANDRES
CHRISTOPHER E. CHALSEN
PATRICIA S. ROCHA
MITCHELL E. RADIN
MICHAEL A. NICODEMA
ANDREW M. RIDDLES
MICHAEL P. DOUGHERTY
DAVID M. CARTER
SETH J. ATLAS
PETER DeLUCA
SCOTT D. GREENBERG
STEVEN P. RODA
JEAN M. DUVALL
BRUCE A. POKRAS
TANYA G. PULLIN*

MICHAEL N. BERG
JAMES M. BOGDEN
KAREN L. STAFF
PATRICIA L. RAY*
EARL M. DOUGLAS
KARL M. ZELAZNICK
DAVID L. SCHAEFFER
MARGARET B. KELLEY
WILLIAM KROVATIN
ANTHONY P. VENTURINO
JOHN W. RYAN*
SHAHAN ISLAM
BRUCE D. DeRENZI
VALERIE M. FEDOWICH
MIDGE M. HYMAN
ELIAS J. LAMBRIS
JEFFREY S. STEEN
JOHN A. BAUER*
WILMA TRIEBWASSER*

* NOT ADMITTED IN NEW YORK

April 20, 1989

Ronald S. Milstein, Esq.
Assistant General Counsel
Culbro Corporation
387 Park Avenue South
New York, NY 10036-8899

Re: Proposed Use and Registration In the U.S.
Universal Charge of Marks Used Abroad by
Cuba-tabaco
Our Ref.: 246-Gen.

Dear Ron:

I have now looked into the question which you posed in your letter of April 4, 1989 regarding the possible use and registration in the United States of trademarks owned and used abroad by Cuba's national tobacco company, Cuba-tabaco.

If the trademark in question enjoys a known reputation within the United States e.g. by virtue of American purchasers encountering the mark when travelling abroad, then Cuba-tabaco may be able to establish prior, superior rights in that mark as to the United States even though they are not selling or shipping cigars directly to the United States. See Maison Prunier v. Prunier's Restaurant & Cafe, Inc., 288 N.Y.S. 529, 159 Misc. 551 (N.Y. Sup. Ct. 1936) (copy enclosed).

Thus, if these marks enjoy such a reputation in the U.S., there is a possibility that Cuba-tabaco would successfully object to your use and/or registration in the U.S. It is also possible that Cuba-tabaco has registered some or all of these marks in the U.S. based not on use but on the existence of home registrations, pursuant to the Paris Convention to which the U.S. and Cuba both belong. Searches should therefore be made prior to adoption.

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If the trademarks in question are not so known or registered in the United States, then based on your good faith belief in the total absence of competition, you can proceed to use and register these marks within the United States and thus acquire ownership rights in these marks as to the U.S. See Bulk Manufacturing Co., Inc. v. Schoenbach Products Co., 208 USPQ 664,667-8 (S.D.N.Y. 1980) (copy enclosed).

On the other hand, even where a foreign party's trademark is not used, known or registered within the United States, it has been held to constitute bad faith and infringement for a U.S. entity to adopt such a mark with knowledge of the foreign trademark owner's plars for imminent expansion into the United States. See Stern Electronics, Inc. v. Kaufman, 669 F.2d 852 (2d Cir. 1982) (copy enclosed). However, it would not seem possible for this rule to apply to the present case since there is no indication that the Cuban trade embargo will be lifted at any time in the near future.

Even if your adoption and use of the trademarks in question within the United States does not infringe prior rights of Cuba-tabaco as described above, you should also be aware that token shipments of goods bearing the mark may be sufficient to constitute a valid first use of the mark and support the filing of an application to register, but would have to be followed by useage at normal commercial levels within a reasonable period of time in order to sustain the validity of the trademark. Otherwise, a protracted period of merely token useage could be seen as a mere attempt to preserve a trademark and keep a potential competitor at bay, falling short of bona fide trademark useage. See La Societe Anonyme des Parfums Le Galion v. Jean Patou, Inc., 495 F.2d 1265, 1271-4 (2d Cir. 1974) (copy enclosed).

After you have considered the foregoing, please let me have your further instructions.

Very truly yours,

Scott Greenberg

SG:cm

cc: Harry C. Marcus

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However, the instant case simply presents an ordinary transaction conducted in the regular course of business between brokers. It possesses no attributes of any exception. There is neither proof nor presumption to sanction or support a ruling removing this transaction from the principles of law applicable to the purchase and sale of stock applied by the established precedents.

For these reasons I conclude that the plaintiff, Rubinstein, have judgment over against Englander, Birnbaum & Co. and the latter have judgment against M. S. Wien & Co., and the latter have judgment against Lawson & Co. for $500, with interest at 6 per cent. from July 6, 1932 (the date of the order of assessment made by the superintendent of banks).

MAISON PRUNIER v. PRUNIER'S RESTAURANT & CAFE, Inc., et al.

Supreme Court, Special Term, New York County.

May 13, 1938.

1. Trade-marks and trade-names and unfair competition ⟹88

French corporation *held* entitled to protection against unfair competition in United States (Convention between United States and Various Other Powers, as revised June 2, 1911, art. 10½, 38 Stat. 1663).

2. Trade-marks and trade-names and unfair competition ⟹68(1)

Actual competition in a product is not essential to relief under doctrine of unfair competition.

3. Trade-marks and trade-names and unfair competition ⟹71

Rule that plaintiff has no right to protection against use of trade-name beyond territory in which plaintiff operates *held* not applicable, where defendant is guilty of bad faith or the use of plaintiff's trade-name is made in such manner as to operate as a fraud upon the public.

4. Trade-marks and trade-names and unfair competition ⟹71

If French restaurant company had international fame and good-will, and contemplated opening of restaurant in New York at expedient time, and if New York restaurant owners appropriated

⟹For other cases see same topic & KEY NUMBER in all Key Numbers Digests & Indexes

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French company's trade-name and trade-mark and advertised in such manner as to lead public to believe New York restaurant was operated by or connected with French company, French company would be entitled to injunctive relief (Convention between United States and Various Other Powers, as revised June 2, 1911, art. 10½, 38 Stat. 1663).

Action for unfair competition by Maison Prunier against Prunier's Restaurant & Cafe, Incorporated, and others. On motion for temporary injunction.

Judgment in accordance with opinion.

McNamara & Seymour, of New York City (Charles Green Smith, of New York City, of counsel), for plaintiff.

Morris J. Junger, of New York City (Irving Gromer, of New York City, of counsel), for defendants.

SHIENTAG, J., Justice.

The motion is for a temporary injunction. The papers show that plaintiff, a French corporation, owns and operates in Paris, France, two restaurants under the name "Prunier," which specialize in sea food. The Prunier restaurant was founded by Alfred Prunier in 1872. Since then, it is asserted, the Prunier restaurants in Paris have developed international fame, both for the surpassing quality and variety of their sea food and for the distinction and extent of their clientele. They have become, it is alleged, favorite restaurants and celebrated places of interest among thousands of persons visiting Paris from America, from England, and from all parts of the world.

The ownership and operation of the Prunier restaurants have descended from grandfather, through son, to grandchild, and have remained in the Prunier family. In 1914, the Prunier restaurant business took the form of a French stock company known as "Maison Prunier," and in 1922 it was taken over by plaintiff, of which Madame Simone Genevieve Barnagaud-Prunier, granddaughter of the founder, is now a managing director. Thus the good will and world-wide reputation of plaintiff's restaurants have been developed and identified under the family name "Prunier."

In January, 1935, plaintiff established a branch restaurant in London, which it has conducted successfully under its own management, purveying there the same high quality and specialties in food and beverages that it furnishes to the public in its restaurants in Paris. Since the successful operation of its branch in London,

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plaintiff, it is further alleged, has been urged by American patrons to open a branch restaurant in the city of New York, and it has had such proposal under consideration and desires to open and operate such a restaurant in New York at an expedient time.

In July, 1935, the individual defendants adopted a scheme to utilize without permission the name and the good will of the plaintiff in the restaurant business in New York City. They filed certificates for doing business and organized two corporations, one Prunier's Restaurant & Cafe, Inc., to operate restaurants and cafes; the second corporation, organized in the fall of 1935, was called Prunier de Paris, Inc. That corporation was formed for the purpose, among other things, of buying and selling restaurants and hotels. So far as the papers show, no business has been conducted in the name of the second corporation, although its very organization speaks eloquently of the defendant's purpose not alone to use the plaintiff's name and mark in New York City, but also to attempt to identify in the public mind the restaurant here conducted with those of the plaintiff in Paris.

With an infinity of names, real and fanciful, from which to choose, the defendants appropriated to themselves the plaintiff's name. That name is not borne by the individual defendants, nor is it claimed to be the name, or anything like it, of any relative of the defendants or of any officer or employee of either of the defendant corporations. Indeed, it was admitted on the argument that the name was intentionally selected because of plaintiff's well-known reputation and good will which has been built up as the result of decades of honest business effort.

The defendants deny, however, that they ever held themselves out as being Prunier's of Paris, or identified with the Paris restaurant in any way, or that they made any misrepresentations to customers or to the public to that effect. There is a conflict in the affidavits as to such oral misrepresentations to customers here. The affidavits on that point, submitted on behalf of the plaintiff, find some support in the manner in which the defendants have conducted their business from the outset. Defendants were not satisfied with taking the plaintiff's name; they also took the trade-mark of the plaintiff, alleged in the papers to have been registered in France, "Tout ce qui vient de la mer." They printed that on their menu with the free translation, "Everything that the sea produces." Their menu displays at the top of the cover, "The Famous French Sea Food Restaurant." They also advertised themselves as "The Famous French Sea-food Restaurant," an advertisement which

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was calculated to give the impression that they were identified with the old restaurants bearing that name and specializing in sea food for so many years in France.

Some question is raised in the papers concerning the standards of the defendant's restaurant in this city. Their assertion to the court that they are enhancing the prestige of Prunier's is a mockery, if indeed not a gratuitous insult. Plaintiff has not entrusted its name to the defendants. Those who appropriate the name of another are hardly fit guardians for its preservation. What loyalty to this name can be expected from the defendants? They did not labor to give it the high standing it has acquired. They may abandon the name just as lightly as they took it over.

(1) The plaintiff clearly has the right to bring an action in the courts of this state for the relief sought. Apart from the right in general of a nonresident or a foreign corporation to sue in our courts, the right of a French corporation to sue here for protection against unfair competition was expressly granted in the Convention between the United States and Various Other Powers for the Protection of Industrial Property, as revised on June 2, 1911 (38 U.S.Stat. 1663). Article 10½ reads: "All the contracting countries agree to assure to the members of the Union an effective protection against unfair competition." French Republic v. Saratoga Vichy Spring Co., 191 U.S. 427, 24 S.Ct. 145, 48 L.Ed. 247; Winthrop Chemical Co. Inc. v. Blackman, 150 Misc. 229, 268 N.Y.S. 647; Phillips v. Governor & Co. of Adventurers of England Trading into Hudson's Bay (C.C.A.) 79 F.(2d) 971, 972.

The defendants contend, however, that whatever may be said about their conduct from an ethical point of view, they are doing nothing illegal; they are acting within the law.

In approaching a consideration of the legal problems here presented, certain propositions must be kept in mind:

(1) In few branches of the law are the particular facts of a case so important as in the realm of unfair competition.

(2) There has been an increasing tendency on the part of the courts to mould, even to expand, the legal remedy in this field to conform to ethical business practice.

(3) The courts have frowned upon cases where the appropriation of the name or mark of another was intentional or in bad faith, and especially where such appropriation was accompanied by acts calculated to deceive or to defraud the public, and to convey the impression that the business of the appropriator was either the

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same business of the originator of the name or mark or identified with it in interest.

"There is no part of the law which is more plastic than unfair competition, and what was not reckoned an actionable wrong twenty-five years ago may have become such today. There is no fetish in the word 'competition.' The invocation of equity rests more vitally upon the unfairness. Many earlier dicta, probably some earlier decisions, are not now safe guides. These vigorous judicial expressions of impatience with the old theories of trademark protection are indicative of a desire to keep abreast of and to serve the needs of modern business. They reflect a consciousness of the need for breadth and liberality in coping with the progressive ingenuity of commercial depravity. But forward strides in trademark protection are being attained by appeals to good conscience and judicial sensibilities rather than to strictly legal principles derived from a critical analysis of the real tort involved." Schechter, "The Rational Basis of Trademark Protection," 40 Harvard Law Review 813.

[2] Courts generally have come to recognize that actual competition in a product is not essential to relief under the doctrine of unfair competition. Whatever may have been the ancient rule, it is now clearly established that the two products need not be competitive. It was at first a debatable point whether a merchant's good will, indicated by his mark, could extend beyond such goods as he sold. How could he lose bargains which he had no means to fill? What harm did it do a chewing gum maker to have an ironmonger use his trade-mark?" "However," said Learned Hand, J., in expressing the modern attitude, "it has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful." Yale Electric Corporation v. Robertson (C.C.A.) 26 F.(2d) 972, 973.

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Thus an injunction was granted restraining the defendant from conducting business under the name of "Hudson Bay Fur Company" or any colorable imitation thereof, although the defendant sold his fur products direct to the retail trade, whereas the plaintiff did not, the court holding that the two products need not be competitive. Phillips v. Governor & Co. of Adventurers of England Trading into Hudson's Bay (C.C.A.) 79 F.(2d) 971; see, also, Buckspan v. Hudson's Bay Co. (C.C.A.) 22 F.(2d) 721. The use of the name "Del Monte Brand" was restrained on oleomargarine marketed by the defendant although the plaintiff never produced any oleomargarine or used its label thereon. "The injury to the appellee by the use of the Del Monte Brand by the appellant does not result from preventing sale by appellee of oleomargarine of its own, but from a representation to the public that it produces a product which it does not in fact produce and over which it has no control. Its reputation for quality is therefore placed to some extent in the hands of a corporation who owes it no allegiance and has no concern in maintaining the high reputation established by the appellee, and who may utilize that reputation to sell the public an inferior production." Del Monte Special Food Co. v. California Packing Corporation (C.C.A.) 34 F.(2d) 774, 775. So in Vogue Co. v. Thompson-Hudson Co. (C.C.A.) 300 F. 509, an injunction was granted at the instance of the publisher of Vogue to restrain defendant from using the word "Vogue" as a label on hats.

In our own state the doctrine that the two products need not be competitive to entitle the proprietor of the mark to relief has received judicial sanction. "Plaintiff, however, is entitled to be protected not only from direct competition, but from any injury which might result to it from the deception of the public through the unauthorized use of its trade name, or a trade name which would lead the public to believe that it was in some way connected with plaintiff." Long's Hat Stores Corporation v. Long's Clothes, Inc., 224 App.Div. 497, 498, 231 N.Y.S. 107, 108; see, also, Forsythe Co. v. Forsythe Shoe Corp., 234 App.Div. 355, 358, 254 N.Y.S. 584, modified 259 N.Y. 248, 181 N.E. 467.

It is true that in the two cases just cited it was found that the plaintiffs "either formed an intent to engage in the line of business which the defendants had commenced or had at one time actually been so engaged and contemplated re-entering the business." That, however, was not the basis of the decisions. Any doubt on that score was removed in Tiffany & Co. v. Tiffany Productions, Inc.,

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where the Court of Appeals affirmed a judgment in favor of the plaintiff conducting a jewelry business in New York, and elsewhere, restraining the defendant from using the word "Tiffany" in advertising motion pictures. The injunction was upheld notwithstanding a vigorous dissent by two Justices of the Appellate Division, based upon the proposition that "there is no possibility or at any rate no reasonable probability of any present or prospective business competition between them [plaintiff and defendant]." Tiffany & Co. v. Tiffany Productions, 147 Misc. 679, 264 N.Y.S. 459; Id., 237 App.Div. 801, 802, 260 N.Y.S. 821; Id., 262 N.Y. 482, 188 N.E. 30. See, also, Finchley, Inc., v. Finchly Co. (D.C.) 40 F.(2d) 736; R. H. Macy & Co. v. Macys, Inc. (D.C.) 39 F.(2d) 186.

It is true that in practically all the cases cited both parties were doing business in the same localities, although in different lines of endeavor. The defendants contend, however, that the plaintiff has no right to protection against the use of a trade-mark or trade-name beyond the territory in which it operates.

The law on this subject, as Nims points out, "is in a most unsatisfactory state." Nims, Unfair Competition (3d Ed., 1929) p. 568. To paraphrase a forceful judicial expression, it may be suggested whether in these days of rapid and constant intercommunication between states and nations any narrow lines of demarcation should be established on one side of which should stand moral wrong with legal liability, and upon the other moral wrong with legal immunity. Kathreiner's Malzkaffee Fabriken mit Beschraenkter Haftung v. Pastor Kneipp Medicine Co. (C.C.A.) 82 F. 321, 326.

[3] Be that as it may, however, some of the cases, with important reservations which will later be mentioned, tend to support the proposition of law contended for by the defendants. And this applies not alone as between two countries, but to different states or different sections of the same country, or even, under certain conditions, different localities in the same state. Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 36 S.Ct. 357, 60 L.Ed. 713; United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 39 S.Ct. 48, 63 L.Ed. 141; Forsythe Co. v. Forsythe Shoe Co., 259 N.Y. 248, 181 N.E. 467.

The doctrine, however, is not without its limitations:

First. The original holder of the mark may be entitled to a natural field of legitimate trade expansion, although the cases are not very definite on this point and indicate that some user, however slight, is necessary in the disputed territory. Handler and Pickett,

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Trade-Marks and Trade-Names (1930) 30 Columbia Law R. 168, 759, at 764; Sweet Sixteen Co. v. Sweet "16" Shop (C.C.A.) 15 F.(2d) 920; Western Oil Refining Co. v. Jones (C.C.A.) 27 F.(2d) 205. See, also, Grant v. Levitt (1901) 18 Rep. Pat. Cas. 561 (Ireland). "The protection may be extended to the market in which the meaning of the original mark has become known. "We are not dealing with a case where the junior appropriator of a trade-mark is occupying territory that would probably be reached by the prior user in the natural expansion of his trade and need pass no judgment upon such a case." Hanover Star Milling Co. v. Metcalf 240 U.S. 403, 415, 420, 36 S.Ct. 357, 363, 60 L.Ed. 713; cf. Terminal Barber Shops v. Zoberg (C.C.A.) 28 F.(2d) 807; Western Auto Supply Co. v. Western Auto Supply Co. (D.C.) 13 F.Supp. 525.

Second. "The doctrine, it has been clearly suggested, does not apply where the second adopter is guilty of bad faith or where the use is made in such manner as to operate as a fraud upon the public." In the Hanover Star Milling Case, supra, where an injunction against use in another market was denied, the United States Supreme Court indicated that the fraudulent use by the junior appropriator would not be permitted. "Where two parties independently are employing the same mark upon goods of the same class, but in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant, unless at least it appear that the second adopter has selected the mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like." 240 U.S. 403, at page 415, 36 S.Ct. 357, 361, 60 L.Ed. 713. In the decision of the Circuit Court of Appeals in that case it was specifically held: "If the junior has not established his trade in good faith, or if, having appropriated certain markets in an honest belief, he should attempt to forestall the elder trader by hastening into markets the elder was arranging to occupy, it might be that equity would have no difficulty in recognizing an inchoate right in the elder to precedence and dominance, for honesty and fair dealing should always be a strong appeal to conscience; but no such questions are here, because on the present record defendant's honesty and fair[illegible] stand unquestionable." Hanover Star Mill Co. v. Allen & Wheeler Co. (C.C.A.) 208 F. 513, 522, L.R.A.1916D, 136.

The good faith of the junior appropriator was again emphasized by the Supreme Court of the United States in a later case. "Un-

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doubtedly, the general rule is that, as between conflicting claimants to the right to use the same mark, priority of appropriation determines the question. [Citing cases.] But the reason is that purchasers have come to understand the mark as indicating the origin of the wares, so that its use by a second producer amounts to an attempt to sell his goods as those of his competitor. The reason for the rule does not extend to a case where the same trade-mark happens to be employed simultaneously by two manufacturers in different markets separate and remote from each other, so that the mark means one thing in one market, an entirely different thing in another. It would be a perversion of the rule of priority to give it such an application in our broadly extended country that an innocent party who had in good faith employed a trade-mark in one State, and by the use of it had built up a trade there, being the first appropriator in that jurisdiction, might afterwards be prevented from using it, with consequent injury to his trade and good-will, at the instance of one who theretofore had employed the same mark but only in other and remote jurisdictions, upon the ground that its first employment happened to antedate that of the first-mentioned trader." United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 100, 39 S.Ct. 48, 51, 63 L.Ed. 141.

[4] The plaintiff contends that its reputation extends far beyond the territorial limits of Paris and London and that it has a substantial following in New York City and in other parts of the world. If the plaintiff as the result of its efforts has become well known in New York City, the facts may be shown at a trial. The deliberate appropriation of the name "Prunier" is some evidence at least of plaintiff's wide repute. Cf. Hiram Walker & Sons v. Penn-Maryland Corp. (C.C.A.) 79 F.(2d) 856; Mark Realty Corp. v. Hirsch, 180 App. Div. 549, 168 N.Y.S. 244.

There is presented in this case a situation in which, it is urged, the court should set its face against a conception of business standards indefensible from an ethical viewpoint and amounting to an aggravated form of commercial piracy. The wise and expedient procedure, from the standpoint of the plaintiff itself, would be to defer the granting of the full relief sought until the trial, after both sides have had an ample opportunity to submit their proofs.

There has been some delay in making this application. To await an early trial will not under the circumstances cause irreparable injury to the plaintiff. It will eliminate the necessity for filing a bond in a substantial sum. It will result in a definite finding with

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respect to charges of affirmative acts of misrepresentation, an important element in the case, concerning which the affidavits are in conflict.

Some measure of relief, however, plaintiff is entitled to receive immediately. The application will therefore be disposed of as follows: The motion for an injunction pendente lite will be granted for the full relief sought, unless defendants will stipulate to proceed to an immediate trial. If such stipulation be made, the defendants will be enjoined, pending the trial of the action, (a) from conducting any restaurant business in New York City under the name of "Prunier de Paris, Inc."; (b) from representing verbally or in writing that it is in any way connected or identified with the restaurants conducted by plaintiff in Europe; (c) from using in any way the trade-mark of plaintiff, "Tout ce qui vient de la mer," or any translation thereof; (d) from employing on its menu, or its cards, or in its advertising, or in any other manner, words, phrases, or trade-marks calculated to emphasize the similarity of names of the plaintiff and defendant companies in such a way as to suggest to the public an identity of origin or management.

Upon the stipulation of the defendants and the payment by plaintiff of the prescribed fees, the clerk will be directed to place the cause for trial at the head of the calendar of Special Term Part III for May 25, 1936, or such other date as may be agreeable to the plaintiff. Bond $250. Settle order.

159 Misc. 52

In re NASSAU COUNTY.

In re HEMPSTEAD-FARMINGDALE TURNPIKE, Part 4.

Nassau County Court.

April 17, 1936.

1. Eminent domain ⟹96

Abutting landowners could not recover compensation for shade trees within bounds of existing highway which would have to be removed when highway was widened by county.

2. Eminent domain ⟹82

Taking and removal of trees which are not in highway, but are on abutting land taken for highway widening purposes by

⟹For other cases see same topic & KEY NUMBER in all Key Number Digests & Indexes

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[10, 11] On November 27, Gazaille was discharged. He was told that the reason for the discharge was his conduct on November 20, in particular (but apparently not limited to) an alleged "physical threat" he made to plant manager Walters during their confrontation. The Board found that no physical threat had been made. We think this is a permissible finding on the record. A closer question arises whether Gazaille's utterance of insubordinate or abusive language provided conduct sufficient to support the discharge. We think the Board could reasonably conclude that the insubordination was an excusable, if a regrettable and undesirable, reaction to the unjustified warning Gazaille had received just minutes before, and that the discharge was therefore improper. *See Trustees of Boston University v. NLRB*, 548 F.2d 391, 392–93 (1st Cir. 1977).[9] The *Boston University* case sets out the principles against which a situation of this sort is to be gauged. We need not repeat what was said in that case. It is enough to note that the Board's judgment here comes within permissible limits as set forth there. Other circuits have similarly recognized that, in a proper case, the Board may order reinstatement of an employee whose rudeness and "excessive expression" were the result of unjustified treatment by the employer, *NLRB v. M&B Headwear Co.*, 349 F.2d 170, 174 (4th Cir. 1965), and of employees who used profane language in presenting grievances, *Crown Central Petroleum Corp. v. NLRB*, 430 F.2d 724 (5th Cir. 1970); *NLRB v. Thor Power Tool Co.*, 351 F.2d 584 (7th Cir. 1965); *Hugh H. Wilson Co. v. NLRB*, 414 F.2d 1345, 1355–56 (3d Cir. 1969), *cert. denied*, 397 U.S. 935, 90 S.Ct. 943, 25 L.Ed.2d 115 (1970). We cannot say that the Board exceeded the bounds of its permissible discretion in finding Gazaille's discharge an unfair labor practice and ordering his reinstatement,[10] and we therefore uphold its order. This is not to say that there are no limits to employee insubordination, even when provoked; we merely say that on these facts and this record, we believe the Board has not overstepped the limits of what is permissible.

With the exception of that part of the Board's order relating to the granting of a wage increase, as noted *supra*, the Board's order is enforced.

So ordered.

STERN ELECTRONICS, INC.,
Plaintiff-Appellee,

v.

Harold KAUFMAN d/b/a Bay Coin, et al., Defendants,

and

Omni Video Games, Inc., et al., Defendants-Appellants.

No. 1674, Docket 81-7411.

United States Court of Appeals, Second Circuit.

Argued July 15, 1981.

Decided Jan. 20, 1982.

Appeal was taken from an order of the United States District Court for the Eastern District of New York, Eugene H. Nickerson, J., 523 F.Supp. 635, preliminarily enjoining defendants from infringing plaintiff's copyright and trademark. The Court of Appeals, Newman, Circuit Judge, held

9. We are at a loss to understand why this case, the authority in the circuit most pertinent to this point, was not cited by counsel for either party.

10. The Board was also justified in concluding that reinstatement was the proper remedy. Construing the evidence in the light most favorable to the Board, Gazaille's conduct was not so outrageous that he forfeited his claim to his job, nor so egregious that the Board could not reasonably conclude that reinstatement would further the policies of the Act. *See generally Boston University, supra*, 548 F.2d at 393–94.

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that: (1) repetitive sequence of substantial portion of sights and sounds of video game qualified for copyright protection, and (2) equities justified issuance of injunction against defendant's use of trademark.

Affirmed.

1. Copyrights and Intellectual Property ⇐10.1

Participation of video game player did not withdraw audiovisual work from copyright eligibility. 17 U.S.C.A. § 101.

2. Copyrights and Intellectual Property ⇐10.1

Repetitive sequence of substantial portion of sights and sounds of video game qualified for copyright protection. 17 U.S.C.A. § 101.

3. Trade Regulation ⇐620

Issuance of preliminary injunction against corporation's use of trademark on a video game was justified in that second corporation had substantial investment in mark, having achieved success in marketplace with its sales of large number of units bearing mark, and by contrast, first corporation had placed mark on headboard of five units of games that were not the real one and had used mark for a game that was a pirated "knock-off" of second corporation's original game.

Robert Wieck, Providence, R.I. (Adler, Pollock & Sheehan, Inc., Providence, R.I., and Schulte, Roth & Zabel, New York City, on the brief), for defendants-appellants.

George H. Gerstman, Chicago, Ill. (Pigott, Gerstman & Ellis, Ltd., Chicago, Ill., Steven B. Pokotilow, Randy Lipsitz, and Blum, Kaplan, Friedman, Silberman & Beran, New York City, on the brief), for plaintiff-appellee.

Before VAN GRAAFEILAND and NEWMAN, Circuit Judges, and DUMBAULD,* District Judge.

NEWMAN, Circuit Judge:

This appeal from the grant of a preliminary injunction concerns primarily the availability of copyright protection for the visual images electronically displayed by a coin-operated video game of the sort currently enjoying widespread popularity throughout the country. Omni Video Games, Inc., its distributor, and two of its officers appeal from an order entered May 22, 1981 in the District Court for the Eastern District of New York (Eugene H. Nickerson, Judge), preliminarily enjoining them from infringing the copyright of Stern Electronics, Inc. in the audiovisual work entitled "Scramble" and from making further use of the trademark "SCRAMBLE" in connection with electronic video games. 523 F.Supp. 635. Appellants contend that the visual images and accompanying sounds of the video game fail to satisfy the fixation and originality requirements of the Copyright Act, 17 U.S.C.App. § 102(a) (1976), and that they, rather than appellees, have superior rights to the mark "SCRAMBLE". We reject these contentions and affirm the preliminary injunction.

Video games like "Scramble" can roughly be described as computers programmed to create on a television screen cartoons in which some of the action is controlled by the player. In Stern's "Scramble," for example, the video screen displays a spaceship moving horizontally through six different scenes in which obstacles are encountered. With each scene the player faces increasing difficulty in traversing the course and scoring points. The first scene depicts mountainous terrain, missile bases, and fuel depots. The player controls the altitude and speed of the spaceship, decides when to release the ship's supply of bombs, and fires lasers that can destroy attacking missiles and aircraft. He attempts to bomb the missile bases (scoring points for success), bomb the fuel depots (increasing his own diminishing fuel supply with each hit),

* The Honorable Edward Dumbauld of the United States District Court for the Western District of Pennsylvania, sitting by designation.

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avoid the missiles being fired from the ground, and avoid crashing his ship into the mountains. And that is only scene one. In subsequent scenes the hazards include missile-firing enemy aircraft and tunnel-like airspaces. The scenes are in color, and the action is accompanied by battlefield sounds.

The game is built into a cabinet containing a cathode ray tube, a number of electronic circuit boards, a loudspeaker, and hand controls for the player. The electronic circuitry includes memory storage devices called PROMs, an acronym for "programmable read only memory."[1] The PROM stores the instructions and data from a computer program in such a way that when electric current passes through the circuitry, the interaction of the program stored in the PROM with the other components of the game produces the sights and sounds of the audiovisual display that the player sees and hears. The memory devices determine not only the appearance and movement of the images but also the variations in movement in response to the player's operation of the hand controls.

Stern manufactures amusement equipment, including video games, for distribution worldwide. In January 1981 at a London trade exhibit Stern became aware of "Scramble," an electronic video game developed in late 1980 by a Japanese corporation, Konami Industry Co., Ltd. The audiovisual display constituting what Stern alleges is the copyrightable work was first published in Japan on January 8, 1981. Stern secured an exclusive sub-license to distribute the "Scramble" game in North and South America from Konami's exclusive licensee, and began selling the game in the United States on March 17, 1981. Even in the fast-paced world of video games, "Scramble" quickly became a big success. Approximately 10,000 units were sold at about $2,000 each in the first two months for an initial sales volume of about $20 million.

On April 14, 1981, a Certificate of Copyright Registration for the audiovisual work "Scramble" was issued to Konami by the United States Copyright Office, and shortly thereafter documents were filed with the Copyright Office reflecting the license and sub-license to Stern. To satisfy the statutory requirement for deposit of copies of a work to be copyrighted, 17 U.S.C.App. § 408(b) (1976), Konami submitted video tape recordings of the "Scramble" game, both in its "attract mode" and in its "play mode."[2]

Omni alleges that, concurrently with Stern's sales of the "Scramble" game and even earlier, it was endeavoring to sell a line of video game products so constructed that each unit could be equipped for playing different games by substituting a PROM containing the program for a particular game. Omni contends that it planned to market this line of interchangeable games with the label "Scramble" affixed to the headboard of each unit; the name of the particular game was also to be prominently displayed. On December 1, 1980, Omni's president ordered ten silk screen name plates bearing the name "Scramble." Between that date and March 17, 1981, the date of Stern's first sale of its "Scramble" game, Omni sold five units of video games bearing the name "Scramble" on the headboard. In April 1981 Omni began to sell a video game called "Scramble" that not only bears the same name as the "Scramble" game Stern was then marketing, but also is

1. Memory devices of computers are generally either RAM (random access memory) or ROM (read only memory). RAM, used in most sophisticated computers, is a memory device in which stored information can be changed simply by writing in new information that replaces old information. The stored information in a ROM cannot be changed; it is imprinted into the ROM when the device is manufactured. A PROM is a ROM into which information can be imprinted (programmed) after manufacture; once the information is programmed in a PROM, it cannot be changed simply by writing in a new program. *See* A. Lippiatt, *The Architecture of Small Computer Systems* § 1.4.6, at 12-13 (1979).

2. "Attract mode" refers to the audiovisual display seen and heard by a prospective customer contemplating playing the game; the video screen displays some of the essential visual and sound characteristics of the game. "Play mode" refers to the audiovisual display seen and heard by a person playing the game.

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virtually identical in both sight and sound. It sold this copy of Stern's "Scramble" game, known in the trade as a "knock-off," for several hundred dollars less than Stern's game.

1. Copyright Issues

In challenging the preliminary injunction that bars distribution of its "Scramble" game, Omni does not dispute that Konami and its sub-licensee Stern are entitled to secure some copyright protection for their "Scramble" game. Omni contends that Konami was entitled to copyright only the written computer program that determines the sights and sounds of the game's audiovisual display.[3] While that approach would have afforded some degree of protection, it would not have prevented a determined competitor from manufacturing a "knock-off" of "Scramble" that replicates precisely the sights and sounds of the game's audiovisual display. This could be done by writing a new computer program that would interact with the hardware components of a video game to produce on the screen the same images seen in "Scramble," accompanied by the same sounds. Such replication is possible because many different computer programs can produce the same "results," whether those results are an analysis of financial records or a sequence of images and sounds. A program is simply "a set of statements [*i.e.*, data] or instructions to be used directly or indirectly in a computer in order to bring about a certain result," Pub. L.No. 96-517, § 10(a), 94 Stat. 3015, 3028 (1980) (amending 17 U.S.C.App. § 101 (1976)). To take an elementary example, the result of displaying a "4" can be achieved by an instruction to add 2 and 2, subtract 3 from 7, or in a variety of other ways. Obviously, writing a new program to replicate the play of "Scramble" requires a sophisticated effort, but it is a manageable task.

To secure protection against the risk of a "knock-off" of "Scramble" based upon an original program, Konami eschewed registration of its program as a literary work and chose instead to register the sights and sounds of "Scramble" as an audiovisual work. *See* 17 U.S.C.App. § 102(a)(6) (1976). The Act defines "audiovisual works" as "works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied." 17 U.S.C.App. § 101 (1976). Omni contends that Konami is not entitled to secure a copyright in the sights and sounds of its "Scramble" game because the audiovisual work is neither "fixed in any tangible medium of expression" nor "original" within the meaning of § 102(a). Both contentions arise from the fact that the sequence of some of the images appearing on the screen during each play of the game will vary depending upon the actions taken by the player. For example, if he fails to avoid enemy fire, his spaceship will be destroyed; if he fails to destroy enough fuel depots, his own fuel supply will run out, and his spaceship will crash; if he succeeds in destroying missile sites and enemy planes, those images will disappear from the screen; and the precise course travelled by his spaceship will depend upon his adjustment of the craft's altitude and velocity.

If the content of the audiovisual display were not affected by the participation of the player, there would be no doubt that the display itself, and not merely the written computer program, would be eligible for copyright. The display satisfies the statutory definition of an original "audiovisual work," and the memory devices of the game satisfy the statutory requirement of a "copy" in which the work is "fixed."[4] The

3. Written computer programs are copyrightable as literary works. *See* 1 M. Nimmer, *Nimmer on Copyright* § 2.04[C] (1981).

4. In arguing that the permanent "imprinting" of the computer program in the game's memory devices satisfies the requirement of fixation in a tangible medium, appellees direct our attention to the PROM, which contains, in elec-

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Act defines "copies" as "material objects . . . in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device" and specifies that a work is "fixed" when "its embodiment in a copy . . . is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration." 17 U.S.C.App. § 101 (1976). The audiovisual work is permanently embodied in a material object, the memory devices, from which it can be perceived with the aid of the other components of the game.

[1] We agree with the District Court that the player's participation does not withdraw the audiovisual work from copyright eligibility. No doubt the entire sequence of all the sights and sounds of the game are different each time the game is played, depending upon the route and speed the player selects for his spaceship and the timing and accuracy of his release of his craft's bombs and lasers. Nevertheless, many aspects of the sights and the sequence of their appearance remain constant during each play of the game. These include the appearance (shape, color, and size) of the player's spaceship, the enemy craft, the ground missile bases and fuel depots, and the terrain over which (and beneath which) the player's ship flies, as well as the sequence in which the missile bases, fuel depots, and terrain appears. Also constant are the sounds heard whenever the player successfully destroys an enemy craft or installation or fails to avoid an enemy missile or laser. It is true, as appellants contend, that some of these sights and sounds will not be seen and heard during each play of the game in the event that the player's spaceship is destroyed before the entire course is traversed. But the images remain fixed, capable of being seen and heard each time a player succeeds in keeping his spaceship aloft long enough to permit the appearances of all the images and sounds of a complete play of the game. The repetitive sequence of a substantial portion of the sights and sounds of the game qualifies for copyright protection as an audiovisual work.

Appellants' claim that the work lacks originality proceeds along two lines. Repeating their attack on fixation, they assert that each play of the game is an original work because of the player's participation. The videotape of a particular play of the game, they assert, secured protection only for that one "original" display. However, the repeated appearance of the same sequence of numerous sights and sounds in each play of the game defeats this branch of the argument. Attacking from the opposite flank, appellants contend that the audiovisual display contains no originality because all of its reappearing features are determined by the previously created computer program. This argument is also without merit. The visual and aural features of the audiovisual display are plainly original variations sufficient to render the display copyrightable even though the underlying written program has an independent existence and is itself eligible for copyright. Nor is copyright defeated because the audiovisual work and the computer program are both embodied in the same components of the game. The same thing occurs when an audio tape embodies both a musical composition and a sound recording. Moreover, the argument overlooks the sequence of the creative process. Someone first conceived what the audiovisual display would look like and sound like. Originality occurred at that point. Then the program was written. Finally, the program was imprinted into the memory devices so that, in operation with the components of the game,

tronically usable form, the computer program for the game. While the PROM device contains the program specifically written for the "Scramble" game, there are undoubtedly some items of program stored in memory devices located in other components of the game. Whether located in the PROM prepared for this particular game or elsewhere in the total assembly, all portions of the program, once stored in memory devices anywhere in the game, are fixed in a tangible medium within the meaning of the Act.

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the sights and sounds could be seen and heard. The resulting display satisfies the requirement of an original work.

[2] We need not decide at what point the repeating sequence of images would form too insubstantial a portion of an entire display to warrant a copyright, nor the somewhat related issue of whether a sequence of images (*e.g.*, a spaceship shooting down an attacking plane) might contain so little in the way of particularized form of expression as to be only an abstract idea portrayed in noncopyrightable form, *see Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930), *cert. denied*, 282 U.S. 902, 51 S.Ct. 216, 75 L.Ed. 795 (1931). Assessing the entire effect of the game as it appears and sounds, we conclude that its repetitive sequence of images is copyrightable as an audiovisual display. *See Atari, Inc. v. Amusement World, Inc.*, No. 81-803 (D.Md. Nov. 27, 1981); *Midway Manufacturing Co. v. Drikschneider*, No. 81-0-243 (D.Neb. July 15, 1981); *Williams Electronics, Inc. v. Artic International, Inc.*, Civ. No. 81-1852 (D.N.J. June 24, 1981); *Cinematronics, Inc. v. K. Noma Enterprise Co.*, Civ. No. 81-439 (D.Ariz. May 22, 1981).

2. Trademark Issue

[3] Appellants contend that they, rather than appellee, have superior common law rights in the mark "SCRAMBLE" based on their use of the mark in the United States in early 1981, prior to appellants' use. The District Court found that appellants' prior use was not bona fide and that appellee's use entitled it to injunctive relief against appellants' use. We agree.

Though there is no direct evidence that Omni learned of the "SCRAMBLE" mark because of the planned use of the mark by Konami and Stern, that inference was available to the District Court, at least for purposes of considering Stern's entitlement to a preliminary injunction. Omni appears to have attempted only a preemptive use of the mark by ordering just ten name plates with the mark and affixing just five of them to headboards of units of separately named games sold in early 1981. *Cf. La Societe Anonyme Des Parfum LeGalion v. Jean Patou, Inc.*, 495 F.2d 1265 (2d Cir. 1974). The District Court was entitled to conclude that Omni was simply attaching a secondary label in a bad faith attempt to reserve a mark. *Blue Bell, Inc. v. Farah Manufacturing Co.*, 508 F.2d 1260 (5th Cir. 1975); *Blue Bell, Inc. v. Jaymar-Ruby, Inc.*, 497 F.2d 433 (2d Cir. 1974). Omni's claim that it sought to establish a trade name for its line of separately named, interchangeable games is undermined by the fact that once it secured a "knock-off" of Stern's "Scramble" game, it affixed only the mark "SCRAMBLE", thereby designating the name of the game, and not the line of which it was a part. As Judge Nickerson observed, "[I]t would be a truly remarkable coincidence if defendants independently thought of the name 'Scramble' and then, only a few months later, produced a video game virtually identical to the one bearing the same name. It is more likely that defendants sought to appropriate the trademark with the expectation that they would later imitate the audiovisual display."

Moreover, the equities abundantly justified issuance of an injunction against Omni's use of the mark. Stern has a substantial investment in the mark, having achieved success in the marketplace with its sales of a large number of units bearing the mark. By contrast, Omni has placed the mark on the headboard of five units of games that are not "Scramble" and has used the mark for a "Scramble" game that is a pirated "knock-off" of Stern's game.

The preliminary injunction is affirmed.

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B. Injunctive Relief

Pursuant to 15 U.S.C. §1116, plaintiff seeks an injunction against the defendants' continued use of Rubber Band.

I find, however, that the plaintiff is adequately compensated by the damages awarded, both for the harm suffered in the past and for any harm plaintiff might suffer in the future by virtue of the defendants' continued use of the name "Bootsy's Rubber Band." The award compensates the plaintiff far in excess of his loss and injury occasioned by the infringement. He has also received a significant portion of the defendants' profits.

[9] Plaintiff's proof established that the "Rubberband" mark had been appropriated by the defendants, and that the plaintiff could therefore not hope to use the mark successfully in commerce. I find that plaintiff is effectively prevented by the success of Bootsy's Rubber Band from using the Rubberband name successfully in commercial recordings even if defendants ceased to use the name. To grant an injunction would therefore harm the defendants without granting any benefit to plaintiff. I therefore decline to grant injunctive relief.

So Ordered:

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deductible expense within the contemplation of 15 U.S.C. §1117.

For the reasons stated on the record, see Tr. 717-27, 731-33 (primarily that plaintiff was misled by defendants' stipulation and would be prejudiced by the unanticipated receipt of such evidence), I declined to permit the defendant to introduce this evidence before the jury. In arguing that there was no surprise or prejudice, defense counsel pointed out that he had listed Warner's accounting officer Holmes as a witness in the pre-trial order. I note that at an unrecorded pre-trial conference in my chambers on the eve of trial, when a question was raised why the defendant would call an accounting witness in spite of the stipulation covering financial items, no suggestion was made by defense counsel that the witness would testify as to the defendant's taxes.

Notwithstanding my decision to bar introduction of the defendant's taxes before the jury, I invited the defendants to submit any materials they deemed appropriate after trial regarding the deductibility of the income taxes paid by Warner Bros., so that I could consider the propriety of adjusting the jury award on the basis of this evidence.

I decline to make any adjustment based on the defendant's taxes for three reasons. First are the reasons which were set forth in the transcript at trial when the issue arose — in particular the unfairness to plaintiff who forebore conducting discovery of Warner's finances, but accepted these as represented to him, as part of a trade-off which permitted him to rely on stipulated figures which assured him of an adequate basis for compensation. Secondly, there is some exaggeration in Warner's argument that it is unfair to fail to give it full allowance for taxes paid. For the payment of the award will represent a tax deduction which should result in recovery of a significant portion of the tax initially paid. Third in view of the discretionary reduction of the award of profits in the interest of justice from $350,000 to $200,000, no additional allowance based on taxes is appropriate.

District Court, S. D. New York

Bulk Manufacturing Co., Inc.
v. Schoenbach Products Co., Inc. et al.

No. 80 Civ. 1774
Decided Apr. 29, 1980

TRADEMARKS

1. Injunction — Preliminary injunction (§40.5)

Injunction — Trademarks (§40.7)

Substantial likelihood of confusion constitutes irreparable injury in context of trademark infringement; danger of confusion as to origin injures business reputation and goodwill of mark's owner because it is unable to exercise any control over quality of goods being advertised and marketed by accused infringer; difficulty in calculating damages suffered by mark's owner should accused infringer gain unfair market advantage, as well as uncertainty of adequate compensation to mark's owner, are also factors properly considered by court.

TRADEMARKS

UNFAIR COMPETITION

2. Pleading and practice in courts — State law considered (§55.73)

TRADEMARKS

Fraud and misrepresentation (§67.37)

Infringement — In general (§67.431)

UNFAIR COMPETITION

In general (§68.01)

Fraud, deception and palming off (§68.55)

Lanham Act Section 43(a) prohibits false designation of origin and false description of goods in interstate commerce; New York law provides standards of liability for trademark infringement and unfair competition equivalent to those established by Lanham Act.

TRADEMARKS

3. Fraud and misrepresentation (§67.37)

UNFAIR COMPETITION

Fraud, deception and palming off (§68.55)

Purpose of Lanham Act Section 43(a) is to protect consumers and competitors from type of commercial competition that relies upon misrepresentation of products; relief is available under this section where injury is caused by misappropriation and misuse of trademark, trade dress, or other practices that produce likelihood of confusion among consumers of similar products; protection of this section is available even where trademark in dispute is not federally registered mark.

TRADEMARKS

4. Marks and names subject to ownership — Descriptive — Misdescriptive or not descriptive — Particular marks (§67.5078)

Common law trademark "Lucky Eggs," for vending machine with plastic chicken that cackles and "lays" plastic egg containing toy prizes whenever coin is inserted, is sufficiently arbitrary and fanciful to qualify for protection under 15 U.S.C. 1125(a).

5. Defenses — Unclean hands (§50.25)

Acquisition of marks — Character and extent of use — In general (§67.0731)

Acquisition of marks — Use by plurality of persons (§67.085)

General rule is that priority of appropriation and use determines which litigant will prevail in its use, defendants that are not successors of or in privity with senior user of mark may not rely upon senior user's use to defeat plaintiff's right in mark it appropriated and used before defendants did, use of trademark in foreign country does not prevent its adoption and use in this country by another in good faith prior to entry of foreigner in domestic market, trademark owner's conduct in copying and selling foreign machine in market in which it believed foreign manufacturer did not compete cannot be considered unscrupulous commercial conduct that would render applicable accused infringer's unclean hands defense.

TRADEMARKS

6. Fraud and misrepresentation (§67.37)

UNFAIR COMPETITION

Fraud, deception and palming off (§68.55)

Lanham Act Section 43(a) may present no legal barriers to copying idea of machine, but it does prohibit use of confusingly similar trademark, lettering, and graphics on accused machine.

UNFAIR COMPETITION

7. Appearance of goods or labels — In general (§68.201)

Fraud, deception and palming off (§68.55)

Plaintiff is entitled to relief if total impression of accused unfair competitor's package, size, shape, color, design, and name upon consumer will lead consumer to confuse origin of product.

Action by Bulk Manufacturing Co., Inc., against Schoenbach Products Co., Inc., Northwestern Sales & Service Corp., Centoy Manufacturing, Ltd., and Ralph Karmazyn, for Lanham Act violations and unfair competition. On plaintiff's motion for preliminary injunction. Motion granted.

John M. Calimafde, William L. Boyer, Marvin N. Gordon, and Hopgood, Calimafde, Kalil, Blaustein & Lieberman, all of New York, N.Y., for plaintiff.

Edward L. Sadowsky, Mona D. Shapiro, Herbert Berman, and Tenzer, Greenblatt, Fallon & Kaplan, all of New York, N.Y., for defendants.

Cannella, District Judge:

Motion for preliminary injunction, enjoining the defendants during the pendency of this action from selling, offering for sale or filling any orders for its "Lucky Toys 'N' Eggs" vending machine, is granted. Fed.R.Civ.P. 65(a).

By Order to Show Cause issued on March 28, 1980, plaintiff brought on the instant application for preliminary relief. Plaintiff contends that the defendants have engaged in conduct which violates section 43(a) of the Lanham Act, 15 U.S.C. §1125(a), as well as the law of New York prohibiting unfair competition. A hearing was held on

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April 11, 1980, and both sides presented witnesses to supplement the affidavits submitted to the Court. At the conclusion of the hearing, the Court reserved decision.

Facts

Since 1978, plaintiff has manufactured a vending machine sold under the designation "Lucky Eggs." The machine is a box made of plywood and plexiglass in a design vaguely resembling a chicken coop. Inside, but plainly visible, is a plastic chicken, which cackles and "lays" a plastic egg containing toy prizes whenever a coin is inserted. See Plaintiff's Exhibit 1 (filed in Court on April 11, 1980). From April 1978 to February 1979, plaintiff employed defendant Karmazyn as its plant manager in charge of production. In April 1979, defendant Karmazyn incorporated Centoy Manufacturing, Ltd., of Ontario, Canada, which began manufacturing a vending machine sold under the designation "Lucky Toys 'N' Eggs." The Centoy machine is virtually identical in appearance to the plaintiff's machine. See Defendant's Exhibit D (filed in Court on April 11, 1980). In March 1980, defendants Schoenbach Products Co. ["Schoenbach"] and Northwestern Sales and Services Corp. ["Northwestern"] became Centoy's sole distributors in the United States.

Plaintiff modeled its "Lucky Eggs" machine after a similar "Lucky Eggs" machine which its president, Robert D. Poirer, had purchased in England in or before 1978. See Defendant's Exhibit B (filed in Court on April 11, 1980). Poirer testified that a survey revealed that the "Lucky Eggs" machine was not being sold in the United States at the time. The defendants contend, however, that the English manufacturer of the machine, Gayton Games, had a United States distributor, Comic, Inc., as early as 1976.

When plaintiff first began manufacturing, it sold approximately thirty machines per month. Presently, plaintiff sells 300 to 400 machines per month, throughout the United States and four foreign countries, as well as 1.5 million plastic eggs which are dispensed by the machine. Plaintiff spends $50,000 per year to advertise its machine at trade shows, in addition to $2,500 per year for other forms of advertising.

Plaintiff first learned of the defendants' machine when it participated in a trade show on March 19-20, 1980, in Paradise Valley, Arizona. Defendant Northwestern also displayed the Centoy machine at the trade show. Poirer obtained advertising literature from the Northwestern exhibit. One Schoenbach pamphlet which advertised several types of vending machines contained a picture of plaintiff's machine. See Plaintiff's Exhibit 6 (filed in Court on April 11, 1980). Schoenbach, which was never an authorized distributor for plaintiff, contends that it obtained the machine from one of plaintiff's distributors for the purpose of taking orders for plaintiff's machine prior to its distributorship agreement with Centoy. Plaintiff contends that Schoenbach used its machine to solicit orders for the Centoy machine. Schoenbach further states that it returned the machine to plaintiff's distributor after contracting with Centoy, and that it was not distributing any literature that depicted plaintiff's machine at the trade show.

Poirer also testified that persons interested in purchasing plaintiff's machine approached him at the trade show and asked why plaintiff was exhibiting its merchandise at two different booths. He states that certain of plaintiff's customers have since refused to place orders for plaintiff's machine until it could be determined whether defendants' machine was cheaper.

Discussion

Preliminary injunctive relief in this Circuit calls for a showing of "(a) irreparable harm and (b) either (1) likelihood of success on the merits or (2) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly toward the party requesting the preliminary relief."

Seaboard World Airlines, Inc. v. Tiger International, Inc., 600 F.2d 355, 359 (2d Cir. 1979) (quoting Jackson Dairy, Inc. v. H.P. Hood & Sons, Inc., 596 F.2d 70, 72 (2d Cir. 1979) (per curiam)), accord, Jack Kahn Music Co. v. Baldwin Piano & Organ Co., 604 F.2d 755, 758 (2d Cir. 1979).

Irreparable Harm

[1] Poirer testified to incidents of actual confusion among prospective customers at the trade show, as well as the loss of expected orders from established customers as a result of the marketing of the defendants' machine. In the context of trademark infringement, a substantial likelihood of confusion constitutes irreparable injury. See Matter of Vuitton Et Fils S.A., 606 F.2d 1, 4, 204 USPQ 1, 3-4 (2d Cir. 1979). The danger of confusion as to origin injures plaintiff's business reputation and good will because it is unable to exercise any control over the quality of the goods being advertised and marketed by the defendants. See Wittenberg v. Devon Industries, Inc., 466 F.Supp. 681, 687 (S.D.N.Y. 1979). Moreover, the difficulty in calculating damages suffered by plaintiff should the defendants gain an unfair market advantage, as well as the uncertainty of adequate compensation to plaintiff, are also factors properly considered by the Court. Id. Therefore, the Court finds that plaintiff has made the requisite showing of irreparable harm as a result of the defendants' conduct.

Likelihood of Success

[2] Plaintiff has brought this action charging violation of section 43(a) of the Lanham Act, 15 U.S.C. §1125(a), which prohibits false designation of origin and false description of goods in interstate commerce.[1] Plaintiff also claims trademark infringement and unfair competition under New York law, which provides standards of liability equivalent to those established by the Lanham Act. Wittenberg, supra, 466 F.Supp. at 686. Jurisdiction to hear the federal claims is found under 28 U.S.C. §1338(a) and the state claims rest on 28 U.S.C. §1338(b) (pendent to a claim arising under the federal trademark law), and on diversity jurisdiction, 28 U.S.C. §1332.

[3, 4] The purpose of section 43(a) of the Lanham Act is to protect consumers and competitors from the type of commercial competition which relies upon misrepresentation of products. Under this section, relief is available where injury is caused by the misappropriation and misuse of a trademark, trade dress or other practices which produce a likelihood of confusion among consumers of similar products. See DCA Food Industries Inc. v. Hawthorn Mellody, Inc., 470 F.Supp. 574, 579, 202 USPQ 739, 742-743 (S.D.N.Y. 1979). Moreover, the protection of this section is available even where the trademark in dispute is not a federally registered mark.[2] Johanna Farms, Inc. v. Citrus Bowl, Inc., 468 F.Supp. 866, 873, 199 USPQ 16, 21-22 (E.D.N.Y. 1978).

In the case at hand, the plaintiff contends that the defendants have engaged in four distinct violations of section 43(a): (1) defendants' use of the mark "Lucky Toys 'N' Eggs" infringes upon plaintiff's common law trademark, "Lucky Eggs"; (2) defendants have misappropriated the trade dress of plaintiff's machine, (3) Schoenbach displayed plaintiff's machine for the purpose of obtaining orders for the Centoy machine; and (4) defendants used a photograph of plaintiff's machine for the purpose of selling the Centoy machine.

[5] In response to plaintiff's allegations, the defendants argue that the plaintiff has no protectible right in the trademark "Lucky Eggs" since plaintiff appropriated the mark, and the design of the machine, from the English manufacturer of a similar machine which had an authorized distributor in the United States at the time. Defendants have made no showing as to the extent of the distributor's use of the mark in markets located in this country as of 1978. Furthermore, the defendants do not allege that they are the successors of or in privity with the senior user of the "Lucky Eggs" mark. The general rule is that priority of appropriation and use determines which litigant will prevail in its use. Johanna Farms, Inc., supra, 468 F.Supp. at 875, 199 USPQ at 22-23. The defendants may not, however, rely upon another's prior use to defeat plaintiff's right in a mark it appropriated and used before the defendants did. In that respect the instant case is distinguishable from Johanna Farms, Inc., supra, where the defendants were the valid successors of the senior user of the mark. The use of a trademark in a foreign country does not prevent its adoption and use in this country by another in good faith prior to the entry of the foreigner in the domestic

[1] Section 1125(a) provides:

> Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

15 U.S.C. §1125(a).

[2] The Court finds that plaintiff's common law trademark in "Lucky Eggs" is sufficiently arbitrary and fanciful to qualify for protection under section 1125(a) of title 15 of the United States Code. See Wittenberg, supra, 466 F.Supp. at 686.

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market. See Johnson & Johnson v. Diaz, 339 F.Supp. 60, 172 USPQ 35 (C.D. Cal. 1971); Moxie Co. v. Noxie Kola Company of New York, 29 F.Supp. 167, 42 USPQ 443 (S.D.N.Y. 1939). Plaintiff's conduct in copying and selling the English machine in a market where it believed that the English manufacturer did not compete can hardly be considered unscrupulous commercial conduct. Therefore, the Court finds that the defense of unclean hands is inapplicable here.

The defendants' contention that the marks are sufficiently distinct so that there is little likelihood of confusion is not convincing. Given the overall similarity in appearance of the machines, the same placement, color and size of the marks on the machine, and the similarity in the wording of the marks, the Court finds that there is obviously a strong danger of confusion, not only on the part of prospective purchasers of the machine, but also on the part of young consumers who purchase prizes from individual vending machines. But despite the similarity of the marks, the defendants contend that there can be no misrepresentation as to the origin of their machine since Centoy's name appears on it in lettering which is approximately 3/16-inch high. Defendants rely upon American Rolex Watch Corp. v. Ricoh Time Corp., 491 F.2d 877, 879, 180 USPQ 417, 418 (2d Cir. 1974), a case involving a product design copy and use of a somewhat similar trade symbol. There, the Court of Appeals for the Second Circuit, which relied upon Compco, Inc. v. Day-Brite Lighting, Inc., 376 U.S. 234, 140 USPQ 528 (1964), Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 140 USPQ 524 (1964), and Bose Corp. v. Linear Design Labs, Inc., 467 F.2d 304, 310, 175 USPQ 385, 389-390 (2d Cir. 1972), concluded that there is little likelihood of confusion or palming off when the name of the manufacturer is prominently displayed.

In the context of the instant case, however, the effectiveness of such protective measures is questionable. First, given the size of the machine, the Court does not find that the manufacturer's name is prominently displayed so that prospective purchasers of the machine would be alerted to the different origin, especially in view of the almost identical appearance of the machines. Second, the designation of the manufacturer could not prevent confusion among children who purchase the "eggs" dispensed from the vending machines, and who could hardly be expected to place any significance on the designation, even if they could read it. Moreover, the reasoning of American Rolex, supra, has been criticized in the contexts of actions which seek to protect the symbol of a product's goodwill rather than its design:

> Even if the product may be copied so long as the source is identified, that does not mean that the front-line symbol of the source may be copied so long as a secondary source identification is also used. Surely one reason to adopt a trademark is to avoid asking the consumer to resort to footnotes in order to trigger the desired cognitive responses. Moreover, where the consumer is absorbing the entire product as a designed object, part of what he perceives is likely to be the name or symbol of the producer. By contrast, when he is looking only at a symbol that conveys in shorthand a whole set of perceptions about the product and its source, he is not likely to go an extra step to correct any source confusion.

DCA Food Industries Inc. v. Hawthorn Mellody, Inc., supra, 470 F.Supp. at 580, 202 USPQ at 743-744.

[6] Thus, while section 43(a) may present no legal barriers to copying the idea of a vending machine containing a chicken which "lays" toy eggs,[1] it does prohibit the defendants' use of a confusingly similar trademark lettering, and graphics on its machine. See Wittenberg, supra, 466 F.Supp. at 685-86. Viewing the two vending machines side by side, it is apparent that "Lucky Toys 'N' Eggs" mimics "Lucky Eggs" to such a degree that plaintiff is probably entitled to protection.

[7] Similarly, if the vending machines are considered as dispensers of the toy eggs rather than the product itself, the Court finds that the defendants have mimicked plaintiff's trade dress or packaging to such a degree as to warrant the protection of section 43(a). In this context, the issue is whether similarities in packaging create a probability of confusion as to origin. Plaintiff is entitled to relief if "'the total impression of package, size, shape, color, design and name upon the consumer will lead him to confuse the origin of the product.'"

[1] Other toy vending machines using the chicken theme have been recently marketed in this country. See Affidavit of Ralph Karmazyn, Exhibits B, C, D, E (filed in Court on April 11, 1980). In two instances involving Universal Visual Audiotronics Corporation, plaintiff took steps to protect its common law trademark.

Wittenberg, supra, 466 F.Supp. at 687 (quoting Jean Patou, Inc. v. Jacqueline Cochran, Inc., 201 F.Supp. 861, 863, 133 USPQ 242, 244-245 (S.D.N.Y. 1962), aff'd., 312 F.2d 125, 136 USPQ 236 (2d Cir. 1963)). The total impression created in the present case indicates a high probability of confusion, and thus the Court finds that plaintiff is entitled to relief.

The Court notes that the defendants do not dispute that Schoenbach's alleged use of plaintiff's machine or pictures of it may constitute violations of section 43(a). Rather, Schoenbach denies that it used plaintiff's machine and photographs of it to solicit orders for the Centoy machine, and states that it no longer possesses plaintiff's machine or distributes advertising literature containing pictures of it. Therefore, on the basis of defendant's representation, the Court finds the application for a preliminary injunction prohibiting such conduct to be moot.

Conclusion

In accordance with the foregoing, the Court finds the plaintiff entitled to a preliminary injunction against the defendants, enjoining them from selling, offering for sale or delivering their "Lucky Toys 'N' Eggs" vending machine during the pendency of this action. These are the Court's findings of fact and conclusions of law. Fed.R.Civ.P. 52(a), 65(d).

Submit Order on Notice.

So Ordered.

District Court, S. D. New York

Stevens Linen Associates, Inc. v. Mastercraft Corporation

No. 79 Civ. 2016

Decided Feb. 1, 1980

COPYRIGHTS

1. Infringement — In general (§24.201)

Infringement — Copying essential (§24.203)

Infringement — Evidence of (§24.205)

Infringement — Tests of (§24.209)

Plaintiff in copyright infringement action, in order to prove infringement, must show ownership of valid copyright and copying by defendant; direct evidence of copying is rarely, if ever, available, so that plaintiff may prove copying by showing access and substantial similarity of two works; substantial similarity is to be determined by ordinary-observer test, which states that there is substantial similarity where ordinary observer, unless he set out to detect disparities, would be disposed to overlook them and regard aesthetic appeal as same; this test is also formulated in terms of whether average lay observer would recognize alleged copy as having been appropriated from copyrighted work; copying need not be of every detail so long as copy is substantially similar to copyrighted work.

2. Infringement — Evidence of (§24.205)

Copying may be inferred when accused fabric is substantially similar to copyrighted fabric; required access by accused infringer to copyright owner's design prior to accused's creation may also be inferred from this substantial similarity.

3. Injunction — Copyrights (§40.3)

Injunction — Preliminary injunction (§40.5)

Copyright proprietor, in order for preliminary injunction to issue, need not make detailed showing of irreparable injury resulting from infringement; holder of copyright is presumed to suffer irreparable harm when his right to exclusive use of copyrighted material is involved; preliminary injunction will issue enjoining defendant in copyright infringement action from copying plaintiff's fabric designs, and from selling, distributing, displaying or advertising any of its accused fabric designs, when plaintiff has demonstrated reasonable probability of success on merits with respect to his claim of copyright infringement and is presumed to suffer irreparable harm resulting from infringement.

Action by Stevens Linen Associates, Inc. against Mastercraft Corporation, for copyright infringement. On plaintiff's motion for preliminary injunction. Motion granted.

James K. Silberman, and Blum, Kaplan, Friedman, Silberman & Beran, both of New York, N.Y., for plaintiff.

Richard Whiting, and Davis Hoxie Faithful & Hapgood, both of New York, N.Y., and Wallace D. Newcomb, and Paul &

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Exhibit 20

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MORGAN & FINNEGAN

ATTORNEYS AT LAW

345 PARK AVENUE
NEW YORK, NEW YORK 10154

TEL.: (212) 758-4800
TELEX: 421792
FACSIMILE: (212) 751-6849

WASHINGTON OFFICE
1627 I STREET, N.W.
WASHINGTON, D.C. 20006
TEL.: (202) 857-7887
FACSIMILE: (202) 857-7929

WRITER'S DIRECT DIAL NUMBER:

(212) 415-8543

JEROME G. LEE
JOHN D. FOLEY
JOHN A. DIAZ
THOMAS P. DOWLING
JOHN C. VASSIL
WARREN H. ROTERT
ALFRED P. EWERT+
DAVID H. PFEFFER
HARRY C. MARCUS
ROBERT E. PAULSON
STEPHEN R. SMITH
KURT E. RICHTER
J. ROBERT DAILEY
EUGENE MORDZ

JOHN F. SWEENEY
ARNOLD I. RADY+
CHRISTOPHER A. HUGHES
WILLIAM S. FEILER+
JANET DORE
JOSEPH A. CALVARUSO
JAMES W. GOULD
RICHARD C. KOMSON
ISRAEL BLUM
CHRISTOPHER K. HU
BARTHOLOMEW VERDIRAME
DICKERSON M. DOWNING
MARIA C. H. LIN
JOSEPH A. DeGIROLAMO
CHRISTOPHER E. CHALSEN

SENIOR COUNSEL
GEORGE B. FINNEGAN, JR.
GRANVILLE M. PINE

COUNSEL
THOMAS I. O'BRIEN
FREDERICK F. CALVETTI+

JOHN D. MORGAN
1893-1939

HOBART N. DURHAM
1930-1969

THOMAS M. HAMMOND*+
EUGENE C. RZUCIDLO*+
MICHAEL A. NICODEMA
ANDREW M. RIDDLES
MICHAEL P. DOUGHERTY
BETH J. ATLAS
SCOTT D. GREENBERG
JEAN M. DUVALL
KAREN L. STAFF
MARGARET B. KELLEY
WILLIAM KROVATIN
ANTHONY P. VENTURINO
BRUCE D. DeRENZI
MIDGE M. HYMAN
MARK J. ABATE
ALAN TENENBAUM
JOHN M. DIMATTEO*
FRANK CHAU
BARRY J. SCHINDLER
JOHN T. GALLAGHER

CARY S. HOFFMAN
JOSEPH SOFER
BRIAN I. MARCUS
STEVEN F. MEYER
VINCENT A. CASTIGLIONE
HOWARD J. SUSSER
GABRIEL P. KRALIK
TONY V. PEZZANO
BRUCE D. RADIN
ELAINE J. KAMAN
DESIREE M. BRODERICK
MARY J. MORRY
GEORGE N. PROIOS
MICHAEL J. TIMMONS
RICHARD E. PARKE*
CHRISTOPHER A. KLEIN
RAYMOND VAN DYKE
ROBERT R. GOETHALS
KENNETH H. SONNENFELD*
PATRICK J. KILGANNON*
EMILY S. LAU*

* NOT ADMITTED IN NEW YORK
+ ADMITTED IN WASHINGTON, D.C.

May 21, 1991

Ronald S. Milstein, Esq.
Vice President/Ass't. General Counsel
Culbro Corporation
387 Park Avenue South
New York, NY 10016-8899

Re: Maintenance of U.S. Trademark Registrations
Our Ref.: 246-GEN.

Dear Ron:

We would like to bring your attention to an issue which has been arising frequently in connection with General Cigar's United States trademark registrations.

As you know, in order to obtain a federal registration of a trademark, or maintain such a registration in good standing, it is necessary that the mark be used on the goods. Recent legislation has redefined the "use" requirement so as to require use, i.e. sales or shipments, in the regular course of business as opposed to "token use," i.e. a single or small number of shipments of goods bearing a mark, made for the purpose of securing or perpetuating rights in that mark. Such "token use" sufficed in the past to support the filing of a new application or an affidavit of use or renewal application in connection with an existing registration.

Moreover, a mark will now be deemed to have been abandoned if (a) it has not been "used" as defined above (i.e. shipments in the regular course of business) for any period of time greater than two years and (b) it cannot be proven that an intention to resume such "use" existed during that time period. Case decisions have also held that even where legitimate use of a mark has resumed, an intervening period of abandonment constitutes

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GCP 0089.247

grounds for the cancellation of a registration by interested third parties. See, e.g., AmBrit, Inc. v. Kraft, Inc., 805 F.2d 974 (11th Cir. 1986).

In view of the foregoing, we recommend that General Cigar review its inventory of trademarks and try to determine if there are any important marks that are not being used in the regular course of business. For marks where the period of non-use has not yet reached two years, any plans to resume use should be expedited. If any such mark has not been used for any period of two or more years, it would be advisable to file a new application for its registration. The new application can be based on use in commerce if shipments in the regular course of business are presently being made, or intent to use, if shipments in the regular course of business are planned to resume in the near future. In either case, the newly obtained registration would stand on firmer ground than the previous registration.

It is especially important in view of the new laws that no mark of ongoing interest to the company be allowed to go unused in the regular course of business for any substantial period of time. Monitoring of the usage of important trademarks is therefore advisable in order to assure the continued viability of existing registrations as well as General Cigar's underlying rights in connection with those marks.

Please call me if you have any questions regarding the foregoing or if you wish to file fresh applications for any General Cigar trademarks.

Very truly yours,

Scott Greenberg

SG:cm

cc: Mr. Dan Waters
Harry C. Marcus, Esq.

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 84 (0084), Pls Ex 88, GC 004833-GC 004835

PX 88

General Cigar Co., Inc.
a company of Culbro Corporation

Memorandum

To David Burgh Location Bloomfield, CT Date November 16, 19[illegible].

From Alfons Mayer Location Warren, NJ

I. Related Business Information for General Cigar.

A. First item Mr. Padron told me during first direct meeting with him, was that he received a rumor that Consolidated Cigar maybe sold to an European company soon. I felt, since he knew it, it could only be the Spanish Monopoly since they bought the right of the brand names H. Upmann, Montecristo, Por Laranaga from them and wanted to get the rights in USA, as well.

One evening during dinner with Chris Burger, brother of Max Burger, I dropped this rumor on the table to get some more reactions. I got the feeling they are the ones looking at it as he knew and said too expensive.

Later I heard in the States a price tag of $150 million asking price (front office).

B. Meetings with Padron, breakfast and a few short time ones thereafter; I bumped on him the possibility of a Clinton win or a Castro change and an approach of the two countries to lift the embargo. Cuba tobacco he said, would talk to General Cigar via myself to form a 49%/51% partnership company in the USA for all Habana cigars to be imported and leaf tobacco to be imported, as well as license and royalty agreements for 100% Havana short filler brands solely with General Cigar, and/or maybe with other cigar companies as well, always via the 49%/51% partnership with General Cigar Company. Exactly the same set up they have created in the rest of the world.

P.S. I would not be surprised you may see this type of trading all over the world on other commodities, especially due to the expansion of trade wars.

General Cigar is first on his list! We must understand that everything is Cuba tobacco and rather we have 100% of the pie to be split up at 49%/51% then a piece of open competition.

The only risk I see is that at some point the Castro regime always even after such a lifting of the embargo could disappear and a new Government may open up and privatise Cuba tobacco. However, the trend that I am listening to in Miami, after Castro regime falls, is to leave Cuba tobacco in place and continue to operate with their 49%/51% set up in partnership with the owner families of the pre-Castro factory units, and I think we have a good chance to hold on to such a 49%/51% set up if we are their choice from the first initial set up.

Blumberg No. 5114 DEFENDANT'S EXHIBIT D 84

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GC 004833

C. Chris Burger talked to me that he was going to have a meeting with Padron. He asked me if General Cigar would be interested in a partnership of a Cuban cigar factory to be set up in a free zone near or in Havana via an European hook up. I said to him that I have no authority to talk positive or negative about it but the only person to talk to would be David Burgh. Though I did not say it to him, I could not see what we would get out of it, then only a far away soft shoe in the door. It all depends what type of cigar he was going to make, short filler clear or long filler clear. Later on he told me that he had his meeting with Padron, who said to him, that the idea was interesting, but that at this time they were absolutely not interested in such a venture by Burger Co. or anyone else for that matter as it would deteriate their controls. I also was thinking what is the use to set up a factory in Cuba if you have no control to acquire the raw materials required. Cuba tobacco would have Burger over a barrel and with limited supply. I am sure also that if ever such a venture would come off with anyone you are in a 49%/51% partnership with Cuba tobacco.

D. Cohiba: Ron, who had an opportunity to talk their legal man of Cuba tobacco, whose name Ron probably have noted down, discussed the Cohiba registration in USA. They basically had no legal objection (at this time) to use Cohiba name but would severely object to use the design and colors of the Cohiba brand and would legally fight it via an international route. Having said this, and with all kind of possible developments in hand, I hope we will abide with a peaceful decision to promote our Cohiba designs in the USA.

E. Lippoel Leaf BV and Carl Leoni from Holland for some years have been doing business in Cuba via Gerard Van Hattum. Lippoel took over World tobacco, which was an arm of Dibbrell; the Burley and Fluecured operations and sales in a 49%/51% with Cuba tobacco partnership and also the Redrying Plant of these tobacco that World tobacco had built in Cuba for exchange of tobacco exports. World tobacco was slowly paid back their investment over a period of years. At one time Lippoel had some kind of partnership with Casa Lee, but when Lippoel expanded and partnershipped with Cuba tobacco Casa Lee dropped them. Carl Leoni, directed by Herbert Arkauer, handled the dark tobaccos for Cuba in Europe, in direct competition with Meerapfel. When Meeropfel refused to entertain a 49%/51% partnership with Cuba tobacco a few years ago, Cuba tobacco put all of it into a 49%/51% with Carl Leoni and in Cuba both companies work under Lippoel Havana.

Since last year they are growing Connecticut Seed wrappers in experiment. Within minutes after my arrival seeing Joop Van Huystee of Harkema standing with Jan Bloemen, Potjer a retired grower from Sumatra, Bolinaga of Cuba tobacco and the Lippoel group together, I knew an wrapper experiment is going on, I asked, and thinking that I already knew, they confirmed.

It was only due to my relationship with Padron that grew during our visit, and me asking to see the warehouse of General Cigar, Partido and Pinar del Rio (Vueltas) and probably their desire to show us; that Lippoel could not keep us from going as Padron made all arrangements immediately after the breakfast and after a luncheon meeting with several others, and Lippoel Cuba tobacco people. Moreover, we received a very "delayed" invitation to the Lippoel cocktail party on Wednesday evening, which I thought was strange but not surprising with Joop Van Huystee being on the scene.

F. A lot of emphasis was made on the word Habanas and habana cigars. They really try not to emphasize on particular brands and fight anybody to such brand names with the words Cuba or Havana in it (Gloria de Cuba) etc. An advertisement attached in many tobacco Journals will show this.

Enclosed is this add.

G. Padron told me that he is extremely mad with Tobacalera. Mainly because of the brand fights and the Court decision in France. He said German Gavillo, the new President of Tobacelero, is an ego maniac and has colonistic ambitions.

Enclosed find an extremely interesting article on the subject, and explains it better than I could have written it.

H. Last but not least, Miami. Alonso was extremely well informed of every day and meetings in Havana during the conference. CID interviews at least 26 people coming from Cuba daily, they are listening to news 24 hours and receive daily the Granma local Cuban newspaper, and what else I am not aware off.

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PARTY: RESPONDENT

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Defs Ex 85 (D0085), Pls Ex 401, GCP 0109

Culbro Corporation

387 Park Avenue South
New York, NY 10016-8899
212/561-8700
Telex: 325896
Cable: CULBROCORP NYK

PLAINTIFF'S DEPOSITION EXHIBIT 401 7/3/01 AA

Culbro

Ronald S. Milstein
Vice President
Assistant General Counsel
212/561-8731
FAX 212/561-8791

April 12, 1993

Harry Marcus, Esq.
Morgan & Finnegan
345 Park Avenue
New York, New York 10154

Dear Harry:

Enclosed find several samples for a proposed label on our Cohiba cigars. Please review and let me know which proposals might cause us problems with Cubatabaco's design for their Cohiba.

I need these back as soon as possible, along with the cigar box and original bands that I sent to you some time ago.

Very truly yours,

/RSM476/

Blumberg No. 5114 DEFENDANT'S EXHIBIT D 85

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
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Defs Ex 85A (D0085A), GCP 00549

9th Choice

8th Choice

DEFENDANT'S EXHIBIT
D85A

Blumberg No. 5114

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GCP 00549

#1 6th Choice

#2 - different color

#3 - different color no lady

Bachner + Company Inc
Communication Design

130 West 25 Street
New York NY 10001
Phone 212.243.5287
Fax 212.989.2845

#4

GCP 00549.1

+ Co

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Confidential: Under Protective Order

Confidential And Privileged

4th Choice

Could cause complaint - We would probably win

Safe 1st Choice

Confidential:
Under Protective Order

Confidential And
Privileged

GCP 00551

Safe
1st B
Choice

Safe
1st A
Choice

2nd B Choice + safe

2nd A Choice Safe

GCP 00553

Confidential:
Under Protective Order

Confidential And
Privileged

5th B Choice

3rd Choice

5th A Choice

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
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Defs Ex 86 (D0086), Plfs Ex 418, MC 00320-MC 00335

PLAINTIFF'S
DEPOSITION
EXHIBIT
418
7/19/01 AA

MEMORANDUM

DATE: 4/8/97

TO: General Cigar Group

FROM: Christina Keaveney

RE: Cohiba &

****

Please review the following information just sent over by General Cigar.

The agency has been asked to move quickly on both Cohiba and They are anticipating an RTDA launch for both.

We should meet to discuss ASAP.

REDACTED

Blumberg No. 5114
DEFENDANT'S
EXHIBIT
D 86

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General Cigar Co., Inc.
320 West Newberry Road
Bloomfield, CT 06002-1398

a company of
Culbro Corporation

MEMO

TO: Sam Ratner

FROM: Dickson Farrington

CC: J. Geoghegan

REDACTED

DATE: April 8, 1997

RE: **Cohiba Brand Strategy Statements**

Cohiba

As per our phone conversation this morning I am sending you the summaries from our Cohiba consumer research / focus groups compiled by Amy Lineberger. Also brand strategy statements for Cohiba.

REDACTED

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MC 00322

Advertising Strategy

Date: April 7, 1997
Brand: Cohiba

Objective:
Advertising will convince cigar smokers that Cohiba cigars from the Dominican Republic stand alone in their distinctive character, rich taste and smoothness, and should not be compared to any other cigar, even to their Cuban namesakes.

Benefit:
A cigar with such distinctively smooth taste and intensely rich flavors that you are compelled to slow down and relax so the appreciation of your space and the cigar can happen as one.

Reason Why:
The distinctive combination of smoothness and full rich tastes which are finally good enough to deliver the mystique of its legendary Cohiba name, as well as complete cigar pleasure that is singular and rare.

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Advertising Strategy:

Date: March 5, 1997
Brand: Cohiba

Objective:
Advertising will convince cigar smokers and other upscale, style-oriented men 25+ that COHIBA, more than any other cigar name delivers the sense of relaxed elegance and defining character that sets them apart from and above their peers.

Benefit:
COHIBA gives you the same feeling of international style, self assurance, and rare cigar pleasure that gave Havana its mystique.

Reason Why:
Whether it's your cigar, your clothing or accessories, the tropical cachet and prestige of COHIBA symbolizes quality, rarity, and discriminiating taste.

Supporting Points:
For cigars: A full rich taste, interesting, pungent flavors, smoothness, and a brand that says you alone have found that rare complete cigar pleasure.
For other items: COHIBA is relaxed, tropical, stylish. It 50s Havana updated. Lizard wallet and cigar holder, alligator and sterling silver humidor, etc. Black is the primary color of the Cohiba mystique, with silver and white accents, a slash of gold.

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MC 00324

DF

COHIBA

CONFIDENTIAL

MC 00325

Project Background

In the interest of developing the Cohiba brand in the U.S. market, General Cigar management commissioned 10 one-on-one, in-person interviews in Chicago at the Prudential Plaza Club on Tuesday, March 18th, 1997. The purpose of these interviews was to examine existing perceptions of the Cohiba brand name, particularly the strength of its tie to Cuba, and to test a newly created tobacco blend, a print ad concept and three different positioning statements for general appeal and congruence to expectations of the brand.

Imagination at Work, Inc. coordinated the recruitment of participants, and Lois Coleman moderated the interviews. In attendance from General Cigar Company were John Rano and Amy Lineberger. In attendance from McCaffery & Ratner advertising agency was Christina Keaveney.

Qualified interviewees were at least 25 years of age and had smoked at least one of several specified premium cigar brands in the past 12 months. They also had to smoke at least two cigars per week. A mix of ages was recruited, and half of the respondents were aware of the Cohiba brand name prior to the interviews.

AGE		SMOKING FREQUENCY		AWARE OF COHIBA BRAND NAME	
25 - 34	5	Light	9	Yes	5
35 +	5	Heavy	1	No	5

Three Tested Positioning Statements:

- "The pleasure of the best. For cigar smokers who believe that their cigar enjoyment can only begin with taste, a Cohiba cigar imparts the same rare pleasure and feeling of international style that gave Havana its mystique."

- "A world unto itself. Cohiba is not an island It is an elegant world where nothing but the best can exist. Where personal style and self-assurance demand only the finest cigar."

- "Cohiba. Who you are. Who you will be. For men who have discovered a defining character in the cigar they smoke, Cohiba is the symbol of rare quality and discriminating taste that sets them apart from others."

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MC 00326

In addition to these statements, a four-page magazine ad concept was also tested, along with a cigar band and box, each presenting the proposed logo. Respondents were also shown the following different options, and were asked to comment on their preferences:

- Logo with and without the Spanish phrases, "Esplendidos" and "Hecho a mano"
- Logo in solid black vs. Stripes
- Phonetic spelling of Cohiba in small letters underneath brandname.

Respondents were also asked to smoke an unmarked cigar with the test tobacco blend. They had the entire session to smoke it, and were asked to give feedback several times during the process.

General Observations & Marketing Inferences

	OBSERVATIONS	INFERENCES
1	Half of the interviewees were unaware of, and seemingly unconcerned with, cigar country of origin. The other half, while conscious of origin, indicated that cigars from countries other than Cuba are excellent in their own right, with some indicating that the long-standing, superlative reputation of Cuban cigars is unfounded today.	A cigar's country of origin doesn't seem to be an issue for a sizable percentage of premium smokers. Those who are more conscious of country of origin tend to be more savvy about cigars overall, and appear to be less impressed by the "Cuban mystique."
2.	While all interviewees agreed that Cuban cigars are widely perceived to be the best in the world, a number of them felt the "hype" associated with Cuban cigars is more a function of their illegality and short-supply, and that the "mystique" will fade when the ban is lifted.	Although they do believe Cuban cigars are very good (whether they've tried them or not), some smokers, particularly the more savvy ones, believe the mystique is based more on economic principles of supply & demand than on product quality.
3.	The test cigar was *very* well-received by all interviewees. Its *unique flavor* and *smoothness* were frequently cited qualities. Three of the more savvy smokers noted a "simplicity" and mildness up front, which develops into a more complex flavor and aroma at the finish. Most said that this cigar met their expectations of "Cohiba," and that they would expect this cigar to be relatively expensive. Several noted that the cigar got better over time.	The tested blend has broad appeal and leaves a distinctive, upscale impression.
4	The "Who you are . . ." positioning statement was favored by half of the 10 interviewees.	This statement seems to do the best job of describing the quality of the cigar and conveying a message "uniqueness," which is meaningful to cigar smokers. *See Notable Comments table.*

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MC 00328

5.	The "Pleasure of the best . . ." positioning statement was favored by 3 respondents.	It is the *Havana* reference and Cohiba's comparison to a Cuban cigar that stand out in this statement. this message can be perceived positively, as a measure of quality, or negatively, as an imitation . *See Notable Comments table.*
6.	No respondents preferred the "A world unto itself ." positioning statement.	The "island" analogy is not readily understood, and therefore is not meaningful. The phrase, "A world unto itself," however, is meaningful to smokers. *See Notable Comments table.*
7.	Interviewees liked the graphic elements in the printed pieces, but most had difficulty realizing any strong marketing message.	The ad's look seems to be more cogent among more country-conscious smokers, but even the less country-conscious are inspired by its *relaxed* nature. *See Notable Comments table.*
8.	Logo design and box design were described as "plain" by a majority of respondents, with a few indicating that they expected a more ornate design. Even so, they liked the look, and stated that it would stand out among others in the marketplace.	Logo and box have a distinctive look, which corresponds well to the "distinctive" message conveyed in the "Who you are" positioning statement, and to some extent, the "Pleasure of the best" statement. *See Notable Comments table.*
9.	Opinions of the optional Spanish wording ("Esplendidos," etc.) and the phonetic spelling of Cohiba on the materials were mixed.	*See Notable Comments table.*

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MC 00329

COMMENTS MADE IN REGARD TO POSITIONING STATEMENTS & PROMOTIONAL MATERIALS

Explored Subject	Positive or Neutral Comments	Negative Comments
"Cohiba. Who you are" positioning statement:	Best describes the quality of the cigar. Statement suits the cigar, whose flavor is unique. Says, "cigar is unique." Says, "cigar is a step above typical cigars." Makes you expect a really special cigar. Sets cigar and smoker apart from the rest. Like that it doesn't compare the cigar to another, nor refers to a certain country (origin is no longer that important). Guys will buy into the elitist attitude. Says, "It's hard to get, so you're lucky to smoke this. More realistic than the other two statements. Meaningful phrases: ▸ *Defining character* ▸ *Discriminating taste*	A man who uses a cigar to set himself apart needs help!

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MC 00330

"Pleasure of the best" positioning statement:	Compares this Cohiba to a Cuban cigar. It's saying it's as good as a Cuban, which everybody believes is the best. Not as vacuous as "A world" statement; more credible statement. Has more to do with the quality of the smoking experience. Plays off of Cuban image. Sounds very sophisticated. Accurate statement for my friends and me. Makes me wonder if this is a Cuban cigar. Differentiates cigar as being outstanding. Meaningful phrases: • *Havana mystique* • *Rare pleasure*	Too much copy; too wordy. Doesn't describe cigar. If ban is lifted, mystique will fade, making statement meaningless. Doesn't convey much about the cigar.
"A world unto itself" positioning statement:	Says, "this is the finest cigar, and smoker is self-assured." Wouldn't expect it to be harsh. Last line sounds like they're describing the cigar, not the person. Sounds "top of the line." Meaningful phrases: • *Self-assurance* • *Demand only the finest*	Island reference throws me. Don't understand island reference. Less clear than "Who you are" statement. First 2 lines are meaningless. Appeals to image-conscious people; this turns me off. Too much fantasy; I can't relate to it.

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MC 00331

Four-page ad concept:	Like the relaxing mood of the setting. Like "World unto itself" phrase because cigar smoking is its own world. It's better that there is no blatant connection to Cuba. Pictures play on Cuban mystique; light & shadow make it look like an afternoon in Havana. Indicative of Cuba. Depicts a tropical country. Depicts some tropical place. Looks antique-y; appeals to tradition; nostalgic. Evokes image of Hemmingway or a Bogart movie. Image is of pre-Castro Cuba. It is enticing, intriguing.	Would prefer to see product on cover (like inside cover). Message isn't clear; needs a little more copy. Don't understand "island" reference. Don't know what message is.
Phonetic spelling option:	It's "whimsical" and visually attractive. It speaks to new/novice smokers. Makes it more interesting. Nice typeface.	Phonetic spelling is strange. Phonetic spelling is patronizing. Prefers no phonetic spelling.
Spanish wording option:	Like it; seems more authentic. Adds something; otherwise it's too plain.	Prefer it plain, with no Spanish

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MC 00332

Logo and cigar box sample:	Looks different, unique. It's noticeable; would ask about it Looks expensive because of wooden box. Like the stripes on logo; prefers striped design. Look breaks with traditional, more ornate look. Like the way logo looks on the band. Nice band. Inside of box very nice; outside is plain. Not what I expected; thought it would be less severe, more ornate Like the colors. It's the name, not the look, that sets it apart.	Logo on box should be bigger. May be too contemporary, loses sense of tradition. It's a "harder" look; find a softer, more ornate look more attractive Plain look doesn't correspond with positioning statements that sound like it would be "fancier." Logo is too plain.

Concluding Thoughts:

Based on this feedback, it seems that a Dominican Cohiba would not be seen as a "counterfeit" cigar by a majority of premium brand smokers. Degree of knowledge of cigars appears to be positively correlated with receptivity to a non-Cuban Cohiba product.

More subtle references to Cuba seem to work better than more obvious ones that could sound defensive, apologetic or "gimmicky" to some smokers. The less we try to directly compare our cigar to the Cuban version, the less it will be perceived as an "imitation."

Smokers clearly like the tobacco blend we tested. However, there is the widespread perception that Cohiba is a very robust cigar, and this blend is not perceived to be strong. Therefore, if we were to use this blend, consumer trial of the cigar could potentially create cognitive dissonance among consumers, not because they dislike the cigar, but because it wasn't what they expected.

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MC 00333

Cohiba Taste Test IDI Summary

Chicago, IL

Prepared by Lois Coleman

	Findings	Implications
1	These respondents did not perceive the Cohiba that was manufactured outside Cuba as being a "fake" Cohiba. They thought that it would be a good cigar, but they did not look at it as an imitation.	There is a segment of the cigar smoking population who (although a Cuban cigar is their gold standard), want a good tasting cigar and do not really care about the country of origin.
2	All but one of the respondents thought that the Cohiba was a very good cigar. Although they tended to underestimate it's price (this could be caused by the respondent pool itself) they all claimed that they would buy the cigar. They really enjoyed smoking it. They described it as a "really good cigar". It matched the expectations created by the multiple concepts they had read.	The cigar should be well received by all segments of the smoking population. It seems to incorporate a full flavor with a mild smoke. The men who smoke robust cigars may find this one a bit more tame, but they should be satisfied by the flavor intensity that the Cohiba delivers. Those men who smoke the milder cigars should find the Cohiba a bit more flavorful, but non-biting.
3	There are two kinds of cigars; Cubans and the others. The Cuban cigars are the gold standard and have mystery surrounding them. These smokers want to smoke Cuban cigars because it is forbidden. They have heard that Cubans are better (or they have smoked them and believe that they are better). However, these respondents do not believe that cigars which are not Cuban are somehow inferior.	A non-Cuban Cohiba can be perceived as a good cigar. There is enough knowledge about Cuban seeds that the smokers can believe that a non-Cuban Cohiba can be a good cigar in the tradition of the Cuban Cohibas.

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4	The respondents could not identify with the "island" theme in the ad and concept. They did not necessarily associate Cohiba with Cuba. Therefore, the island reference was a little vague for them. They better identified with the "Havana" mystique. This spoke to the Cuban connection in a straightforward way.	It seems best to avoid drawing any attention to the fact that this is the "other" Cohiba. It does not seem necessary (among these respondents) to explain away the "fake Cohiba" theory. It seems better to refer to the Cuban heritage in a positive light.
5	The respondents liked the concept that referred to the more personal aspect of smoking. They felt that it inferred that they had more discriminating taste; that it somehow set them apart from other smokers. Like the Havana Mystique position, this one communicated that the brand was going to be something special.	There seems to be a position for Cohiba that does not speak of its Cuban heritage. These smokers are looking for a good cigar. A position that tells them that a cigar is for smokers with discriminating taste represents something desirable for these smokers.
6	The visuals in the ad were very well received. The respondents liked the whole tone of the ad and felt that it communicated the mystery associated with Cuba. They also felt that it communicated a wonderful smoking experience.	The visuals in the ad can be used with almost any position to enhance the Cuban connection of Cohiba.
7	The simplicity of the logo and box design is a departure from what the respondents expected. They thought that it would be more traditional and ornate. However, they did say that they would notice it in the store. They preferred the stripes to the solid, and they liked the Spanish. They felt that it added some credibility.	The packaging seems to set the cigars apart from other cigars in the store. The smokers will notice it. While they claim to associate a more ornate, traditional design, they said that this one might "stick out" because of the simplicity of the design.

Moderated and written by L. Coleman 3/97

CONFIDENTIAL

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 84 (D0087), GC 006446-GC 006456

PX89

General Cigar Co., Inc.
a company of Culbro Corporation

Memorandum

To David Burgh Location Bloomfield, CT Date November 17, 1992

From Alfons Mayer & Ron Milstein Location Warren, NJ

On Sunday, November 1, we flew Cubana Airline from the Dominican Republic, Sa nto Domingo airport to, first with one stop in Santiago de Cuba for 2 1/2 hours, and then into Habana, Jose Marti airport which flight was paid for by Hunters Frankau. The total flight length was about 5 1/2 hours.

Santiago airport looks in good shape (J. Maceo airport). The plane takes fuel there, as there is no money to take it all in the Dominican Republic. Talking to a few passengers, I find some with business reasons, some vacation, and quite some to have Medical help in Cuba, being operations to be performed or check ups as the Medical profession is very highly recommended all over Latin America and very cheap for the so called tourist; another hard currency income to Cuba. There were even Cubans from Miami on this flight, for medical check ups.

On Sunday, November 8th, we flew back the same way with the same kind of people with the same kind of mix and human goals. Impressive was a well established fleet of commercial airplanes at the airport of Havana, all YAK or russian made, though I may have seen some smaller ones, Fokker, friendships, for local air traffic, if properly identified by me. Both ways our plane was totally filled up. Some people went off, other went on in Santiago.

Coming back from Havana, it impressed me how much land was in cultivation, large areas, planted or to be planted. I could identify some towns going over in Las Villas province.

What impressed us most, no cars or rarely seen on the roads, and that we noted quickly once driving to Habana City.

There are two taxi groups, one for local residents, "who can afford it", and one for tourist only. Everything is paid in dollars. Basically, taxis are not expensive at all.

We arrived at the Hotel Nacional at the waterfront of Havana at around 6p.m. and after some delay of proper records, we got two rooms at the 7th floor. Hunters Frankau group would come the next day and they were quite lenient about identification, papers or records. Once Simon Chase arrived on Monday afternoon, I was assured of 8 nights payment by him, however, when we wanted to check out the hotel told us that they paid only 7 nights. Havana Tours, however, cleared with the hotel the extra night, which I think they tried to put in their own pockets. Hotel Nacional is a five star hotel.

I enclose herewith a copy of the Program of the International Conference on the 5th Centennial of the Discovery of Tobacco. This should be self explanatory.

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Bloomberg No. 5114
DEFENDANT'S EXHIBIT
D 87

GC 006446

I also prepared an album of over 300 photos of all areas we covered in Habana, as well as we had an opportunity to make a side trip to the Province of the Pinar del Rio, the heart of Vuelta Adajo Tobacco growing and the Province of Habana, the heart of Partido Wrappers and binders in particular.

The conference: November 2nd, short, and quite boring - afternoon a very short piece downtown Havana, a cocktail at the Hotel Nacional.
November 3rd, was also very boring and subjects can be noted from the program. The cigar factory visit was great.
November 4th, basicly was the best day of the conference, in the afternoon visited the warehouse.
November 5th, In Partido a trip to San Antonie de los Banos.
November 6th, To Pinar del Rio and Vuelta areas.
November 7th, A big walk through Habana on our own.

For variance, we visited the following food places:
La Divina Pastora located at the Moro side bay - Food lousy, invited by Lippoel people - View to Habana is nice.
Floridita - run down, drinks okay, daiquiries famous no one eating there, restaurant empty.
Tropicana plus show - Show long and boring, amateurish, clothes run down and discolored, food lousy, expensive.
Bodiguita de Medio - food excellent, not expensive, good food, nice atmosphere not changed from old times.

Annotations:

1. Pre Castro 5 Provinces now 20 Provinces or defined areas.
2. Each area has their own Cigar factory for domestic consumption - 260 million some say 60 to 80 million units for export. All Havana factories produce for export and tourist trade. Sometimes province factories move cigars of better quality to Habana, through rejects go domestic.
3. There seems to be a black market trade. Every kid offers cigars on the street. An incident showed cigars are made at domestic homes as well and sold black market or stolen!
4. Factory in Santiago employing 400 people is called El Credito. See attached. In Holguin there are 500 employed.
5. I was told Partagas is the best factory in which among others also Cohiba is made.
6. Rey del Mundo in Havana is the largest factory in amount of people.
7. Many brands seen in interior never seen or heard off.
8. Everyone has free medical and hospital expenses working in cigar factories.
9. Cigar makers make every cigar from start to finish wrapper, binder, filler bunch. He or she is responsible for every cigar made.
10. Holguin factory has only woman cigar makers. Those who direct prefer man cigar makers, more feel and strength in the fingers not as mechanical bunches in mold max 20 minutes and 15 minutes after turning. Heads preferred to make with the same wrapper in one roller or use garras a device of a small die with a round end. No head of gorras, though it depends on the quality of the cigar maker.

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11. About 150 people at the conference including journalists.
12. Registration $120 paid out of per diem per person.
13. Next to airport is part of the Partido Wrapper growing many sheds, land ready to be planted red brown land. I was told lot of iron in the ground. Saw no poles nor clothes.
14. The cigar maker in Santiago de Cuba said to me he had heard there are experiments with a H40 seed for wrappers. He was right if he referred to Connecticut Shade.
15. No one talked about the Trinidad brand made in La Laguito specially made for Castro, friends, and diplomat, 7 1/2 x 38. Met Aurelio Lara and Rafael Guero of Laguito factory.
16. There seems to be manufactured short filler cigars as it was mentioned by Padron (see articles attached on General Cigar Company report).
17. Factory Cano San Gabriel 1301 El Cerro is now used as a warehouse.
18. 50 leaves per gavillo or hand; 4 hands make a Manojo There are usually 70 (but also 72) Manojos in a bale called tercio and the Manojo number should be on the bale marked. MANOJO = TERCIO.
19. Siboney another brand name.
20. Tariffs in Europe: Cigars 52% on value.
    Cuba developing country 35% on value.
    Dominican Republic - GGP or Lome 0% on value.
    Leaf tobacco 70 ECU per 100 kilos or about ±65¢ floren per kilo.
21. Guarentee Images: 1 - Stamp of Guartantee Seal
    2 - Made in Cuba, Hecho in Cuba
    3 - Habano!
22. Battled 50 brands in Europe using Havana or words like Cuba (Gloria de Cuba) and won them all. Seita had a brand Cubanitos. Petite Havana and fighting of others Havana Stokjes in Holland.
23. Lothar Gabriel - Cigar Association Europe, particularly Germany concerned what health warning on cigar boxes, how many language 1% of volume of box. What will Cuba to help to minimize this?
24. Esteban Lucas of Spain together with Tobacco International are publishing between January 15th through 20th, 1993 in the New York Times on tobacco and world economic power and trying to create the idea of a body of an International Tobacco Foundation, located in Madrid, Spain. Company is Susube. The idea is to have a world policy on tobacco usage, legally and educate the culture to the people world wide, diverted via an University with laboratories etc. etc.
25. One evening an extension of Cohiba sizes was presented to the gathering in el patio (open) of the old municipality building. It was called Cohiba 1492 Siglo I - II - III - IV - V or five additional sizes. I have pictures made of it plus have a booklet on the presentation to be seen and is coming your way (in Spanish).
26. All export cigars is 100% of Vueltas.
27. Fillers in the bale are aged - Ligero 4 to 6 years. Secos 2 to 3 years. Volado 1 to 2 years.
28. We must understand that all tobacco lives in an natural from 72% to 78% relative humidity and no matter where cigars are made in Habana, be it in the factory or 10 p.m. in the evening, in a patio the tobacco leaves refuse to dry up or break and is in perfect pliable condition all the time, temperature around 80 degrees.
29. I followed a step by step cigar maker with photos. Starting with a bunch of a type Prince Phillip size. He uses only 15a sizes and some 14a sizes taking one by one leaf to built to perfection a bunch with not one leaf flat on top of another. Once the bunch feels even to perfection he used two smaller binders split and one large binder near the head of the cigar that really is a triple reinforcement. The bunches go into a mold for 20 minutes under the press and turned each bunch individually, felt again, and for 15 minutes before he rolls each bunch into the wrapper. The wrappers are all kind of

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colors as we can see on the photos. This cigar required 80 cigars per day! But he is the only one responsible for his production and the perfect quality of workmanship.

30. All blends, no matter for what brand, 38 RR up are 50% Seco, 30 Ligero, 20% Volado all 15/14 sized tobacco fillers!
31. Shading takes place twice, before aging, after aging.
32. Aging minimum 2 weeks, but I saw cigars with dates of six weeks old.
33. General impression, slowish, quality, quality and quality, proud people, dedicated, at all areas, all the knives/gavetas where making noise of approval when we left the cigar floor.
34. This factory, Partagas produce 5 1/2 million units per year, all by hand. Working every Saturday or 20.370 ± per day. I counted about 220 cigar makers and figure 95 cigars average per cigar maker per day.
35. We note that being out of Havana life seems to be better for more people.
36. Even the vegetation is better in Pinar del Rio Province, Richer, more availability than in San Antonio de los Baños (Habana, - Semi Vuelto or Partido).
37. Partido is a red soil. They say a lot of iron in the soil. It is tough and clayish but drains excellent. 10,000 plants per acre. Interesting is that they top all Partido and Corojo natural grown wrapper plants and made a so called error topping the shade wrapper experiment last year. Topping quite high.
38. Partido area employs 4,000 workers and there is a whole organization behind them in progress to make them self sufficient with food. They hope eventually to have enough to feed another 2,000 of their families. Now on rations.
39. The intent is always there. The theory sounds good but we know that milk production in 1990 was 740 million liters and in 1992 expect 335 million liters. Meat very down from 1990 level this year. Last crop sugar came to 7.2 million tons. There is no petroleum and the cutting machines have no replacement and repair equipment. Luke Padron said, "the toughest year is ahead of us".
40. Last year in Semi Vuelta 70 acres of Shade Conn. seed was experimented with. This year they plan on 135 acres, I was told but also 70 acres in Corojo near San Luis.
41. Total tobacco production Cuba:

1991/1992	47,500 M Kilos
1992/1993	54,800 M Kilos
1993/1994	58,500 M Kilos and in 1995 67,000 M Kilos in

projection if we can believe this.

70% is Vueltas Pinar del Rio
20% is Remedios
10% Burley - Fluecured and Partido

Shade in the country exist of 1790.2 hectares or 2.7% of the nacional plan - 45% or 805.2 ha is grown in the Province of Havana - San Antonio de los Baños and 985 hectares 55 % in the Province of Pinar del Rio. 71% is State grown, 29% is Coops and Independent farmers!

42. What shocks me more is the yield packed weight is 690 Kilo per hectare or 608 lbs. per acre. Most important though while we get go to 110 leaves per pound, they are getting 150 leaves per pound!
43. There measures are 13.4 cabelleriza per hectare.
44. Remedios produces some binders.
45. Pinar del Rio has 5 cigar factories, one redrying plant for burley/Virginia, 7 sorting classifying, processing plants, 4,000 workers including farms, fish, meat self sufficient. Aerea Manager Raul Hernandez Vidal, 200 students, own research institute. The sorting operation is called Aquizar Selecting House,

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In Summary:

Embargo: it is working but they are hard at work to overcome some of it but that will take two or three years.

Torricelli bill may break the back of holding on to their domain.

The Country is lame - no transportation and there is enormous pressure. People are really very afraid to talk and brainwashed.

The provinces outside of Havana are better off and you see more life there.

There is big trouble to move raw material and that is there biggest trouble. Tobacco and related industry is the best supported industry in the Country, and known to be an excellent cash flow.

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- PEOPLE IDENTIFIED -

Hunters, Frankau Group

England:

Mr. Sahakian - The Davidoff Shop
Mr. Sautter - Desmond Saulter Ltd.
Mr. Barber - James Barber
Mr. Morris - A. Morris
Mr. McGahey - McGahey The Tobacconist
Mr. Gray - Journalist of the Financial Times
Susan Seruya - Distributor Gibraltar
Robin Garran - Garran Rawlings
Tax advisor on Smehing Products
Alfons Mayer - General Cigar
Ron Milstein - General Cigar

Remark: Some, or all had their wives with them.
Simon Chase - coordinator of Hunters and Frankau and our contact.

USA

Alfons Mayer - General Cigar
Ron Milstein - General Cigar
Tony Hyman, Ph.D. - Historian of US Cigar Industry
Mike ? - Actor invites M. Shanken
Mike ? - Actor invites M. Shanken
Marvin Shankeu - New York Cigar aficionada
Glenn A. John - Editor Tobacco International Maguane NY

Holland

Peter Janssen - Executive V.P. Ebas Group A Procordia Company
Jankees Beijderwellen - The elifant cigar co and Sluis Cigar Machinery BV
49/51% Herbert AGE Arkauer Lippoel Leaf BV
49/51% Gerard Van Hattem - President Lippoel Leaf BV
49/51% Miriam Vazquez Linares - General Manager Lippoel Havana
Jack Wintermans - Agio
Adriaan Wintermans - Agio
Thomas ? - Elifant Cigar Co.
Carine Wintermans - Sister of the above

Austria
49/51% A. Zimmel - Austrian Monopoly Vienna

Germany and Switzerland

Chris Burger of Burger, Sohn e Burg Switzerland
49/51% Heinrich Villiger of Villiger, Sohne President
Marcelo G. Crescenti Editor Tobacco Journal International
Lothar Gabriel - (Tobacco Personality 1991) Cigar Association Germany and other Eur. countries.

Spain

Ast. to the President of the Spanish Monopoly name?
Mr. Jose Manuel Cortel, Spanish Monopoly Tobacco
Mr. Juan Urquijo Cia. de Filipines - Madrid - Director

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PEOPLE IDENTIFIED

France

49/51% Christian Lachaud Media Connexioco Paris

Canada

49/51% Thomas Hinds President - Havana House Toronto

Cubatobacco

Osvaldo Endarnacion Santovenia - Unionde Empresas de Tobacco Director - Ministerio de la Agricultura - Habana
Manuel Estefania Seoane Vice Minito - Ministerio of Foreign Commerce Habana
Mr. Lopez - Director Powtagus Manf. Plant Habana
Lic Benito Molino Mendez - Dir. Grl. H. Upmann Brands - Montecristo - H. Upmann - Diplomaticas Habana
Jng. Adriano Martinez Rius Advisor Cuba tobacco
Juan Manuel Diaz Tenorio - Leaf Tobacco Export
Jesus Vazquez Gonzalez - Sub Dir Economics
Alfredo Salinas - Management Leaf - Cuba tobacco
Juan M. Diaz - Management Leaf - Cuba tobacco
Eusebio Leaf - Historian of the City of Havana
Francisco Padron Perez - Vice Director - Cuba tobacco and President
Luis Torano - Leaf advisor Interior - M. Bolinaga Leaf advisor Lippoel

Note: Many more people we met in the conference and in the interior of which I have no name cards.

Jan Potjer - Jan Bloemen and Emilio Reyes advisors imported in wrapper growing and warehouse operations of wrappers.

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PROGRAMA Y PONENCIAS

Noviembre 2

09:00	Acreditación.
10:30	Inauguración de la Conferencia.
11:00	Inauguración de la exposición 500 años del Descubrimiento del Tabaco.
11:30	Plenaria (Conferencia Magistral del Sr. Antonio Núñez Jiménez, presentación del libro Colón: Cuba y el Tabaco).
12:30	El descubrimiento del tabaco, por el Sr. José Manuel Cortell, España.
13:00	Almuerzo.
15:00	Recorrido por la Habana Vieja.
18:30	Coctel de bienvenida.

Noviembre 3

09:00	Visita a una fábrica de tabacos.
12:00	Almuerzo.
13:30	Origen y mejoramiento del tabaco negro cubano, por el Sr. Eumelio Espino, Cuba (Instituto de Investigaciones del Tabaco).
14:00	Tabaco y política comercial, por la Sra. Inés Roldán de Monteaud, España (Historiadora).
14:30	Los monopolios del tabaco en el mercado libre, por el Sr. D. Manuel Fernández, España (Presidente de la Asociación de Estanqueros).
15:00	El tabaco en la décima del siglo XX, por Virgilio López Lemus, Cuba (Instituto de Lingüística).
15:30	Receso.
15:45	La Europa del 93 y sus efectos en la comercialización del tabaco, por el Sr. Robin Garran, Inglaterra (Firma consultora, Garran & Rawlins).
16:15	El arte litográfico y su vínculo con la industria tabacalera, por el Sr. Angel Pereira, Cuba (Coleccionista).
16:45	Tabaco y gestión empresarial, por la Sra. Doria González, Cuba (Instituto de Historia).

Noviembre 4

09:00	Denominación de origen Habanos, por el Sr. Adargelio Garrido, Cuba (Empresa Cubatabaco).
09:30	La industrialización precoz de la industria del tabaco en Nueva España, por el Sr. Yves Aguila, Francia, Director de la UFR de países ibéricos.
10:00	La agricultura tabacalera en la región santiaguera del Oriente de Cuba, por los Sres. Olga Portuondo y Jorge Abdala, Cuba (Universidad de Oriente).
10:30	Ponencia del Sr. Vahe Gerard, Suiza (Comerciante).
11:00	Receso.
11:15	Conferencia Magistral del Sr. Eusebio Leal, Historiador de la ciudad de La Habana: Sorpresa y Deslumbramiento ante América.
12:15	Clausura.
13:00	Almuerzo de despedida.

PROGRAM AND PAPERS

2 November

09:00	Accreditation.
10:30	Inauguration of the Conference.
11:00	Inauguration of the Exhibition 500 Years of the Discovery of Tobacco
11:30	Plenary Session (Special Lecture by Mr. Antonio Núñez Jiménez and presentation of the book: Colón: Cuba y el Tabaco.
12:30	The discovery of tobacco by Mr. José Manuel Cortell, Spain.
13:00	Lunch.
15:00	Tour of Colonial Havana.
18:30	Welcome cocktail.

3 November

09:00	Visit to a cigar factory
12:00	Lunch
13:30	Origin and Improvement of Black-leaf Cuban Tobacco by Mr. Eumelio Espino (Cuba) (Tobacco Research Institute).
14:00	Tobacco and Tobacco Marketing Policy by Mrs. Inés Roldán de Monteaud, Spain (Historian)
14:30	Tobacco Monopolies in the Free Market by Mr. Manuel Fernández, Spain (president of the Tobacconists Association).
15:00	Tobacco in the 20th Century in Cuban Creole Poetry by Virgilio López Lemus (Linguistics Institute).
15:30	Coffee Break.
15:45	The Europe of 1993 and Its Effects on Tobacco Marketing by Mr. Robin Garran, United Kingdom (Garran & Rawlins).
16:15	Lithographic Art and Its Relation to the Tobacco Industry by Mr. Angel Fereira, Cuba (Collector).
16:45	Tobacco and Business Management by Mrs. Doria González, Cuba (Institute of History).

November 4

09:00	The Habanos Denomination of Origin by Mr. Adargelio Garrido, Cuba (CUBATABACO).
09:30	The Early Industrialization of the Tobacco Industry in Nueva España by Mr. Yves Aguila, France, UFR Director Iberian Countries.
10:00	Tobacco Agriculture in the Region of Santiago de Cuba by Mrs. Olga Portuondo and Mr. Jorge Abdala, Cuba (University of Oriente).
10:30	Paper presented by Mr. Vahe Gerard, Switzerland (Trader).
11:00	Coffee Break.
11:15	Special Lecture by Mr. Eusebio Leal, Historian of the City of Havana: America's Surprise and Enchantment.
12:15	Closing Session.
13:00	Farewell Lunch.

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GC 006453

EMPRESA PROVINCIAL ALIMENTARIA SANTIAGO DE CUBA

FABRICA DE TABACOS

El Crédito

STGO. DE CUBA

NC 88-53-86 25 CREMAS 25

UNIDAD PRODUCTORA CESAR ESCALANTE
JESUS MENENDEZ No. 703 - STGO. DE CUBA

GC 006454

CONFERENCIA INTERNACIONAL V CENTENARIO DEL DESCUBRIMIENTO DEL TABACO
INTERNATIONAL CONFERENCE ON THE 5th CENTENNIAL OF THE DISCOVERY OF TOBACCO
CONFERENCE INTERNATIONALE Ve CENTENAIRE DE LA DECOUVERTE DU TABAC

Estimado colega:

La empresa Cubatabaco y Tabacalera, S.A. (España) patrocinarán a partir del 2 de noviembre de 1992 la Conferencia Internacional V Centenario del Descubrimiento del Tabaco, aprobada por los 23 países participantes en la Octava Conferencia de Comisiones Nacionales del V Centenario, celebrada en Santiago de Chile en octubre de 1990.

La presencia de distinguidas personalidades del mundo vinculadas al interesante tema del tabaco, su descubrimiento para la cultura europea, su cultivo, su industrialización, su comercio, etc., convertirán estos días en un fructífero encuentro de especialistas, comerciantes, artistas, científicos, médicos y coleccionistas.

El Comité Organizador ha incluido en el programa actividades turísticas, sociales y culturales para el disfrute de delegados e invitados, por lo que esperamos poder ofrecerles una calurosa bienvenida.

Comité Organizador

COMITE ORGANIZADOR

Presidentes de Honor

Sr. Francisco Padrón Pérez, Presidente Cubatabaco
Don Germán Calviño Urabayen, Presidente Tabacalera, S.A.

Presidente

Sr. Antonio Núñez Jiménez

Vicepresidente

Don José Manuel Cortel Pérez-Olive

Secretaria

Sra. Niurka Hernández Pérez

Vicesecretario

Sr. Angel Graña González

TEMATICA

La Conferencia se celebrará, fundamentalmente, en forma de Mesas Redondas:

- Tabaco y Economía (agricultura, industria, comercio)
- Tabaco y Salud
- Tabaco y Arte

Simultáneamente se exhibirán varias muestras en la Biblioteca Nacional y en el Palacio de las Convenciones sobre:

- Bibliografía
- Vitolfilia
  - Marcas y vitolas de tabaco
  - Filmes y videos

IDIOMAS DE TRABAJO

Los idiomas oficiales de la Conferencia serán español, inglés y francés.

PROGRAMA PRELIMINAR

1ro. de noviembre

Recibimiento en el aeropuerto

2 de noviembre

09:00	Acreditación
11:00	Inauguración de la Conferencia
	Almuerzo
15:00	Plenaria
18:30	Recorrido por la Habana Vieja
	Coctel de bienvenida

3 de noviembre

09:30	Mesa Redonda
	Almuerzo
15:00	Mesa Redonda
18:30	Exposición *Arte y Tabaco*

4 de noviembre

09:30	Plenaria
13:00	Clausura
14:00	Almuerzo de despedida

5 de noviembre

Excursión a Holguín (opcional)

6 de noviembre

Excursión a Vuelta Abajo y regreso (opcional)

7 de noviembre

Visita a una fábrica de tabacos (opcional)

Dear Colleague:

On November 2-4, 1992, Cubatabaco and Tabacalera S.A. (Spain) will sponsor the International Conference on the 5th Centennial of the Discovery of Tobacco at the Havana International Conference Center. The holding of this Conference was adopted by the 23 countries participating in the 8th Conference of National Commissions on the 5th Centennial held in Santiago de Chile, October 1990.

The participation of outstanding personalities related to different aspects of tobacco -- its introduction in Europe, cultivation, manufacturing and trading -- will turn this meeting into a fruitful exchange for specialists, businessmen, artists, physicians, scientists and collectors.

The Organizing Committee has included tourist, social and cultural activities in the program for delegates and guests.

It is with keen anticipation that we are looking forward to welcoming you in Havana in 1992.

Organizing Committee

ORGANIZING COMMITTEE

Honorary Chairmen

Mr. Francisco Padrón Pérez, Cubatabaco Manager
Don Germán Calviño Urabayen, Tabacalera S.A. Manager

Chairman

Mr. Antonio Núñez Jiménez

Deputy Chairman

Don José Manuel Cortel Pérez-Olive

Secretary

Mrs. Niurka Hernández Pérez

Assistant Secretary

Mr. Angel Graña González

TOPICS

The Conference will mainly consist of Round Tables:

- Tobacco and Economics (agriculture, industry and trade)
- Tobacco and Health
- Tobacco and Arts

Simultaneously, several exhibitions will take place at the National Library and the Conference Center on the following topics:

- Bibliography
- Vitolphylia
  - Brands and cigar sizes
  - Films and videos

WORKING LANGUAGES

The official working languages of the Conference will be English, French and Spanish.

PROVISIONAL PROGRAM

November 1

Welcome at the airport

November 2

09:00	Accreditation
11:00	Inauguration of the Conference
	Lunch
15:00	Plenary session
18:30	Tour of Colonial Havana

November 3

09:30	Round Table
	Lunch
15:00	Round Table
18:30	Exhibition: *Tobacco and Arts*

November 4

09:30	Plenary session
13:00	Closing session
14:00	Farewell lunch

November 5

Excursion to Holguin (optional)

November 6

Excursion to Vuelta Abajo (optional)

November 7

Visit to a cigar factory (optional)

Cher collègue,

Les entreprises Cubatabaco et Tabacalera d'Espagne, patronneront à partir du 2 novembre 19 Palais des congrès de La Havane la Confér internationale Ve centenaire de la découverte du t conformément à la décision adoptée par les ving pays présents à la huitième Conférence des commis nationales du Ve centenaire tenue à Santiago (en octobre 1990.

La présence de personnalités du monde entier lié secteur du tabac (découverte, culture, industrialis commerce, etc.) feront de cette réunion une renc fructueuse de spécialistes, commerçants, arti scientifiques, médecins et collectionneurs.

Le Comité organisateur a préparé un progra touristique, social et culturel à l'intention des délé et invités, auxquels il réservera un chaleureux accu

Comité organisateur

COMITE ORGANISATEUR

Présidents d'honneur :

M. Francisco Padrón Pérez, président de Cubataba
Don Germán Calviño Urabayen, président de Tabacaler

Président :

M. Antonio Núñez Jiménez

Vice-président :

Don José Manuel Cortel Pérez-Olive

Secrétaire :

Mme Niurka Hernández Pérez

Vice-secrétaire :

M. Angel Graña González

SUJETS

La conférence se déroulera notamment sous tc de tables rondes :

- Tabac et économie (agriculture, industrie, comm
- Tabac et santé
- Tabac et art

Par ailleurs, plusieurs expositions seront montéc la Bibliothèque nationale et au Palais des congrès a

- Bibliographie
- Collections de bagues de cigares
  - Marques et bagues de cigares
  - Films et vidéocassettes

LANGUES DE TRAVAIL

Espagnol, anglais et français.

PROGRAMME PRELIMINAIRE

1er novembre

Accueil à l'aéroport

2 novembre

9 h	Enregistrement
11 h	Ouverture de la conférence
	Déjeuner
15 h	Séance plénière
18 h 30	Visite de La Havane coloniale

3 novembre

9 h 30	Table ronde
	Déjeuner
15 h	Table ronde
18 h 30	Exposition Art et tabac

4 novembre

9 h 30	Séance plénière
13 h	Clôture
14 h	Déjeuner d'adieu

5 novembre

Excursion à Holguin (facultatif)

6 novembre

Excursion à Vuelta Abajo (facultatif)

7 novembre

Visite d'une usine de cigares (facultatif)

8 novembre

Départ

GC 006455

PRESENTACION DE TRABAJOS

Los especialistas interesados en participar en cualquiera de las Mesas Redondas deberán enviar los resúmenes de sus trabajos (no mayores de 250 palabras) antes del 25 de julio de 1992, con el fin de incluirlos en el *Libro de resúmenes*. Deben entregarse mecanografiados, a dos espacios, en papel 8.5 x 13".

En el Palacio de las Convenciones también se habilitará un área para la presentación de posters. Los interesados en exponer algún material en esta modalidad deberán comunicarlo al Comité Organizador antes del 25 de julio de 1992.

MEDIOS AUDIOVISUALES

Las diapositivas, películas o video-cassettes que acompañan las ponencias deberán ser entregados por los propios ponentes en la oficina de recepción de medios audiovisuales del Palacio de las Convenciones, sede del evento, con 24 horas de antelación a su participación en las salas de trabajo.

Diapositivas	35 mm
Video-casettes	Betamax o VHS (Norma NTSC 3.58)
Películas	16 mm, 35 mm y super 8
Video Beam	

CALL FOR PAPERS

Specialists wishing to participate in Round Tables should submit a 250 word abstract (typed, double-spaced in a 8.5 x 13" sheet) to the Organizing Committee before 25 July so as to include it in the *Book of Abstracts*. Posters presentations will also take place at the International Conference Center, and those interested in presenting posters should inform the Organizing Committee before 25 July 1992.

AUDIOVISUAL AIDS

Slides, films or video-cassettes accompanying papers should be brought by the authors and delivered at the audiovisual aids office at the Conference Center, the venue of the event, 24 hours before presentation.

slides	35-mm
video cassettes	Betamax or VHS (NTSC 3.58)
films	16-, 35 mm and super 8
Video Beam	

PRESENTATION DES TRAVAUX

Les spécialistes intéressés à participer à l'un rondes devront envoyer les résumés de leu qui ne pourront dépasser 250 mo le 25 juillet 1992, afin de pouvoir les inclure d *de résumés*. Ils devront être dactylograph espaces sur des feuilles 8.5 x 13

Les présentations pourront être faites égal forme de posters. Les intéressés en informeror organisateur avant le 25 juillet 1992.

MOYENS AUDIO-VISUELS

Les diapositives, films et vidéocassettes accom exposés seront remis par les auteurs correspondant du Palais des congrès vingt-q avant la présentation dans les salles de travai

Diapositives :	35 mm
Magnétoscopes :	Betamax et VHS (NTSC 3
Films :	16 mm, 35 mm et sup
Video Beam	

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GC 006456

CONFERENCIA INTERNACIONAL
V CENTENARIO DEL DESCUBRIMIENTO DEL TABACO (1492-1992)
INTERNATIONAL CONFERENCE ON THE 5th CENTENNIAL OF THE DISCOVERY OF TOBACCO (1492-1992)
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Apartado 16046, La Habana, Cuba
Tel. 20-4853
Tlx. 511609 palco cu
Fax 22-8382

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CONFERENCE INTERNATIONALE Ve CENTENAIRE DE LA DECOUVER DU TABAC
2-4/11/1992

Palacio de las Convenciones
La Habana, Cuba

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 88 (D0088), Plfs Dep Ex 90, GC 005964-GC 005977

PX 9C

David W. Burgh Ron Milstein 11/25/92

E..closed find my report on my trip to Cuba. It may sound like my 6th grade report on my summer vacation but I thought it would be helpful to recap events before they flee my memory forever.

Please let me know what kind of report, if any, we should do for H&F or DB International. I am also available to talk to the Washington, D.C. crowd if that is still in order.

ah/5232

Attachment

cf: Alfons Mayer

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 88

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Under Protective Order

November 1, 1992

Santo Domingo - Santiago, Cuba (via Cubana Aviacion)

We stopped at Santiago for a 1 hour layover. We met Jankees and Thomas from Holland. They work for a cigar manufacturing machine company which also produces "Elephant" cigars. Jankees bought our Nanticoke scrap machines from the buyer who bought them from us. He knew Sam Mitchek. Both Dutchman are attending conference.

Alfons spoke with a cigar maker at length. He was set up at a stand at the airport lobby entrance making and selling cigars. There were many domestic brands which we had never heard of. Alfons has details of their discussion. We bought two cigars (Romeo & Juliet) to smoke there, and I was not impressed with their quality. There were two other Cubans at the desk with him. Although they said they were not in the tobacco business, they stayed at the table through the whole airport wait. The airport is modern (1960's) and clean. Cubana airline has very tight seating (a Yak 400 Soviet plane) and the plane was very hot when we entered each time. Smoke (mist) came out from floor when the air-conditioning was turned on and I thought it was a fire!! The food was bad, even for an airline.

While walking to the plane in Santiago to reboard for Havana I dropped my boarding pass on the tarmac. It was very breezy and my boarding pass blew across the parking lot. I didn't realize it until I got to the back of the plane to board and a woman pointed to it across the lot. I had to run to get it. Alfons was very nervous already and this incident really gave him reason to worry. At least I got a laugh.

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ON TO HAVANA!

Cuba from the air was very beautiful with dark, red soil and very very green vegetation. There were many mountains surrounding Santiago. I noticed roadways but no cars or trucks, and I thought this was very funny. As we got closer to Havana, I saw many farms and then tobacco sheds. It looked like tobacco was growing all around the airport. Jose Marti airport was very small. It was clean, but not especially modern. Going through customs was no problem. My passport was not a problem either. I asked the agent (from the Ministry of Interior) whether he had to stamp my passport. He responded by asking if I wanted it stamped. When I replied no, he smiled and did not stamp it. We had worried about this for weeks and, like most other things that we had worried about, it turned out to be no problem.

There was no one waiting for us at the airport as there was supposed to be. (We were supposed to be in at 2:00 or so and got in at 6:00). We took a taxi (which was modern and clean) to the **Hotel Nacional**. On the drive to the Hotel we saw many bicycles, but few cars or buses. The buses were very, very crowded and there were alot of people waiting at the bus stops. The taxi driver said the biggest problem facing the country is gas - there is none. He said public transportation is scarce. People were waiting to go to the center of town to a park and for ice cream (it was a Sunday). The taxi driver said these people will have a tough time getting back to their homes later on. I noticed many billboards with state propaganda slogans along the roadways.

Central Havana is an old, beautiful city. There are big monuments to Jose Marti and other leaders. Posters and billboards are all over with "Socialism or Death" and other slogans of the revolution. The city was run down, but not as bad as others I've seen. The roads looked good, and there was no graffiti or litter. I saw alot of families riding bikes, people on scooters, and motorcycles with wagons attached. The cars there are very old. I saw many 1950's cars and some newer Nissans and Mitsubishis. The cab we took was a Cuba tourism cab and very nice (with a/c). It was much nicer than the cab in the D.R. which had no springs in the seat and no a/c.

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The Hotel Nacional was very majestic and in good condition. It resembles the Breakers Hotel in Palm Beach. The lobby was all marble, tile and fine wood, but it was very quiet. The desk clerk couldn't find our names and we thought we would have a tough time since H&F was supposed to pay for us. Finally I pointed out our names on the handwritten register (my name was spelled wrong) and we got a room. The room was very large and clean. It was actually really nice. TV had CNN and one other English station (movies). Fidel was always on channel 2.

As soon as we got to our rooms Miguel from Cubatours called and questioned me and Alfons about the payment of the room. He said he would wait until other H &F people came in to straighten out the situation. I hoped the room was paid for or Norman Buck would definitely be in trouble. Telephone calls to the U.S. were no problem.

Once we were settled in we went to the lobby for drinks. It was now very crowded. We met some tobacco people from Brazil and Holland, and some American journalists. Alfons knew everyone and everyone knew Alfons. We had drinks with Jankees, Thomas, the Winterman brothers and their sister, and Peter Janssen from Procordia/Ebas (the representative of DJEEP in Holland). The talk was tobacco! All phases, all countries. Politics was another hot topic - as always. American embargo and trade was discussed. Europeans seem very well entrenched in Cuba. We met with BAT Brazilians (cigarette makers) using Cuba tobacco. I fear that opportunities to do business with Cuba will be few and far between by the time the embargo is lifted. Cuba's relationships with European companies is getting solidified, although the Europeans are scared to death that their investment may be lost if Fidel nationalizes their joint ventures.

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November 2:

In the morning we had breakfast with Tabacalera's technical director, Juan Cortell. He has very close ties with Cubatabaco and its top officials. He was reluctant to speak about the trademark problems between them.

Conference:

The bus we took to the conference left 1 hour late. It traveled through Havana City. The houses I saw were old. They were very large with porticos and balconies and rod-iron gates. They were ornate but very run down. The city needs paint very badly. There was very little traffic. But once again I saw many bicycles and long lines at the bus stops. The roads were good however. The major hotels - Neptune - Triton- Havana Libre - are in need of renovations. The Government buildings have A/C units in windows, while other buildings are missing windows altogether. The Soviet Embassy, now the Russian Embassy, was very expansive, very tall and modern. People on the streets waved to us as we passed on the bus.

The conference center was modern and very large. Our reception was not well organized. The cost was $120 to register. Again Alfons was known by everyone. A girl from Cubatabaco sought me out - she was "assigned" to the Americans. We were told if we need anything, just ask. There were Cubatabaco officials all over. They were very helpful. The conference itself was not very substantial. The head of Tabacalera was chair with Padron and others on the dais. The speeches were very short, they contained alot of history. On the break, Padron sought out Alfons and arranged for an 8:00 A.M. meeting the next morning. Everyone was talking about the U.S. election, (Clinton) the Toricelli bill (a big mistake) and the embargo ("crazy"). The English finally made it in and Simon Chase (H&F) promised us he would take care of the hotel bill.

The lunch was unbelievable. We met Juan Urquijo from CDF ("Compania de Fillipinas") and talked business. They have a plant in Malta that he wants to J.V. - tobacco to sell, etc. We walked into the luncheon with him

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and he brought us to the head table with Padron, Jerry Van Hatten from Lippoel Leaf (Holland), two other top Tabacalera officials and a senior Cubatabaco official. Next to me sat the head of all growing operations for Cuba's Ministry of Agriculture. Through a translator, he told me they are growing 57,000 hectares of tobacco, including 2,000 hectares of wrapper. I spoke with Jerry and Juan of trademark problems between Tabacalera and Cubatabaco. They were very curious as to why the two companies have not resolved the ownership issues. There was some confusion on the French case as to which marks were involved, as some thought Partagas and other marks from the Cifuentes family were also involved. Alfons arranged a tour of General Cigar's warehouse (now Warehouse No.1) in Havana and a visit to a farm even though the tobacco was only a couple of inches high at this time. Jerry is the President of JV with Cubatabaco for growing operations, marketing,etc. He has very close ties with Cubatabaco. His feeling was that Americans will be too little, too late to do business if the embargo is lifted. He commented that he thought that distrust and hatred will linger.

The conference after lunch was very brief and not substantive. We headed back to the hotel for a tour of Old Havana. I was very impressed with the forts, statues, churches, synagogue ("the Jewish Church" - there are two now in Cuba). We were brought to an open Plaza where there was a cigar rolling contest. The participants were representatives from each major factory. It was good fun but it was not too informative. The people were very nice. Kids were asking for Chicle and cigarettes, but not money. No one looked underfed or miserable, although their clothing was worn. There were no beggars or homeless. I saw the Isabela hotel being built, which is to be opened by Cubacan next year. It was very impressive. Hemingway's hotel - Mercado Street - was all restored. Old Havana is very old (1520's) and it is obviously maintained as a tourist attraction. There were many museums. The Pier area was very busy, with ferries for people to cross the river.

After the tour we went back to the hotel. The cocktail hour was held in a grand outdoor courtyard. By the time we got there was no food left. I noticed people taking food in napkins and putting it in their purses or briefcases. It was very sad, but the people remain dignified.

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That evening we had dinner with Jankees and Thomas. Throughout dinner we predicted and solved the world's problems. When dinner was over we took a walk to the waterfront outside of the hotel grounds. The streets were very dark, but we were not afraid. Simon Chase had told me that you can walk anywhere in Cuba and Havana in the middle of the night and it is safe. People said hello as we passed. A kid tried to sell me a box of Cohiba, but Alfons pulled me away. The kid said "no problem, no problem, Cuba is socialist, no problem". When asked, Alfons said he was from Madrid, and I said I was from the U.S.; Alfons later told me to say I was from England. Alfons is more suspect and wary then I, but perhaps he is right to be that way.

November 3:

Election Day. We met with Padron for 1 hour over breakfast. The talk was of the Consolidated sale rumor. We got no more information. Padron said Tabacalera would probably not buy it. He was very critical of the new management of Tabacalera. He said that they are not tobacco people. He felt double-crossed on the Montecristo/H. Upman trademark problem. Tabacalera was supposed to buy the marks and J.V. 51/49 with Cubatabaco in Europe. The deal seems to have fallen apart. Padron made it very clear that trademarks are not important. He said Havana will sell cigars no matter what name they have. Any companies that have marks (this was directed to G.C.) would have to sell (give) the marks back to Cubatabaco and get distributorship rights only, or else Cubatabaco will sell the cigars under a new name. He confirmed that 250M cigars were consumed in Cuba, and that 60M cigars were exported, but that demand is at 80M. He said they need money to grow more tobacco. Politics came up but he said he could not talk of such things as lifting the embargo; the highest levels of his government prohibit such discussion. Padron has 5 brothers and a mother in Miami. He is 56 years old.

Today the conference started with a 2 1/2 hour tour of the Partagas plant in Havana. The system was very impressive. One cigar maker makes everything from bunch to wrapper. I spoke at length to an old man who had worked there for 30 years. There are very many women, but the consensus is that men are better cigar makers. The men have better strength in their

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fingers. The cigar makers are not paid if the quality is below standard but they are given no increase if the quality is superior. There are no quotas imposed. The man I spoke to averaged about 80 (very large) cigars per day. They were gorgeous cigars. The whole plant is as it was in the 1850's. There were no machines at all and everything was done by hand. I took many pictures. Across the street is a building that was the former capital of Cuba. It looks like a replica of the Washington D.C. Capitol building.

After the tour it was back to the conference for the rest of the day. During a break I spoke to Christian Burger (our licensee in Switzerland and Germany for Tiparillo). An agronomist made a speech about agriculture and pests in the tobacco crop in Cuba. It was very interesting. They are always experimenting with new strains resistant to this or at. Other speeches were made mostly pertaining to history. I learned that Mr. Partagas founded the brand and the factory. He became very rich and was killed in the 1880's. For a period of time the tobacco industry ran the railroads and the government.

We went back to the hotel for a change, then to the Miramar district for a cocktail party at Lipoel Leaf's offices. The apartment building was in a nice area. It was a small building, but the apartment itself was fairly spacious. I spoke at length with a young Cuban (28 years old) who trained at tobacco farms for 3 years and now works at the trade and finance arm of Cubatabaco. He has worked there for about 1 1/2 years. His last name is Michael and that is what he goes by. I was introduced to him by Mr. Salinas. He is obviously a hot prospect for the future. We had a very frank discussion of Cuba and its people. He admitted there were problems but he maintained that as long as people share what they have they will get through it together. The transportation problem is the worst. The government is redistributing the labor force to minimize travel in cities. For example, if you live near a factory you trade jobs with someone one who lives farther away or you may trade apartments. He told of gas, soap, toilet paper shortages. He is a newlywed, just married 4 months. His wife is a chemist. The Cuban government gives 3 months off before a baby is born and 3 months after (unless a medical problem exists, then they give up to one year). Your job is saved while you are on leave. This sounds like our Family Leave Act, one difference being they get paid while on leave. We spoke of Miami exiles

and of the embargo. I felt Michael couldn't really speak his mind. At one point he glanced at Padron who was standing behind him. We will probably hear of Michael in the future.

At the cocktail party I spoke to many people. Everyone was very cordial. Mr. Eastacion (the Deputy Minister of Agriculture) seemed to go out of his way for me. He asked me what I want from Cuba. He was very warm and embracing. I told him the cigars he gave to Alfons (2 boxes gift wrapped) were enough. He said he would give me a very special gift of cigars without bands so I could bring them back. I told him appreciated his offer, but could not accept them.

also spoke with Derrick Bachelor from Lippoleaf. Derrick is an Englishman. He has been living in Havana since 1989 and married a Cuban woman. He told me how bad things really are. He said Cubans have no "balls" to change things. The black market is thriving. The exchange rate on the black market is 40 to 1. Derrick told of his refurbishing a 1984 Lada; he couldn't find paint. The lights go out every day at prescheduled times for 3 hours (ie: Monday 5-8 p.m., Tuesday 8-11 p.m., etc). Derrick thinks change will come -it can't go on like this forever. He said that although the crime rate in Cuba is very low, its been on the rise lately.

Alfons, Chris Burger, Sebastian Zimmel, Jankees, Thomas and I headed back to the hotel at midnight to watch Bush concede. It was an election night I will never forget.

November 4:

The conference was over at midday and we enjoyed a fairly sumptuous lunch of lobster. The conference featured a speech by an Englishman on EC tax proposals and there was much talk of the effect of the United Europe phenomenon and how it will affect the various state tobacco monopolies. Since the monopolies retain the distribution systems, it will be very hard for other companies to do business in these countries without going through the monopoly system. Dr. Zimmel of Austria Tabak spent a great deal of time talking about the Vienna Museum of Tobacco. Very interesting (yawn).

After the Conference we went to the General Cigar warehouse in Havana. Mr. Juan Diaz, Vice President of Sales for Cubatabaco, drove us in his small Lada, apologizing for the crowded accommodations. Mr. Salinas and Dr. Zimmel were along with us as well. The warehouse is now Cubatabaco's No. 1 warehouse and in active use. The outside needs painting and the inside needs sweeping. The office area was dilapidated, although they had what looked like a rather modern alarm system in place. Alfons met Vincente, the night watchman whom he knew from his stay at the warehouse in the mid-1950's. The touching reunion was appreciated by all. The tour was extensive and we noticed that the dormitory upstairs had no mattresses, only hammock type devices. There were showers, but no dining facilities. Most of the men wore no shirts and most were middle aged, although there were a few younger ones. All together we saw about 15 workers. The tobacco we saw was of high quality although Alfons said the conditions were deplorable. The warehouse was strangely quiet and the storage rooms were half empty, although we only saw two rooms. The U.S. made machinery and safe are still there. We wondered whether we will ever get it back.

After the trip, I felt like I was getting sicker (I had a cold). The others went on to the Tropicana while I stayed in and rested.

November 5:

We were driven by Herbert Arkavar of Lippoel Leaf to San Antonio De Los Bano in Partido. Jerry van Hatten, Jankees, Thomas and Miriam Vasquez Linares (General Manager of Lippoel Havana) were with us. Partido has very red soil (high iron content). It is a very fertile growing area. The JV with Lippoel was becoming clearer to us. We saw the first crop being sorted and graded. Alfons took some exception to their grading, but thought the tobacco was very high quality. The wrapper looked extraordinary to me. The subtle colors and textures were impressive. The warehouse was clean and employed about 100 women and a few men. We had lunch at a Cubatabaco office/house and it was quite good. I discovered that I really like yuca.

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We went back to the hotel for another trip to Old Havana and the launching of the Cohiba Siglo line. Five cigar sizes, one for each century since Columbus. Padron gave a speech. Many journalists attended the launching. The marketing display for the cigars was impressive. So were the women handing them out.

November 6:

We took a trip to the Pinar Del Rio province and the Vuelta Abajo area. This area was very rural. The town was small with some newer apartment buildings in decent shape. Most of the surrounding farm areas have small houses. This is a prime agricultural area, growing sugar cane, citrus crops, bananas, etc. Tobacco is all over. The tobacco fields were filled with small plants just planted from seed beds. Poles for cover cloth were in place. The poles were mostly tree trunks from small trees. The cheesecloth is made in Cuba. Lippoel JV is currently growing about 130 hectares. That is set to increase. The "experiment" is most welcome by the Cubans and there are high hopes for this project.

We went back to the hotel and on to the Bogadita de Medio restaurant (Hemingway's favorite place for Majitos) and the Floridita (a bar/restaurant where the famous author drank Margaritas until the wee hours of the night, as legend has it). Both places were in good condition, although the Floridita was empty. The Bogadita had the best food I had in Cuba. It had the most interesting bar with pictures of Hemingway, Fidel and assorted deceased dictators from Latin America. Also pictured were a few well known actors from the forties and fifties. Ordinary Cubans are allowed to eat there as well as tourists.

November 7:

Alfons and I spent the morning discussing the trip. Around noon we were joined by Jankees and Thomas for a walk through Havana that I will never forget.

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Havana is a city in need of care. The city is clean and the streets are full of people, but there is something missing. Of course the obvious lack of traffic is revealing, but the lack of retail shops is really disturbing. Grand avenues, which were certainly major shopping districts, are deserted thoroughfares for buses and bicycles, and are lined by what looks like impromptu warehouses filled with citrus crops. We saw one hardware store with virtually no merchandise, a couple of shoe stores, one clothing store and a bicycle repair shop. There were some pharmacies, but like the other stores, they had very little to sell. We were struck with the scarcity of these stores and their barren showrooms. The only busy place we saw was a supermarket. The parks and the bus stops were also busy. We saw one movie theater that looked like it was open and the Grand Theater of Havana displayed posters offering a schedule of cultural events throughout November and December. Mostly Cuban performers were on the bill.

It was at the Grand Theater building that I realized the folly of my thinking about the island and its present circumstances. I had come to Cuba thinking I would find a Caribbean island much like Jamaica or the Dominican Republic. I had expected to find an underdeveloped agricultural society where houses were poorly constructed, farm animals ran loose in the streets and the natives were not well dressed, well fed or well represented. I did find this type of society in the rural areas, like in Cuba's Pinar Del Rio province and to a lesser extent in Partido. But Havana itself remained mysteriously unexplained. It seemed out of place (in the midst of the visible degeneration of the countryside) in this society. It was as if Havana belonged in a higher culture, a more developed economy, a more modern order. While touring the Grand Theater the realization struck me. Havana, if not all of Cuba, was fighting a losing battle to emerge into a growing Caribbean nation. The Grand Theater building was an immense stucco and marble building. There were ornate statues all over its facade. The entrance displayed two huge marble staircases which formed the shape of a horseshoe. Diamond chandeliers still hung from the ceilings. Elaborate designs decorated the ceiling and the huge windows still bore the railings and balconies that marked Havana's renaissance. That was the point. It was as if time stood still in Cuba while the world moved on. Havana was a modern metropolis with a refined cultural elite and with all the trappings of wealth

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and luxury that went with it. It was not a Santo Domingo that was striving to enter the industrialized era. It had seen its best days and now it was on the decline. I felt the shame of this city in dire need of repair, in need of paint, in need of commerce. It was not so much a question of what could be as it was of mourning the loss of what was.

Later in the day another incident brought me an even deeper understanding of Cuba and the police state that it really is today. While we were walking through the city, Alfons asked our Dutch friends if they would like to see General Cigar's warehouse. Although we were all very tired (except Alfons) and our feet were hurting after some five hours of walking, we reluctantly agreed to visit the warehouse. When we finally got there we met some of the young workers Alfons and I had met on the previous Wednesday. The greeted us exuberantly and invited us to come in and look around again, even though the warehouse was closed on Saturday. We stayed for about twenty minutes. On our way out, we gave them cigarette lighters, pens, gum, cigarettes and other items of little value to us but of great value to them. We began walking up the street from the warehouse to the main thoroughfare and suddenly, before we reached the main avenue, a Mercedes jeep-like vehicle came barreling towards us. The jeep had a police light on its roof, which was not lit, and the words Special Brigade emblazoned across its front. The vehicle passed us by but stopped in front of the warehouse. Three policemen jumped out and began interrogating the workers we had just left. I stopped to watch, but Alfons urged me to turn around, not to look back, and to keep walking. He said we probably did something very wrong and should just get out of there. I noticed that the people on the street stopped what they were doing to look down the street at the unfolding events. I felt very bad for those poor warehouse workers. Evidently, either we were followed to the warehouse (and perhaps all day around the city) or more likely the local street brigade telephoned in a complaint or a warning that foreigners were at Cubatabaco's warehouse. Whatever the problem, this was not just a matter of trespassers entering a building without authority. It seemed to us that a serious breach of protocol or security had occurred and that the workers involved should have known better than to let us in. I realized then that for all its seemingly tranquil and easy going appearance,

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this was a society under severe pressure, always under the eye of Big Brother, always under the control of security forces. The cab ride back to the hotel afforded us all a silent reflection on the day's events. The Hotel Nacional never looked more inviting.

Dinner that night at the hotel restaurant with Alfons was uneventful. After dinner, however, the maitre'd apparently heard us talking about cigars and tobacco and asked Alfons to check out the humidor at the restaurant. To our surprise and dismay, the cigars were in terrible shape. Blue mold was everywhere, beatles were rampant and the humidity meter on the outside of the box was broken. Alfons gave the poor guy some advice but we both realized that the task was probably never going to be done right. The maitre'd did not seem overly distressed that Cuba's finest hotel , advertised as a five star attraction, which was above all the islands showplace for tourism, (itself the third most important source of currency for the nation), displayed the countries's best known and most highly regarded exports in horrendous condition. I am sure he would not lose his job because of it, nor would he stand to gain anything if the humidor's contents were truly grand. It was as if he, much like the others who dealt with tourists and in business, had no personal stake in the success of the enterprise. And that may be the biggest shame of them all.

Confidential:
Under Protective Order

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 89 (D0089), Plfs Dep Ex 91, GC 005978-GC 005979

PX 91

Culbro Corporation

Culbro

Memorandu

To David Burgh

From Ron Milstein

Date 11/20/92

ATTORNEY - CLIENT PRIVILEGED
CONFIDENTIAL

Observations about the Opportunity to do Business in Cuba in the Future

REDACTED

DEFENDANT'S EXHIBIT D 89

Blumberg No. 5114

COHIBA

I met with Adargelio Garrido, legal advisor to Cubatabaco (the General Counsel is Jesus Duran) and discussed Cohiba. He acknowledged that we owned the name in the U.S. and that we would be free to sell a cigar under that name there. However, he took exception when I posed a hypothetical which involved our using their design for Cohiba. He asked me to correspond with him to avoid a problem with trademark infringement, although he did not threaten suit. He did tell me that Cubatabaco did not have sufficient resources to police its trademark rights all over the world, although they have been successful on numerous occasions in protecting their marks and the words "Havana", "Cuba:", "Habanos", and "Puros" in Europe. He declined to go after the maker

of The Glory of Cuba cigar in the U.S. citing insufficient resources.

REDACTED

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

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PARTY: RESPONDENT

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Defs Ex 90 (D0090), CGP 0001

Culbro Corporation

605 Third Avenue
New York, NY 10016
212 / 687-7575

Culbro

February 16, 1978

Harry C. Marcus, Esq.
Morgan, Finnegan, Pine, Foley & Lee
345 Park Avenue
New York, N. Y. 10022

Re: GC-TM- COHIBA
GC-TM- CIENFUEGOS
New Applications in the U.S.

Dear Harry:

Please prepare a trademark application for each of the above-identified trademarks for filing in the United States for cigars.

The date of first use in commerce and in interstate commerce for both of the marks is February 13, 1978.

Enclosed are sample labels showing the use of these trademarks as well as the box wrapping showing the product and number of cigars as well as the name of the manufacturer.

You should leave the name of the officer of Culbro Corporation blank until we know who will sign the applications.

Sincerely yours,

Charles H. Sparkes

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 90

Confidential:
Under Protective Order

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
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EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 91 (D0091), GCP 0009

GEORGE S. FINNEGAN, JR.
GRANVILLE M. PINE
JOHN D. FOLEY
JEROME G. LEE
THOMAS P. DOWLING
WARREN H. ROTERT
JOHN A. DIAZ
JOHN C. VASSIL
ALFRED P. EWERT
DAVID H. PFEFFER
HARRY C. MARCUS
ROBERT E. PAULSON
GEORGE P. HOARE, JR.
THOMAS M. GIBSON
EDWARD A. HEDMAN
STEPHEN R. SMITH
KURT E. RICHTER
J. ROBERT DAILEY

JAMES P. WELCH
EUGENE MOROZ
JAMES V. COSTIGAN
ROCCO S. BARRESE
ARNOLD I. RADY
JOHN L. WELCH
JOHN F. SWEENEY
CHRISTOPHER A. HUGHES
WILLIAM S. FEILER
RICHARD E. BENNETT
RICHARD J. MAZZA
BARTHOLOMEW VERDIRAME
JANET DORE
WILLIAM H. DIPPERT
VINCENT J. VASTA, JR.
THOMAS M. HAMMOND
RICHARD C. KOMSON
ANTHONY AMARAL, JR.

MORGAN, FINNEGAN, PINE, FOLEY & LEE

ATTORNEYS AT LAW
345 PARK AVENUE
NEW YORK, NEW YORK 10022

JOHN D. MORGAN
1893-1939
HOBART N. DURHAM
1930-1969

CABLE FINDURPINE NEW YOR
TEL. (212) 758-4800
TELEX: 421792

April 25, 1978

Dr. Charles H. Sparkes
Culbro Corporation
605 Third Avenue
New York, New York 10016

Re: U.S. Trademark Applications
for COHIBA and CIENFUEGOS
Our Refs: Culbro-TM-3 and 4

Dear Charlie:

We are pleased to advise that the captioned applications in Class 34 were filed in the Patent and Trademark Office on March 13, 1978. The COHIBA mark was given Serial No. 161,879, and the CIENFUEGOS mark Serial No. 161,881. Copies of the official Filing Receipts are enclosed.

Best regards,

Harry C. Marcus

HCM/jim
Enclosures (2)

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 91

Confidential:
Under Protective Order

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

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For the mark COHIBA
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DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 92 (D0092), GC 001887

GEORGE B FINNEGAN, JR
GRANVILLE M PINE
JOHN D FOLEY I
JEROME G LEE
THOMAS P DOWLING
WARREN M ROTERT
JOHN A DIAZ
JOHN C VASSIL
ALFRED P EKERT
DAVID M PFEFFER
HARRY C MARCUS
ROBERT E PAULSON
GEORGE F MOORE JR
THOMAS M GIBSON
EDWARD A MEDWAN
STEPHEN R SMITH
KURT E RICHTER
J ROBERT DAILEY

JAMES P WELCH
EUGENE MOROZ
JAMES V COSTIGAN
ROCCO S BARRESE
ARNOLD I RADY
JOHN L WELCH
JOHN F SWEENEY
CHRISTOPHER J HUGHES
WILLIAM B FEILER
RICHARD E BENNETT
RICHARD J MAZZA
BARTHOLOMEW VERDIRAME
JANET DORE
WILLIAM H DIPPERT
VINCENT J VASTA JR
THOMAS M HAMMOND
RICHARD C ADKISON
ANTHONY AMARAL, JR

MAR 13 1978
TRADEMARK OFF

MORGAN, FINNEGAN, PINE, FOLEY & LEE
ATTORNEYS AT LAW
345 PARK AVENUE
NEW YORK, NEW YORK 10022

JOHN D. MORGAN
1893-1930
HOBART H. DURHAM
1930-1960

CABLE FINDURPINE NEW YORK
TEL (212) 759-4800
TELEX 421702

March 13, 1978

Hon. Commissioner of Patents
and Trademarks
Washington, D. C. 20231

Re: New Application of Trademark
COHIBA - Our Ref: Culbro-TM-3

Sir:

Enclosed please find application for registration of the trademark COHIBA in the name of Culbro Corporation, together with one (1) sheet of drawing, five (5) specimens, and our check in the amount of $35.00 in payment of the filing fee. Applied

It is requested that this application be given a serial number and filing date.

Respectfully submitted,

Harry C. Marcus

Harry C. Marcus

HCM:jim
Enclosures

145

GC 001887

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 92

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 93 (D0093), GCP 0011

FORM PTO-36-1
(FORMERLY PTO-100)
REV. 3-77)
US DEPT OF
COMM-PAT &
TM OFFICE

FILING RECEIPT
FOR TRADEMARK
APPLICATIONS
(see reverse)

No correspondence on this application should be expected before approx. 4 months from filing.

CLASS	FILING DATE	SERIAL NO.
34	03/13/78	161879

APPLICANT
CULBRO CORPORATION

MARK
COHIBA

ADDRESS
MORGAN, FINNEGAN, PINE, FOLEY & LEE
345 PARK AVE.
NEW YORK, NEW YORK 10022

CASE Culbro-TM-3 ATTY NCM

CITATION OF PRIOR ART

PRIORITY DATE June 13, 1978

CONVENTION DATE EXPIRES
41/90

DEFENDANT'S EXHIBIT
D 93
Blumberg No. 5114

Confidential:
Under Protective Order

GCP-001[illegible]

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

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EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 94 (D0094), GC 001892-GC 001893

1,147,309 [redacted] 1000 001

1. REG. NO.	3 MARK	4 SER. NO.
1147309	COHIBA	161879
2. Registration Date FEB 17 1981		5. Examiner

6. INTERNATIONAL CLASS	7. PRIOR U.S. CLASS	8. FILING DATE	9. SERIAL NUMBER
34	17	03/13/78	161879

10. APPLICANT AND POST OFFICE
CULBRO CORPORATION
605 3RD AVE.
NEW YORK, NEW YORK 10016
NEW YORK CORP.

11. SEND CORRESPONDENCE TO
Morgan & Finnegan
345 Park Ave.
New York, NY 10154

12

13

MD

14. ASSOCIATE ATTORNEY

15. GOODS—SERVICES
034-CIGARS

16. EXAMINER
~~FIS-CHAPMAN BETH ANNE~~
D. C. Reihner

17. TYPE OF MARK
TRADEMARK

18. FIRST USE
ICL 034 02/13/1978

19. IN COMMERCE
ICL 034 02/13/1978

20. PRIOR REGISTRATION

PTO-36-3 (REV. 5-77) (FORMERLY PTO-102L) U.S. DEPT. OF COMMERCE—PATENT AND TRADEMARK OFFICE (6-77)

21 Other Data

GC 001892 150

22. ORIGINAL	PRINCIPAL REGISTER	25 Supervisory Examiner	
		26 Examiner	D. C. Reihner
23. RENEWAL	Section 8	27 Passed for Publication	
	Section 15	28. Passed for Registration	
	Section 12C	29 O.G. Date	PUBLISHED ~~PUBLISHED~~ NOV 4 1980 ~~OCT 28 1980~~
24 RENEWAL	Passed for Renewal		
	Renewed From		
			☐ Less Goods

DEFENDANT'S EXHIBIT D 94

Blumberg No. 5114

PTO-36-2 (Rev 1-77) (Formerly PTO-102) U.S Dept of Commerce - Patent and Trademark Office

66 BP78051

... ende, fr tail + ende end — more at END] ... o, BUTTOCKS (sitting around the house on his ... by A. Grau) 2 : the hindmost end : the part ... as head or inferior to the rest (watched the tail end ... pany move out —James Jones) 3 : the concluding ... the tail end of a cabinet meeting —A.M.Schlesinger) 4 : TAIL 9b
tail-ender \ˈ-ˌendə(r)\ n -s [tail end + -er] : one at the tail (as in a competition)
tail·er \ˈtālə(r)\ n -s [¹tail + -er] 1 : one that tails as a : SHADOW 10b (combined all the attributes of a successful ~ — iron legs and arches, the considerable acting ability a man must have to make himself unnoteworthy, and a sixth sense of anticipation —Joel Sayre) b : one that follows, esp : one that rounds up or drives on the stragglers of a herd c : one that removes products from the discharge end of a machine (as a lathe, wrapping machine, or wet machine) 2 a : a fish that tails b : a device that closes a metal loop around the tail of a fish (as a salmon) and is used in landing it
²tailer \"\ n -s [alter. of ¹tailor] : BLUEFISH 1
tailer-down \ˈ-ˌ-\ n -s [tail down, v + -er] : TAILER-IN
tailer-in \ˈ-ˌ-\ n -s [tail in, v + -er] : a worker who rolls logs with cant hook or peavey to a place convenient for loading or stacking
tail fan n : the fanlike swimming organ formed by the last pair of pleopods and the telson in some decapod crustaceans
tail-female \ˈ-ˌ-\ n [¹tail (limitation) + female (adj)] : the maternal ancestral line esp. of a thoroughbred horse
tail fin n 1 : CAUDAL FIN 2 : FIN 2c(3)
tailfirst \ˈ-ˈ-\ adv : with the hinder part foremost : BACKWARD
tailflower \ˈ-ˌ-\ n : an aroid of the genus *Anthurium*
tail fly n : the fly at the end of a fishing leader — called also *end fly*
tailforemost \ˈ-ˈ-ˌ-\ adv : TAILFIRST
tail gate n 1 : a gate at the rear as a : the lower gate of a canal lock b : a board or gate at the rear end of a vehicle that can be removed or let down for convenience in loading c : a heavy wooden panel pivoted to the end of a railroad freight car to form an incline from the car bottom to the rails that is used in loading 2 [so called fr. the custom of seating trombonists at the rear end of trucks carrying jazz bands in parades] : a style of jazz trombone playing (as the playing of Dixieland in ensemble) characterized by slides to and from long sustained tones, smears and glissandi, and the playing of improvised countermelodies and rhythms often in a nonlegato manner extending through the entire range of the instrument
tailgate \ˈ-ˌ-\ vb [tail gate] vt : to drive too close to another vehicle for safety ~ vi : to follow (another vehicle) too close for safety
tail grape n : any of various tropical woody vines constituting a genus (*Artabotrys*) of the family Annonaceae and having solitary or clustered flowers borne on a woody often hooked peduncle that functions as a tendril, esp : an eastern Asian vine (*A. odoratissimus* or *A. uncinatus*) that is sometimes cultivated for its very fragrant inconspicuous reddish brown flowers and showy inedible golden yellow pear-shaped fruits
tail group n : TAIL 20
tailhead \ˈ-ˌ-\ n : the base of an animal's tail — see COW illustration
tail-heavy \ˈ-ˌ-\ adj : having a nose that tends to rise when the longitudinal control is released in level flight (a *tail-heavy airplane*) — compare NOSE-HEAVY
tail house n 1 : a housing for the tension carriage in an endless-rope mine hoisting system 2 : a building in which are placed the discharge ends of the condensing apparatus used in petroleum distillation
tailing n -s [fr. gerund of ¹tail] 1 : the act of one that tails (the ~ of people is a normal part of detective and intelligence work) 2 : inferior or refuse material separated as residue in processing — usu. used in pl. as a : stones that tail over the largest openings of the screen of a stone crusher b : the lighter inferior coffee berries floated away in washing c : the gangue and other refuse material resulting from the washing, concentration, or treatment of ground ore (the ~s of the silver mines of those times are being worked over for the tin that was then discarded —Marrion Wilcox) — compare CONCENTRATE, HEAD, MIDDLING 3 : the last part of something 4 : the part of a projecting stone or brick inserted in a wall 5 : a blur or other break in impression in textile printing 6 **tailings** pl : the lighter and coarser particles (as bran or fibrous or flaked endosperm) that tail over the sieves of a purifier while the heavier middlings pass through 7 **tailings** pl : CHAFF 8 **tailings** pl : the parts (as of crude spirit) that come over last in fractional distillation : FOOTS 9 : a reused tanning liquor 10 : short lengths of yarn or fabric — usu. used in pl.
tail joist n : TAILPIECE 4
tail-kidney \ˈ-ˌ-\ n : METANEPHROS
tail lamp n : TAILLIGHT
taille \ˈtī, ˈtā(ə)l\ n -s [F, fr. OF, fr. taillier to cut, shape, fix, limit, tax — more at TAILOR] 1 a : an imposition or tax formerly levied by a French king or seigneur on his subjects or on lands held of or under him b : a royal or a national tax in 15th century France from which the lords and later the clergy and others were exempt — compare CORVÉE, GABELLE, TALLAGE 2 obs : the shape of the bust : BUILD, FIGURE, FORM 3 a : a middle voice or tenor in early choral music b : a part to be performed on the tenor viol, the viola, or the English horn
tail·less \ˈtā(ə)lləs\ adj : having no tail — **tail·less·ly** adv — **tail·less·ness** n -es
tailless airplane n : an aircraft consisting of a single wing without conventional fuselage or tail, housing cargo and personnel within the wing structure, and achieving stability and control by means of vertical external surfaces mounted on the wing tips or booms attached to the wing
tailless whip scorpion n : an arachnid of the family Tarantulidae
tail·leur \tä'yər, tal'-, +V -ˈyœr-, -R -yə, + vowel in a word following without pause -ˈyœr- or -yə also ˈyœr\ n -s [F, lit., cutter, tailor, fr. OF — more at TAILOR] 1 : the dealer in a card game 2 : a woman's tailored costume, esp : a suit for town wear
tail·lie \ˈtālī\ n -s [ME — more at TAILZIE] Scots law : TAILZIE
taillight \ˈ-ˌ-\ n : a usu. red light mounted at the rear esp. of an automotive vehicle as a warning to following traffic
taillike \ˈ-ˌ-\ adj : resembling a tail
tail louse n : a widely distributed sucking louse (*Haematopinus quadripertusus*) that is an ectoparasite on cattle on the tail of which the adults congregate
tail-male \ˈ-ˈ-\ n [¹tail (limitation) + male (adj)] : the male ancestral line esp. of a thoroughbred horse
tail of the eye : the outer corner of the eye (out of the *tail of his eye*, he glanced at his only passengers —Agnes S. Turnbull)
¹tai·lor \ˈtālə(r)\ n -s [ME tailour, fr. OF tailleor, lit., one that cuts, fr. taillier to cut (fr. LL taliare, fr. L talea twig, stick, cutting) + -eor -er, akin to Gk talis marriageable girl, thalis fenugreek, Lith atolas, atolai rowen, and perh. to ON thöll young pine tree, basic meaning: growing thing] 1 : one whose occupation or business is making or altering men's or women's outerwear (as suits and coats) 2 a or **tailor herring** : FALL HERRING b (1) : BLUEFISH 1 (2) : a closely related Australian fish
²tailor \"\ vb -ed/-ing/-s vi 1 : to do the job or carry on the business of a tailor 2 : to adapt to tailoring (a material that ~s well) ~ vt 1 a : to make or fashion as the work of a tailor (~ed him several suits) b : to make or adapt to suit a special need or purpose (this striking force that can ~ its power to meet the demands of the moment —H.W.Martin) (need a new ...

tai·lor·dom \-(r)dəm\ n -s 1 : tailors as an occupational group : the trade or domain of tailors 2 : TAILORING
tailored adj 1 : made by a tailor 2 a : fashioned or fitted to resemble a tailor's work b : having trim, simple, straight lines (~ curtains) 3 : MADE-TO-ORDER 4 a : having the look of one fitted by a custom tailor : well turned out (she has the ~ look —John Mason Brown) b : appearing well cared for : STYLISH, TRIM (a well-tailored neighborhood —Time)
tailored gardenia n : a gardenia removed from the peduncle, wired, and supported by a collar of stapled foliage
tai·lor·ess \ˈtālərəs\ n -es : a woman tailor
tailor-fashion \ˈ-ˌ-\ adv (or adj) : CROSS-LEGGED (sat down *tailor-fashion* in a place of honor —F.G.Slaughter)
tailoring n -s 1 a : the business or occupation of a tailor b : the work or workmanship of a tailor (the kind of ~ which goes by the name of *ready-made* —Irving Kolodin) 2 : the making or adapting of something to suit a particular purpose (the ~ of history books to fit the party line of the moment had for some time been an established practice —Sergeus Yakobson) 3 : a rounding off of the corners of grooved rolls of iron and steel to prevent fins from forming on the bars in rolling
tai·lor·ism \ˈtālə,rizəm\ n -s 1 : the labor, employment, or product of a tailor 2 : a tailor's mannerism
tai·lor·ize \-,rīz\ vb -ed/-ing/-s vi : to do the work of a tailor : behave as a tailor ~ vt : to reduce to a tailor's status : treat as a tailor : DEGRADE, DEMORALIZE
¹tailor-made \ˈ-ˌ-\ adj [¹tailor + made] 1 a : made by a tailor or with a tailor's care and style (a *tailor-made suit*) b : marked by trimness of fit, simplicity of line and ornament, and fine finish — used of women's garments c : having the appearance of one turned out by a good tailor (a *tailor-made man*) 2 : made or fitted up to a particular use or purpose : MADE-TO-ORDER (the wage provisions of its agreement are *tailor-made* for that company's circumstances —R.A.Lester) (his music is *tailor-made* to the requirements and conditions of a specific time and place —Abraham Veinus) (a *tailor-made* fuel with special characteristics —*Ethyl News*) 3 : factory-made rather than hand-rolled — used of cigarettes
²tailor-made \"\ n -s 1 : a woman's tailor-made garment 2 : a factory-made cigarette
tailor-make \ˈ-ˌ-\ vt [back-formation fr. ¹tailor-made] : to make or adapt to a particular use or purpose or to the needs of an individual — opposed to *mass-produce*
tailor muscle also **tailor's muscle** n : SARTORIUS
tailor's chair n : a seat with back rest but no legs used by tailors at work
tailor's chalk n : a thin flat piece of hard chalk or soapstone used by tailors and seamstresses for making temporary marks on cloth
tailor's cushion n : a tailor's ham
tai·lor·ship \ˈtālə(r),ship\ n : the trade or work of a tailor : TAILORING
tailor's tack n : a basting stitch taken with a double thread through two pieces of fabric and then cut apart with large loops being left in each piece for marking seam lines and perforations
tailor warbler n : a tailorbird (*Orthotomus sutorius*)
tai·lory \ˈtālərē\ n -es [ME taillourie, fr. tailliour tailor + -ie -y — more at TAILOR] 1 : the work or business of a tailor 2 : clothing made by a tailor
tail over vt : to pass (material that will not go through) over a sieve in milling
tailpiece \ˈ-ˌ-\ n 1 : a subsidiary part at the lower or rear end : a piece added on at the end : APPENDAGE (the ~ of a crustacean) (the ~ of a musical composition) 2 : a triangular piece (as of ebony) between which and the pegs the strings of a stringed musical instrument are stretched 3 : the part of a telescope containing the adjusting device for the eyepiece 4 : a relatively shorter beam or rafter tailed in a wall and supported by a header 5 : a piece for transmitting motion from the hub of a lock to the latch bolt 6 : an ornament placed below the text matter of a page (as at the end of a chapter) — compare HEADPIECE
tailpin \ˈ-ˌ-\ n 1 : the tailstock center in a lathe 2 : a pin projecting from the body of a large stringed musical instrument (as a cello) to raise it off the floor when being played
tailpipe \ˈ-ˌ-\ vt : to tie a tin can to the tail of (a dog)
tail pipe n 1 : the suction pipe of a pump 2 : the pipe discharging into the atmosphere the exhaust gases from the muffler of an automotive engine 3 : the part of a jet engine that carries the exhaust gases rearward and discharges them through a nozzle
tail-pipe burner n : AFTERBURNER
tail plane n : the horizontal tail surfaces of an airplane including the stabilizer and the elevator
tail print n : a core print carried to the top of a foundry mold so that the pattern may be molded in one box
tailrace \ˈ-ˌ-\ n 1 : a race for conveying water away from a point of industrial application (as a waterwheel or turbine) after use — called also *afterbay*; compare HEADRACE, MILLRACE 2 : the channel in which mine tailings are floated off
tail rhyme also **tailed rhyme** n : a verse form in which rhymed lines (as couplets or triplets) are followed by a line of different usu. shorter length which does not rhyme with the couplet or triplet
tail-rhyme stanza also **tail-rhymed stanza** \ˈ-ˌ-\ n : a stanza consisting of rhymed couplets or triplets with tails that rhyme with each other
tail rider n : one of usu. two cowboys who keep a herd of cattle moving from the rear : one that rides drag — compare SWINGMAN
tail rod n : a continuation of a piston rod or valve rod through the back cylinder cover or valve chest (as of a steam engine or an air compressor)
tail rope n : a rope attached to the rear part or end of something: as a : a rope fastened to the tail of a mine car or train to haul it back empty after unloading or to brake its speed on a downgrade b : the rope beneath either of two counterbalancing cages in a mine shaft
tails pl of TAIL, pres 3d sing of TAIL
tail set n : a device used to hold the tail of a gaited saddlehorse in the desired cocked position
tail shaft n : the after section of a ship's propeller shaft extending through the stern tube
tail sheet n : a strip of larger-mesh bolting cloth used at the tail end of a sieve to tail out coarser stock in milling
tail skid n : a yielding support on which the tail of an airplane rests when on the ground
tail slide n : the tailfirst slide rearward and downward that some airplanes may be made to take after being brought into a stalling position by a steep climb
tailspin \ˈ-ˌ-\ n 1 : SPIN 2a (the airplane went into a ~) 2 : a collapse into mental or emotional depression or confusion (the sight of it had nearly sent him into a ~ —Jean Stafford) 3 : a state of disordered or depressed activity : CRACK, DEMORALIZATION (an abrupt falling off in foreign trade may send the economy into a ~ —*Atlantic*)
tail spindle n : the tailstock spindle in a lathe
tailstock \ˈ-ˌ-\ n : the adjustable or sliding head of a lathe containing the dead center
tail surface n : a stabilizing surface or a control surface in the tail of an airplane
tail tackle n 1 : WATCH TACKLE 2 : LUFF TACKLE
tail tree n : the spar tree farthest from the power source in a cable logging rig

tail wheel n : an auxiliary wheel on which the rear of an airplane rests or taxis on the ground
tail wind n : a wind having the same general direction as the course of an airplane or a ship in motion (a most *tail wind* was giving a friendly boost —W.D.Patterson)
¹tail·zie \ˈtālyē\ n [alter. (z being taken as ʒ) of earlier tailyie, fr. ME tailie, tailyie, tailzie, fr. MF taillier, fr. fem. of taillé, past part. of taillier to cut, shape, fix, limit — more at TAILOR] Scots law : ENTAIL
²tailzie \"\ vt -ed/-ing/-s Scots law : ENTAIL
tai·men \ˈtī,men\ n -s [Russ taimen', fr. Finn taimen] : a giant trout (*Salmo taimen* or *S. fluviatilis*) of the rivers of northern Asia
¹tai·nan \ˈtīnən\ adj, usu cap [Taino + -an] : of or relating to the Taino or their language
²tai·nan \ˈtīˈnän\ adj, usu cap [fr. Tainan, Formosa] : of or from the city of Tainan on the island of Formosa, China : of the kind or style prevalent in Tainan
tai·ni·o·lite \ˈtīnēə,līt\ n -s [tainio- (fr. Gk tainia band) + -lite, akin to Gk teinein to stretch — more at THIN] : a mineral $KLiMg_2Si_4O_{10}F_2$ consisting of a silicate and fluoride of potassium, lithium, and magnesium of the mica group
tai·no \ˈtī(,)nō\ n, pl taino or tainos usu cap [Sp, of AmerInd origin] 1 a : an extinct aboriginal Arawakan people of the Greater Antilles and the Bahamas, esp. of Hispaniola b : a member of such people 2 : the language of the Taino people
¹taint \ˈtānt\ vb -ed/-ing/-s [ME taynten, fr. AF teinter, fr. MF teint, past part. of teindre to color, dye, fr. L tingere — more at TINGE] vt 1 obs : to touch with color : TINGE, TINT 2 obs : to apply balm or ointment to (a wound or sore spot) : ANOINT 3 [influenced in meaning by obs. taint to attaint, fr. ME taynten, fr. MF ataint, past part. of ataindre to accuse, convict, attain — more at ATTAIN] a : to touch or affect slightly with something bad or undesirable (to aid openly would be to ... ~ his memory —S.H.Adams) (directed toward the purge from the public service rolls of those ~ed with fascism —Taylor Cole) b : to infect with putrefaction : make noxious or poisonous : ROT (the meat was ~ed) c : to contaminate morally : CORRUPT, DEFILE, DEPRAVE, STAIN (all the lighter kinds of literature were deeply ~ed by the prevailing licentiousness —T.B.Macaulay) ~ vi [influenced in meaning by obs. taint to attaint] 1 obs : to become weak : lose courage (I cannot ~ with fear —Shak.) 2 archaic : to become infected with putrefaction or corruption : ROT syn see CONTAMINATE
²taint \"\ n -s [MF teint, fr. past part. of teindre] 1 obs : COLOR, HUE, TINGE 2 [influenced in meaning by ¹taint] a : a spot or stain of something bad (as of dishonor or disgrace) : BLEMISH (some ineradicable ~ of impropriety attached in their minds to any association with the stage —Mary Austin) (the river that I know washes from all ~ of sin —Rudyard Kipling) b : a germ, source, or cause of corruption : a contaminating influence : a rotting or depraving force (remembered his bouts with the bottle and were afraid that the ~ had been passed on to me —Hamilton Basso)
³taint \"\ n -s [MF ataint — more at ATTAINT] : ATTAINT 1
tain·ter gate or **tain·ter gate** \ˈtāntə(r)-\ n [after Jeremiah B. Tainter, 19th cent. Am. inventor] : RADIAL GATE
taint·less \ˈtāntləs\ adj [²taint + -less] : having no taint : CLEAN, IMMACULATE, PURE — **taint·less·ly** adv — **taint·less·ness** n -es
tain·ture \ˈtānchə(r)\ n -s [MF teinture, fr. L tinctura — more at TINCTURE] : DEFILEMENT, STAIN, TAINT
taintworm \ˈ-ˌ-\ n [²taint + worm] : a worm or larva parasitic on mammals
tai nua \ˈtīˈnüə\ n, pl tai nua or tai nuas usu cap TAI 1 : a Tai people closely related to the Laotians of Laos 2 : a member of the Tai Nua people
¹tai·pan \ˈtī,pan\ n -s [Chin (Pek) ta⁴ pan¹] : the head of a foreign business house in China : a great merchant
²taipan \"\ n -s [native name in Australia] : an exceedingly venomous elapid snake (*Oxyuranus scutellatus*) of northern Australia and the Pacific islands
tai·peh \ˈtīˈpā, -ˈbā\ adj, usu cap [fr. Taipeh, Formosa] : of or from Taipeh, the capital of Formosa, China : of the kind or style prevalent in Taipeh
tai·ping \ˈtīˈpiŋ\ n -s usu cap [Chin (Pek) t'ai⁴ p'ing² peaceful] : a Chinese insurgent taking part in a rebellion (1848–65) against the Manchu dynasty
ta·i·po \ˈtäē,pō\ n -s [Maori taepo] NewZeal : a demon, devil, or other specter appearing at night
taira var of TAYRA
ta·i·ro·na \ˌtīˈrōnə\ n, pl tairona or taironas usu cap [Sp, of AmerInd origin] 1 : an extinct Chibchan people of northern Colombia 2 : a member of the Tairona people
taisch \ˈtīsh, ˈtāsh\ n -es [ScGael taibhis, taibhse; akin to IrGael taidhbhse ghost, OIr taidbsiu to show] Scot : an apparition of a person about to die
¹tait \ˈtāt\ var of TATE
²tait \"\ n -s [native name in Australia] : HONEY POSSUM
¹tai·ver \ˈtāvər\ var of TAVER
²taiver \"\ n -s [prob. of Scand origin, akin to Norw & Dan dial. tave rag; akin to ON thafa to stir, thöf act of beating cloth, Gk apotaios low, humble, abject] Scot : SHRED, TATTER — usu. used in pl.
tai·vert \-vərt\ var of TAVERT
tai·wan \ˈtīˈwän\ adj, usu cap [fr. Taiwan (Formosa), island in the China Sea] : FORMOSA
¹tai·wan·ese \ˌtīwəˈnēz, -ēs\ adj, usu cap [Taiwan + E -ese] 1 : of, relating to, or characteristic of the island of Taiwan 2 : of, relating to, or characteristic of the people of Taiwan
²taiwanese \"\ n, pl taiwanese cap : a native or inhabitant of Taiwan
tai·wa·nia \tīˈwänēə\ n, cap [NL, fr. Taiwan + NL -ia] : a genus of coniferous trees (family Pinaceae) having leathery triangular leaves that are incurved at the apex
tai·yu·an \ˈtīyüˈän\ adj, usu cap [fr. Taiyuan, China] : of or from the city of Taiyuan, China : of the kind or style prevalent in Taiyuan
taj \ˈtäzh, ˈtäj\ n -es [Ar tāj, fr. Per, crown, crest, cap] : a cap worn in Muslim countries, esp : a tall cone-shaped cap worn by dervishes
ta·jik or **ta·djik** or **ta·dzhik** \täˈjik, -ˈjēk\ n, pl tajik or tajiks or tadjik or tadjiks or tadzhik or tadzhiks usu cap : a member of a people of old Iranian blood and speech bearing resemblance to Europeans and dispersed among the populations of Afghanistan and Turkistan
ta·jiki \-kē\ n -s usu cap : the Iranian language of the Tajik people
ta·jin \täˈhēn\ adj, usu cap [MexSp Tajín, a pyramidal monument found near Papantla, Vera Cruz, Mexico, constructed by the Totonacs, fr. Nahuatl, thunder] : of or relating to the ancient culture of the Totonacs near the present state of Vera Cruz, Mexico, and characterized by the use of double outlines in design and of stone ax blades shaped like human faces
tak·able or **take·able** \ˈtākəbəl\ adj : capable of being taken
taka-diastase \ˌtäkə+\ n [fr. *Taka-Diastase*, a trademark] : a commercial enzyme preparation obtained usu. as a yellowish white hygroscopic powder by growing a mold (*Aspergillus oryzae*) on wheat bran and used chiefly as a starch digestant (as in the treatment of dyspepsia) : KOJI 2
ta·ka·he \ˈtäkə,hē\ n -s [Maori] : NOTORNIS 2
takamahac var of TACAMAHAC
ta·ka·mat·su \ˌtäkəˈmät(,)sü\ adj, usu cap [fr. Takamatsu, city of Shikoku Island, Japan] : of or from the city of Taka-

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GC 001893

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 95 (0095), BM 00192

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,898,273

United States Patent and Trademark Office

Registered June 6, 1995

TRADEMARK
PRINCIPAL REGISTER

COHIBA

GENERAL CIGAR CO., INC (DELAWARE CORPORATION)
320 WEST NEWBERRY ROAD
BLOOMFIELD, CT 06002

FOR: CIGARS, IN CLASS 34 (U.S. CL. 17).
FIRST USE 12-0-1992; IN COMMERCE 12-0-1992, FIRST USED IN COMMERCE IN ANOTHER FORM IN FEBRUARY 1978.

OWNER OF U.S REG. NO. 1,147,309.
UPON INFORMATION AND BELIEF, "COHIBA" IS A CONJUGATIVE FORM OF THE SPANISH WORD "COHIBIR", WHICH MEANS "TO RESTRAIN" OR "COHIBIT"

SN 74-344,349, FILED 12-30-1992

R. G COLE, EXAMINING ATTORNEY

REDACT

Confidential
Under Protective Order
BM 00192

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 95

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
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Defs Ex 96 (D0096)

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COHIBA

Word Mark	COHIBA
Translations	Upon information and belief, "COHIBA" is a conjugative form of the Spanish word "cohibir", which means "to restrain" or "cohibit".
Goods and Services	IC 034. US 017. G & S: cigars. FIRST USE: 19921200. FIRST USE IN COMMERCE: 19921200. USED IN ANOTHER FORM First used in commerce in another form in February 1978
Mark Drawing Code	(5) WORDS, LETTERS, AND/OR NUMBERS IN STYLIZED FORM
Serial Number	74344349
Filing Date	December 30, 1992
Filed ITU	FILED AS ITU
Published for Opposition	April 12, 1994
Registration Number	1898273
Registration Date	June 6, 1995
Owner	(REGISTRANT) **General Cigar** Co., Inc. CORPORATION DELAWARE 320 West Newberry Road Bloomfield CONNECTICUT 06002
Attorney of Record	Scott Greenberg
Prior	

Blumberg No. 5114 DEFENDANT'S EXHIBIT D 96

Registrations	1147309
Type of Mark	TRADEMARK
Register	PRINCIPAL
Live/Dead Indicator	LIVE

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

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Defs Ex 97 (D0097), Plfs Ex 2, GC 006276-GC 006281

MORGAN & FINNEGAN

ATTORNEYS AT LAW

345 PARK AVENUE

NEW YORK, NEW YORK 10154-0053

TEL.: (212) 758-4800

TELEX. 421792

FACSIMILE: (212) 751-6849

WASHINGTON OFFICE

555 13TH STREET, N.W.

SUITE 480 WEST

WASHINGTON, D.C. 20004-1109

TEL.: (202) 857-7887

FACSIMILE: (202) 857-7929

WRITER'S DIRECT DIAL NUMBER:

(212) 415-8543

JEROME G. LEE
JOHN D. FOLEY
JOHN A. DIAZ
THOMAS P. DOWLING
JOHN C. VASSIL
WARREN H. ROTERT
ALFRED P. EWERT+
DAVID H. PFEFFER
HARRY C. MARCUS
ROBERT E. PAULSON
STEPHEN R. SMITH
KURT E. RICHTER
J. ROBERT DAILEY
EUGENE MOROZ

JOHN F. SWEENEY*
ARNOLD I. RADY*
CHRISTOPHER A. HUGHES
WILLIAM S. FEILER*
JANET DORE
JOSEPH A. CALVARUSO
JAMES W. GOULD*
RICHARD C. KOMSON
ISRAEL BLUM
CHRISTOPHER K. HU
BARTHOLOMEW VERDIRAME
DICKERSON M. DOWNING
MARIA C. H. LIN
JOSEPH A. DEGIROLAMO
CHRISTOPHER E. CHALSEN

GEORGE B. FINNEGAN, JR.
GRANVILLE M. PINE
THOMAS I. O'BRIEN
RICHARD C. WITTE*
JOHN P. SINNOTT
COUNSEL

RESIDENT PARTNERS IN WASHINGTON
HARRY F. MANBECK, JR.*°
FREDERICK F. CALVETTI+

JOHN D. MORGAN
1893-1939

HOBART N. DURHAM
1930-1969

THOMAS M. HAMMOND*+
EUGENE C. RZUCIDLO*+
MICHAEL A. NICODEMA
ANDREW M. RIDDLES
MICHAEL P. DOUGHERTY
SETH J. ATLAS
SCOTT D. GREENBERG
BRUCE D. DERENZI
MIDGE M. HYMAN
MARK J. ABATE
BARRY J. SCHINDLER
JOHN T. GALLAGHER
JOSEPH SOFER
STEVEN F. MEYER
VINCENT A. CASTIGLIONE
HOWARD J. SUSSER
GABRIEL P. KRALIK
TONY V. PEZZANO
BRUCE D. RADIN
ELAINE J. KAMAN
DESIREE M. BRODERICK
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MARY J. MORRY
MICHAEL J. TIMMONS
RICHARD E. PARKE
CHRISTOPHER A. KLEIN

ROBERT K. GOETHALS
KENNETH H. SONNENFELD
EMILY S. LAU
BONNIE KRAMER CARNEY
JOHN W. OSBORNE
MICHAEL S. MARCUS*+
T. HELEN PAYNE
RICHARD K. WARTHER*
BRIAN L. WAMSLEY
ALEXANDRA T. MANBECK
MICHAEL M. MURRAY*
JOHN J. SIDERIS
LAURENCE J. BROMBERG
JEAN E. SHIMOTAKE
MARGARET A. HOLTHUSEN*
CRAIG J. ARNOLD
M. CARAGH NOONE*

SCIENTIFIC ADVISORS
ANDREA L. WAYDA, Ph.D.
KATHRYN M. BROWN, Ph.D.
LESLIE A. SERUNIAN, Ph.D.
DOROTHY R. AUTH, Ph.D.
DAVID V. ROSSI, Ph.D.
CAROL GRUPPI, Ph.D.
RICHARD W. BORK, Ph.D.

* NOT ADMITTED IN NEW YORK
+ ADMITTED IN WASHINGTON, D.C.
° ADMITTED IN CONNECTICUT

December 30, 1992

PLAINTIFF'S EXHIBIT 2 4/27/00 AA

Hon. Commissioner of
Patents and Trademarks
Trademark Examining Operation
Washington, D.C. 20231

SIR:

We have attached hereto an intent-to-use trademark application in the name of General Cigar Co., Inc., for the mark COHIBA (Block Letters) in International Class 34 comprising the following:

1. Application for Registration
2. Ink Drawing
3. Certificate of Express Mail (below)

Please charge all filing fees for this application to the undersigned attorneys' Deposit Account No. 13-4500. A copy of this letter is enclosed for this purpose.

Respectfully submitted,

MORGAN & FINNEGAN

By: Scott Greenberg

SG:cm
Encl.
246-TM-130A

EXPRESS MAIL CERTIFICATE

Express Mail Label No. IB651117500US

Date of Deposit December 30, 1992

I hereby certify that this correspondence 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 and is addressed to the Commissioner of Patents and Trademarks, Washington, D.C. 20231

Albert Isles

Typed or printed name of person mailing paper(s) or fee)

Blumberg No. 5114 DEFENDANT'S EXHIBIT D 97

Case No. 246-TM-130A Serial No. _____

Date Mailed December 30, 1992 ATTY SDG

Date Due in the Patent Office _____

The return of this post card, properly stamped, will cknowledge receipt in the Patent & Trademark Office of the following:

1.- Application for Registration
2.- Ink Drawing
3.- Certificate of Express Mail
4.- Return Postcard
5.- Applicant: General Cigar Co., Inc.
6.- Mark: COHIBA (Block Letters)

GC 006277

246-TM-130A

TRADEMARK

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

TRADEMARK EXAMINING OPERATION

Mark	:	COHIBA (Block Letters)
Class	:	International Class 34
Applicant	:	General Cigar Co., Inc., a corporation organized under the laws of Delaware
Business Address	:	320 West Newberry Road Bloomfield, CT 06002

To the Hon. Commissioner of Patents
and Trademarks
Washington, D.C. 20231

S I R:

Applicant requests that the mark shown in the accompanying drawing be registered in the United States Patent and Trademark Office on the Principal Register established by the Act of July 5, 1946, as amended, for the following goods:

- CIGARS -

Applicant has a bona fide intention to use the mark in commerce on the above identified goods. (15 U.S.C. §1051(b) as amended).

The mark is intended to be used by affixing it to labels and containers for the goods, displays associated with the goods and in other ways customary in the trade.

The mark COHIBA, in a different type-style, was first used in commerce by applicant's predecessor in February, 1978.

Applicant is the owner of Reg. No. 1,147,309.

POWER OF ATTORNEY AND DECLARATION

Applicant hereby appoints Jerome G. Lee; John D. Foley; John A. Diaz; Thomas P. Dowling; John C. Vassil; Warren H. Rotert; Alfred P. Ewert; David H. Pfeffer, P.C.; Harry C. Marcus; Robert E. Paulson; Stephen R. Smith; Kurt E. Richter; J. Robert Dailey; Eugene Moroz; John F. Sweeney; Arnold I. Rady; Christopher A. Hughes; William S. Feiler; Janet Dore; Joseph A. Calvaruso; James W. Gould; Richard C. Komson; Israel Blum; Christopher K. Hu; Bartholomew Verdirame; Dickerson M. Downing; Maria C.H. Lin; Joseph DeGirolamo and Christopher E. Chalsen and each of them as its attorneys to prosecute this application to register, to transact all business in the Patent and Trademark Office in connection therewith, and to receive the certificate of registration. Please address all correspondence to:

Scott Greenberg, Esq.
MORGAN & FINNEGAN
345 Park Avenue
New York, New York 10154

Ronald S. Milstein, Assistant Secretary of Applicant declares that: he is authorized to execute this application on behalf of said applicant; he believes said applicant to be entitled to use the mark sought to be registered in commerce; to the best of his knowledge and belief, no other person, firm, corporation, or association has the right to use said mark in commerce, either in identical form or in such near resemblance thereto as to be likely, when

used on or in connection with the goods or services of such other person, to cause confusion or to cause mistake, or to deceive; that all the statements made herein of his knowledge are true; that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or documents or any registration resulting therefrom.

General Cigar Co., Inc.

Dated: 12/25/92

By: [signature]
Name: Ronald S. Milstein
Title: Assistant Secretary

APPLICANT: General Cigar Co., Inc.

ADDRESS: 320 West Newberry Road
Bloomfield, CT 06002

DATE OF FIRST USE: **COMMERCE:** **INTENT:** X

DESCRIPTION OF MARK: COHIBA (Block Letters)

GOODS OR SERVICES: CIGARS

COHIBA

ATTORNEYS - MORGAN & FINNEGAN

ADDRESS - 345 Park Avenue, New York, New York 10154

TELEPHONE - (212) 758-4800

Ref. No. - 246-TM-130A

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 98 (D0098), BM 00152-BM 00155

BAKER & McKENZIE
ATTORNEYS AT LAW

815 CONNECTICUT AVENUE N W
WASHINGTON D C 20006-4078
TELEPHONE (202) 452-7000
FACSIMILE (202) 452-7074

EUROPE MIDDLE EAST: ALMATY, AMSTERDAM, BARCELONA, BERLIN, BRUSSELS, BUDAPEST, CAIRO, FRANKFURT, GENEVA, KIEV, LAUSANNE, LONDON, MADRID, MILAN, MOSCOW, PARIS, PRAGUE, RIYADH, ROME, ST PETERSBURG, STOCKHOLM, WARSAW, ZURICH

ASIA PACIFIC: BANGKOK, BEIJING, HANOI, HO CHI MINH CITY, HONG KONG, MANILA, MELBOURNE, SINGAPORE, SYDNEY, TAIPEI, TOKYO

NORTH AND SOUTH AMERICA: BOGOTA, BRASILIA, BUENOS AIRES, CARACAS, CHICAGO, DALLAS, JUAREZ, MEXICO CITY, MIAMI, MONTERREY, NEW YORK, PALO ALTO, RIO DE JANEIRO, SAN DIEGO, SAN FRANCISCO, SAO PAULO, SANTIAGO, TIJUANA, TORONTO, VALENCIA, WASHINGTON DC

August 23, 1996

VIA HAND DELILVERY

Karl Wm. Means, Esquire
Attorney
Intellectual Property Rights Branch
United States Customs Service
Franklin Court Building
1099 14th Street, N.W.
Washington, D.C. 20229

Re: General Cigar Co., Inc.; Cohiba
Importation of Counterfeit Cigars

Dear Karl:

Thank you for meeting with me today to discuss the importation of counterfeit Cohiba cigars. For your reference, a copy of the Cohiba recordation with the U.S. Customs Service is enclosed.

As we discussed, we have reason to believe that counterfeit cigars are being imported through ports and by importers and exporters similar to those involved in the Montecristo cigar importations. In this regard, the names and addresses of the suspected importers and exporters, and possible ports of entry are set forth below.

I \TRADE\TAG\PUBL\60199986 1

Confidential
Under Protective Order
BM 00152

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 98

Suspected Importers

Commonwealth Crossing	P.O. Box 6696 Charlotte Amalie, St. Thomas -or- Havensight Executive Tower Charlotte Amalie, St. Thomas
Commonwealth Crossing -or- Commonwealth Enterprises -or- Stanford Trading	P.O. Box 814450 Dallas, Texas -or- 4114 Lindberg Drive Dallas, Texas
DAS International	P.O. Box 879 Suite 190 Humacao, Puerto Rico 00792 -or- 4 Harbor View Palmes del Mar Humacao, Puerto Rico 00791

Suspected Exporters

Monte Cristi de Tabacos, c.x.a.
El Conde 109
Santo Domingo, RD Zona Colinial
Dominican Republic
MID #

Caribtrade Corp. Ltd.
P O. Box 192
Philipsburg, Pointe Blanche
St. Maarten, Netherlands Antilles

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BM 00153

Possible Ports of Entry

St. Thomas, VI
Dallas
New York
Seattle
Boston
San Juan

I understand that you will be issuing an alert notice to all ports of entry in the United States that (1) indicates images of the genuine and counterfeit articles have been uploaded into the Customs imaging system and (2) includes the information on importers, exporters and ports of entry outlined above. I further understand that I will receive a copy of this notice.

Again, thank you for your time today. If you have any questions concerning this letter or any issue connected with this case, please let me know.

Sincerely,

Teresa A. Gleason
Attorney for
General Cigar Co., Inc.

Enclosure
cc: A. Ross Wollen

I:\TRADE\TAG\PUBL\6019996 1

USCS IPR Recordations, Patent Surveys, Exclusion Orders

Record Number: TMK 96-00150 Effective: 03 28 1996 Expires: 06 06 2005

Trademark: COHIBA

Product: CIGAR

Description: COHIBA, CIGAR, GENERAL CIGAR CO., INC.

Owner Name: GENERAL CIGAR CO., INC.

Registration Agency Number: 1,898,273
Import of Goods Bearing Genuine Trademarks or Trade Names Restricted: NO

Contact Name: SCOTT GREENBERG, ESQ.
Firm: MORGAN & FINNEGAN, L.L.P. Phone: 212/758-4800
Address 1: 345 PARK AVENUE
Address 2:
City: NEW YORK State: NY Zip: 101540053

Confidential
Under Protective Order
BM 00155

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 99 (D0099), BM 00149-BM 00151

BAKER & McKENZIE
ATTORNEYS AT LAW

EUROPE MIDDLE EAST: ALMATY, AMSTERDAM, BARCELONA, BERLIN, BRUSSELS, BUDAPEST, CAIRO, FRANKFURT, GENEVA, KIEV, LAUSANNE, LONDON, MADRID, MILAN, MOSCOW, PARIS, PRAGUE, RIYADH, ROME, ST. PETERSBURG, STOCKHOLM, WARSAW, ZURICH

ASIA PACIFIC: BANGKOK, BEIJING, HANOI, HO CHI MINH CITY, HONG KONG, MANILA, MELBOURNE, SINGAPORE, SYDNEY, TAIPEI, TOKYO

815 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20006-4078
TELEPHONE (202) 452-7000
FACSIMILE (202) 452-7074

NORTH AND SOUTH AMERICA: BOGOTA, BRASILIA, BUENOS AIRES, CARACAS, CHICAGO, DALLAS, JUAREZ, MEXICO CITY, MIAMI, MONTERREY, NEW YORK, PALO ALTO, RIO DE JANEIRO, SAN DIEGO, SAN FRANCISCO, SAO PAULO, SANTIAGO, TIJUANA, TORONTO, VALENCIA, WASHINGTON, D.C.

October 4, 1996

VIA OVERNIGHT DELIVERY

Mr. Marshall Kwas
Supervisory Import Specialist
U.S. Customs Service
Room 261
MIA Cargo Clearance Center
Miami, Florida 33159

Re: Counterfeit Cigar Importations

Dear Marshall:

Pursuant to our discussion yesterday, enclosed are color photocopies of the genuine and counterfeit Montecristos from the Dominican Republic and Mexico. These images will provide a convenient reference tool in the event of any further importations of counterfeit goods.

I have also enclosed color photocopies of genuine and counterfeit "Cohiba" trademarked cigars and the recordation of this trademark with the U.S. Customs Service. We are also representing the trademark owner for the Cohibas, General Cigar Co., Inc., and are working with Customs Headquarters on these as well. A notice from Headquarters to the field containing Cohiba images is expected to be issued shortly.

Thank you for your time yesterday and for spotting and detaining the counterfeit Mexican Montecristo cigars. We are following-up with the Director of Trade Compliance in Miami, Mr. Gil Jordan, concerning the disposition of those cigars.

Unfortunately, we do not believe this will be the last shipment of counterfeit goods that will be imported into the United States. We understand, however, that any future shipments will be subject to automatic seizure.

Thank you again for your assistance.

Sincerely,

Terrie A. Gleason

Enlcosures

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 99

USCS IPR Recordations, Patent Surveys, Exclusion Orders

Record Number: TMK 96-00150 Effective: 03 28 1996 Expires: 06 06 2005

Trademark: COHIBA

Product: CIGAR

Description: COHIBA, CIGAR, GENERAL CIGAR CO., INC.

Owner Name: GENERAL CIGAR CO., INC.

Registration Agency Number: 1,898,273
Import of Goods Bearing Genuine Trademarks or Trade Names Restricted: NO

Contact Name: SCOTT GREENBERG, ESQ.
Firm: MORGAN & FINNEGAN, L.L.P. Phone: 212/758-4800
Address 1: 345 PARK AVENUE
Address 2:
City: NEW YORK State: NY Zip: 101540053

COHIBA RECORDATION

Confidential:
Under Protective Order

COHIBA CIGARS

GENUINE
(DOMINICAN REPUBLIC)

AND

COUNTERFEIT
(DOMINICAN REPUBLIC)

Confidential:
Under Protective Order
BM 00151

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 101 (D0101), BM 00273

DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

MIAMI, FLORIDA NOV 13 1996

ENF-4-PD:A:FPF:GHS
CN: 97 5206-00170

Mr. Scott Greenberg
Morgan & Finnegan, L.L.P.
Attorneys at Law
345 Park Avenue
New York, NY 10154-0053

Dear Mr. Greenberg:

This is to notify you that on October 28, 1996, the United States Customs Service seized at Miami, Florida, the merchandise described below because the articles bear counterfeit "Cohiba" trademark in violation of the provisions of title 19, United States Code, section 1526.

Cigars : Commingled

Country of origin : Guatemala

Mode of conveyance: Commercial Aircraft

Pursuant to title 19, Code of Federal Regulations, section 133.23(a), the owner of the trademark may provide written consent for importation of the articles, exportation, entry after obliteration of the trademark, or other disposition deemed appropriate. If you do not provide written consent to any such disposition within 30 days from the date of this letter, the articles will be forfeited and disposed of in accordance with the importer's right to petition for mitigation or remission from forfeiture.

Please address any documents or comments regarding your position in this matter, identified by the above seizure case number, to the Fines, Penalties & Forfeitures Officer, at the address shown below.

If you have any questions, please contact Gloria Soldo of the Fines, Penalties & Forfeitures Office (305) 869-2885.

Sincerely,

Gloria H. Soldo

for Mark F. Edwards
Fines, Penalties & Forfeitures Officer

DEFENDANT'S EXHIBIT D 101
Blumberg No. 5114

REPLY TO: FINES, PENALTIES, AND FORFEITURE OFFICE, P.O. BOX 52-2207, MIAMI, FL 33152-2207

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BM 00273

Equal Opportunity Employer

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 102 (D0102), BM 00179

BAKER & McKENZIE
ATTORNEYS AT LAW

EUROPE MIDDLE EAST: ALMATY, AMSTERDAM, BARCELONA, BERLIN, BRUSSELS, BUDAPEST, CAIRO, FRANKFURT, GENEVA, KIEV, LAUSANNE, LONDON, MADRID, MILAN, MOSCOW, PARIS, PRAGUE, RIYADH, ROME, ST. PETERSBURG, STOCKHOLM, WARSAW, ZURICH

ASIA PACIFIC: BANGKOK, BEIJING, HANOI, HO CHI MINH CITY, HONG KONG, MANILA, MELBOURNE, SINGAPORE, SYDNEY, TAIPEI, TOKYO

815 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20006-4078
TELEPHONE (202) 452-7000
FACSIMILE (202) 452-7074

NORTH AND SOUTH AMERICA: BOGOTA, BRASILIA, BUENOS AIRES, CARACAS, CHICAGO, DALLAS, JUAREZ, MEXICO CITY, MIAMI, MONTERREY, NEW YORK, PALO ALTO, RIO DE JANEIRO, SAN DIEGO, SAN FRANCISCO, SAO PAULO, SANTIAGO, TIJUANA, TORONTO, VALENCIA, WASHINGTON, D.C.

November 21, 1996

VIA OVERNIGHT DELIVERY

Mr. Don Deturk
Import Specialist
U.S. Customs Service
U.S. Customs House, Room 102
Philadelphia, PA 19106

Re: Counterfeit Cigar Importations

Dear Don:

Pursuant to our discussion today, enclosed are color photocopies of the genuine and counterfeit Montecristos and Cohibas from the Dominican Republic. The counterfeits are produced in the Dominican Republic by Monte Cristi de Tabacos.

We have been working closely with Customs Headquarters and Customs Miami to prevent the importation of counterfeit cigars. If any such counterfeits are imported through Philadelphia, we request that they be seized pursuant to 19 U.S.C. §1526. Customs Miami has already instituted seizures of these counterfeits pursuant to 19 U.S.C. §1526.

Thank you again for your assistance.

Sincerely,

Terrie A. Gleason

Enclosures

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 102

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 103 (D0103), BM 00145-BM 00147

BAKER & McKENZIE
ATTORNEYS AT LAW

EUROPE
MIDDLE EAST
ALMATY, AMSTERDAM, BARCELONA, BERLIN, BRUSSELS, BUDAPEST, CAIRO, FRANKFURT, GENEVA, KIEV, LONDON, MADRID, MILAN, MOSCOW, PARIS, PRAGUE, RIYADH, ROME, ST PETERSBURG, STOCKHOLM, WARSAW, ZURICH

ASIA
PACIFIC
BANGKOK, BEIJING, HANOI, HO CHI MINH CITY, HONG KONG, MANILA, MELBOURNE, SINGAPORE, SYDNEY, TAIPEI, TOKYO

815 CONNECTICUT AVENUE N W
WASHINGTON D C 20006-4078
TELEPHONE (202) 452-7000
FACSIMILE (202) 452-7074

NORTH AND
SOUTH AMERICA
BOGOTA, BRASILIA, BUENOS AIRES, CARACAS, CHICAGO, DALLAS, JUAREZ, MEXICO CITY, MIAMI, MONTERREY, NEW YORK, PALO ALTO, RIO DE JANEIRO, SAN DIEGO, SAN FRANCISCO, SAO PAULO, SANTIAGO, TIJUANA, TORONTO, VALENCIA, WASHINGTON D C

November 26, 1996

VIA FACSIMILE

Ms Armita Stickney
Import Specialist, Team 480
U S Customs Service
Room 261
MIA Cargo Clearance Center
Miami, Florida 33159

Re: Additional Information Regarding Cohiba Cigars

Dear Armita

Pursuant to our discussion last week, enclosed is a copy of the price list for genuine Cohiba cigars We also set forth below the additional information you requested

(1) Manufacturer The only licensed manufacturer of genuine Cohiba cigars is in the Dominican Republic The name of the manufacturer is "General Cigar Dominicana"

(2) Importer General Cigar Co , Inc ("General Cigar") is the only authorized importer of genuine Cohibas in the U S , although some shipments may be imported by a division of General Cigar called "Escalante" General Cigar's address is

General Cigar Co , Inc
320 West Newberry Road
Bloomfield, CT 06002

(3) Distributor General Cigar is the only authorized distributor of genuine Cohibas in the U S

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BM 00145

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 103

(4) Retail Stores There are two retail stores authorized to sell genuine Cohibas in the U S , as follows

Alfred Dunhill
450 Park Avenue
Mezzanine Floor
New York, New York 10022
(212) 888-4000

David Salz - President
Marc Perez - Buyer

Mike's Cigar
1030 Kane Concourse
Bay Harbor, Florida 33154
(305) 866-2277

Oscar Boruchin - Owner

We will provide similar information on manufacturer, importer, etc for Montecristos shortly under separate cover In the meantime, if you require any additional information, please let me know

With best regards

Sincerely,

Teresa A Gleason

Enclosure

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BM 00146

GENERAL CIGAR COHIBA PRICING

7951	Cohiba Corona Especiales*	6 ½ x 42	25	$6 30	$78 75
7952	Cohiba Corona Esplendido	7 x 49	25	$7 00	$87 50
7953	Cohiba Robustos*	5 ½ x 49	25	$6 70	$83 75
7590	Cifuente Corona Gorda		25	$5 40	$67 00
7591	Cifuentes Pyramid		20	$7 50	$75 00

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Under Protective Order
BM 00147

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 104 (D0104), BM 00142-BM 00144

Cubbin

BAKER & McKENZIE

ATTORNEYS AT LAW

815 CONNECTICUT AVENUE N W
WASHINGTON D C 20006-4078
TELEPHONE (202) 452-7000
FACSIMILE (202) 452-7074

EUROPE MIDDLE EAST: ALMATY, AMSTERDAM, BARCELONA, BERLIN, BRUSSELS, BUDAPEST, CAIRO, FRANKFURT, GENEVA, KIEV, LAUSANNE, LONDON, MADRID, MILAN, MOSCOW, PARIS, PRAGUE, RIYADH, ROME, ST PETERSBURG, STOCKHOLM, WARSAW, ZURICH

ASIA PACIFIC: BANGKOK, BEIJING, HANOI, HO CHI MINH CITY, HONG KONG, MANILA, MELBOURNE, SINGAPORE, SYDNEY, TAIPEI, TOKYO

NORTH AND SOUTH AMERICA: BOGOTA, BRASILIA, BUENOS AIRES, CARACAS, CHICAGO, DALLAS, JUAREZ, MEXICO CITY, MIAMI, MONTERREY, NEW YORK, PALO ALTO, RIO DE JANEIRO, SAN DIEGO, SAN FRANCISCO, SAO PAULO, SANTIAGO, TIJUANA, TORONTO, VALENCIA, WASHINGTON DC

December 2, 1996

VIA OVERNIGHT DELIVERY

Mr Don Deturk
Import Specialist
U S Customs Service
U S Customs House, Room 102
Philadelphia, PA 19106

Mr Nick Romeo
Import Specialist
U S Customs Service
U S Customs House, Room 102
Philadelphia, PA 19106

Re: Counterfeit and Infringing Cigar Importations

Dear Don and Nick

Pursuant to our recent discussion, enclosed are photocopies of (1) counterfeit Montecristo cigars from Mexico and (2) "Cojimar" cigars that the Headquarters Office of the U S Customs Service has determined infringe our client's trademark Additional information concerning these goods is set forth below

Counterfeit Mexican Montecristos

We understand that the counterfeit Mexican Montecristo cigars are manufactured by Tobacos Labrados, S A , Zacatecas 184 Col Roma Sur, 6760 Mexico, D F In the past, the sellers of these cigars have used the names Jerry Pollock, Danny Pollock, Postal Express and Cigarking com (e-mail address) They have all used the following address

18761 West Dixie Highway
North Miami Beach, FL 33180

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Under Protective Order
BM 00142

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 104

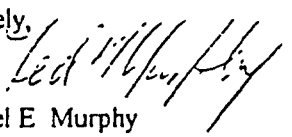
Infringing Cojimar Cigars

We understand that the infringing Cojimar cigars are manufactured in the Dominican Republic We do not have any information on the names of the manufacturers or importers The Cojimars are imported in a wooden box and have a black and silver cigar band

* * *

Thank you again for your assistance in this matter If you have any questions, please do not hesitate to contact me

Sincerely,



Michael E Murphy

Enclosure
cc Terrie A Gleason, Esq

Confidential
Under Protective Order
BM 00143

MONTECRISTO CIGARS

COUNTERFEIT
(MEXICO)

AND

COHIBA CIGARS

INFRINGING
"COJIMAR"
(DOMINICAN REPUBLIC)

Confidential
Under Protective Order
BM 00144

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 105 (D0105), BM 00137-BM 00138

BAKER & McKENZIE
ATTORNEYS AT LAW

815 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20006-4078
TELEPHONE (202) 452-7000
FACSIMILE (202) 452-7074

EUROPE MIDDLE EAST: ALMATY, AMSTERDAM, BARCELONA, BERLIN, BRUSSELS, BUDAPEST, CAIRO, FRANKFURT, GENEVA, KIEV, LAUSANNE, LONDON, MADRID, MILAN, MOSCOW, PARIS, PRAGUE, RIYADH, ROME, ST. PETERSBURG, STOCKHOLM, WARSAW, ZURICH

ASIA PACIFIC: BANGKOK, BEIJING, HANOI, HO CHI MINH CITY, HONG KONG, MANILA, MELBOURNE, SINGAPORE, SYDNEY, TAIPEI, TOKYO

NORTH AND SOUTH AMERICA: BOGOTA, BRASILIA, BUENOS AIRES, CARACAS, CHICAGO, DALLAS, JUAREZ, MEXICO CITY, MIAMI, MONTERREY, NEW YORK, PALO ALTO, RIO DE JANEIRO, SAN DIEGO, SAN FRANCISCO, SAO PAULO, SANTIAGO, TIJUANA, TORONTO, VALENCIA, WASHINGTON D.C.

December 5, 1996

VIA FACSIMILE

Ms. Gloria Soldo
Fines, Penalties & Forfeitures Office
U.S. Customs Service
P.O. Box 52-2207
Miami, Florida 33152-2207

Re: Requested Information Regarding Cohiba Cigars

Dear Gloria:

Pursuant to our discussion today, I have enclosed an information sheet for Cohiba cigars. This sheet contains the information you requested on the genuine and counterfeit cigars.

Thank you for your assistance in preventing the further importation of counterfeit Montecristo and Cohiba cigars. If you have any questions, please do not hesitate to contact me at (202) 452-7030.

With best regards.

Sincerely,

Terrie A. Gleason
Attorney for
General Cigar Co., Inc.

Enclosure

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 105

INFORMATION SHEET:
COHIBA CIGARS

GENUINE CIGARS

- Trademark Owner

  General Cigar Co., Inc.
  320 West Newberry Road
  Bloomfield, CT 06002

- Trademark Rights

  The word "Cohiba"

- Authorized Manufacturer

  General Cigar Dominicana
  Dominican Republic

- Authorized Importers

  General Cigar Co., Inc.
  320 West Newberry Road
  Bloomfield, CT 06002

  A division of General Cigar, "Escalante," may also import under its name

COUNTERFEIT CIGARS

- Manufacturer

  Monte Cristi de Tabacos, c.x.a.
  El Conde #109
  Santa Domingo, RD Zona Colinial
  Dominican Republic

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 122 (D0122), BM 00355

BAKER & McKENZIE
ATTORNEYS AT LAW

815 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20006-4078
TELEPHONE (202) 452-7000
FACSIMILE (202) 452-7074

EUROPE MIDDLE EAST: ALMATY, AMSTERDAM, BARCELONA, BERLIN, BRUSSELS, BUDAPEST, CAIRO, FRANKFURT, GENEVA, KIEV, LAUSANNE, LONDON, MADRID, MILAN, MOSCOW, PARIS, PRAGUE, RIYADH, ROME, ST. PETERSBURG, STOCKHOLM, WARSAW, ZURICH

ASIA PACIFIC: BANGKOK, BEIJING, HANOI, HO CHI MINH CITY, HONG KONG, MANILA, MELBOURNE, SINGAPORE, SYDNEY, TAIPEI, TOKYO

NORTH AND SOUTH AMERICA: BOGOTA, BRASILIA, BUENOS AIRES, CARACAS, CHICAGO, DALLAS, JUAREZ, MEXICO CITY, MIAMI, MONTERREY, NEW YORK, PALO ALTO, RIO DE JANEIRO, SAN DIEGO, SAN FRANCISCO, SAO PAULO, SANTIAGO, TIJUANA, TORONTO, VALENCIA, WASHINGTON, D.C.

March 13, 1997

VIA OVERNIGHT DELIVERY

Mr. Zach Mann
Special Agent
U.S. Customs Service
SAC-Miami
8075 Northwest 53rd Street
Miami, Florida 33166

Re: Counterfeit Cigar Importations

Dear Zach:

Pursuant to our discussion yesterday, enclosed are three sets of color photocopies of the genuine and counterfeit Montecristos from the Dominican Republic and Mexico, as well as photocopies of the genuine, counterfeit and infringing Cohibas from the Dominican Republic. These images will provide a convenient reference tool in the event of any importations of counterfeit or infringing goods.

We have been working closely with Customs Headquarters and other Customs ports to stop the importation of counterfeit and infringing cigars. We would appreciate any assistance you can provide.

Thank you for your assistance.

Sincerely,

Terrie A. Gleason

Enclosures

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 122

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 123 (D0123), BM 00412

BAKER & McKENZIE
ATTORNEYS AT LAW

EUROPE MIDDLE EAST: ALMATY, AMSTERDAM, BARCELONA, BERLIN, BRUSSELS, BUDAPEST, CAIRO, FRANKFURT, GENEVA, KIEV, LAUSANNE, LONDON, MADRID, MILAN, MOSCOW, PARIS, PRAGUE, RIYADH, ROME, ST PETERSBURG, STOCKHOLM, WARSAW, ZURICH
ASIA PACIFIC: BANGKOK, BEIJING, HANOI, HO CHI MINH CITY, HONG KONG, MANILA, MELBOURNE, SINGAPORE, SYDNEY, TAIPEI, TOKYO

815 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20006-4078
TELEPHONE (202) 452-7000
FACSIMILE (202) 452-7074

NORTH AND SOUTH AMERICA: BOGOTA, BRASILIA, BUENOS AIRES, CARACAS, CHICAGO, DALLAS, JUAREZ, MEXICO CITY, MIAMI, MONTERREY, NEW YORK, PALO ALTO, RIO DE JANEIRO, SAN DIEGO, SAN FRANCISCO, SAO PAULO, SANTIAGO, TIJUANA, TORONTO, VALENCIA, WASHINGTON D.C.

April 1, 1997

VIA OVERNIGHT DELIVERY

Port Director's Office
U.S. Customs Service
5757 Wayne Newton Boulevard
Terminal Two
Las Vegas, Nevada 89119
Attn: Inspector Thomas

Re: Counterfeit Cigar Importations

Dear Inspector Thomas:

Pursuant to our discussion today, enclosed are color photocopies of the genuine and counterfeit Montecristos from the Dominican Republic and Mexico, as well as photocopies of the genuine, counterfeit and infringing Cohibas from the Dominican Republic. These images will provide a convenient reference tool in the event of any importations of counterfeit or infringing goods.

We have been working closely with Customs Headquarters, Customs Miami, Boston and Atlanta to prevent the importation of counterfeit and infringing cigars. If any such cigars are imported through Las Vegas, we request that they be seized pursuant to 19 U.S.C. §1526. Customs Miami, Boston and Atlanta have already instituted seizures of these counterfeits pursuant to 19 U.S.C. §1526.

Thank you again for your assistance.

Sincerely,

Ted Murphy

Michael E. Murphy

Enclosures
cc: Terrie A. Gleason, Esq.

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 123

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 124 (D0124), BM 00477-BM 00488

DEPARTMENT OF THE TREASURY

U.S CUSTOMS SERVICE

MIAMI, FLORIDA

CERTIFIED MAIL
P 253 419 984

REFER TO
ENF-4-PD A FPF sa
1997-5206-01693
March 14, 1997

General Cigar Company, Inc
c/o Terri A Gleason, Esq
Baker & McKenzie
815 Connecticut Avenue, N W
Washington, D C 20006-4078

Dear Sir

This is to notify you that on April 19 1997 the United States Customs Service seized at Miami Florida the merchandise described below because the articles bear a "Cohiba and MonteCristo" trademark in violation of the provisions of title 19 United States Code, section 1526e

Description 225 Each Cohiba Esplendidos Cigars, 125 Each Counterfeit Cohiba Robusto Cigars, 175 Each MonteCristo No 4 Cigars, 175 Each MonteCristo No. 3 Cigars, 125 Each MonteCristo No. 2 Cigars, 150 Each Cohiba Cigars

Country of origin, Dominican Republic

Mode of conveyance Commercial Air

Pursuant to title 19, Code of Federal Regulations, section 133 23(a), you as owner of the trademark may provide written consent for the importation of the articles exportation entry after obliteration of the trademark or other disposition you deem appropriate If you do not provide written consent to any such disposition within 30 days from the date of this letter the articles will be forfeited and disposed of in accordance with the importer's right to petition for mitigation or remission from forfeiture

Please address any documents or comments regarding your position in this matter, identified by the above seizure case number to the Fines, Penalties and Forfeitures Officer at the address shown below

If you have any questions please contact Sharon Alderman at (305) 869-2884

Sincerely

Mark F Edwards
Fines Penalties and Forfeitures Officer

Confidential
Under Protective Order
BM 00477

REPLY TO FINES PENALTIES AND FORFEITURE OFFICE P O BOX 52-2207, MIAMI FL 33152-2207

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 124

CHRONOLOGICAL SUMMARY
OF
COUNTERFEIT AND INFRINGING
MONTECRISTO AND COHIBA CIGARS

Updated May 21, 1997

TOTAL CIGARS SEIZED BY CUSTOMS

	Montecristo	Cohiba	Total
Number Seized (Approximately)	19,810 Cigars 791 Boxes	18,957 Cigars 757 Boxes	38,767Cigars 1,548 Boxes

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Under Protective Order
BM 00478

(1)[x]	**Early 96**	**Montecristo, Cohiba and Caoba**
	Port:	Boston and Seattle
	Importer:	Rocco Zagarella (Boston)/Los Indios (Seattle)
	Exporter:	Monte Cristi
	Origin:	Dominican Republic
	Quantity:	Unknown
	Customs Action:	Caoba & Cohiba do not infringe Montecristo
	Disposition:	Caoba & Cohiba imported
(2)[x]	05/30/96	Montecristo
	Port:	Cleveland
	Importer:	Caribtrade
	Exporter	Monte Cristi
	Origin:	Dominican Republic
	Quantity·	3002 cigars/$13,509
	Custom Action:	Customs seized on suspicion of being Cuban
	Disposition:	Destroyed
(3)[x]	10/96	Montecristo (Mexican)
	Port:	Miami
	Importer.	Probably Danny Pollack aka Cigarking.com per A Stickney (Customs)
	Exporter:	Tabacos Labrados
	Origin:	Mexican
	Quantity:	Unknown
	Customs Action:	Detained
	Disposition.	Customs permitted exportation (first time offense), but will seize next time

x=case resolved

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BM 00479

(4)[x] 11/96 Cojimar

Port:	Miami
Importer:	Unknown
Exporter:	Monte Cristi
Origin:	Dominican Republic
Quantity:	5,900 cigars/$6,000
Customs Action:	Detained
Disposition:	Customs permitted exportation (first time offense), but will seize next time

(5)[x] 11/13/96 Montecristo and Cohiba: Case No. 97-5206-00170

Port:	Miami
Importer:	La Cubana Cigar Co./Ray Mallel (Los Angeles, CA)
Exporter:	Monte Cristi
Origin:	Guatemala (Dominican Republic)
Quantity:	77 total boxes (approx. 50% Montecristo, 50% Cohiba)
Customs Action:	Customs seized as counterfeits
Disposition:	Trademark owners requested destruction
Customs Contact:	Gloria Soldo

(6)[x] 12/12/96 Montecristo and Cohiba: Case Nos. 1997-4909-00024 and 1997-4913-00104/01

Port:	San Juan
Importer:	Gold Ounces, Inc d/b/a Art & Moore (Broker Rodriguez)
Exporter:	Monte Cristi
Origin:	Dominican Republic
Quantity:	3600 Montecristo/1250 Cohiba
Customs Action:	Customs seized as counterfeits
Disposition:	Trademark owners permitted import without bands and boxes
Custom Contact:	Rebeca de Jesus

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Under Protective Order
BM 00480

(7)[x] **12/18/96** **Montecristo and Cohiba: Case No. 97-5271-00024**

Port:	Miami
Importer:	Juan Modredo
Exporter:	Unknown
Origin:	Dominican Republic
Quantity:	250 Montecristo/1,000 Cohiba
Customs Action:	Customs seized as counterfeits
Disposition:	No response from importer; Customs will destroy
Customs Contact:	Lillian Rodriguez

(8)[x] **12/18/96** **Montecristo and Cohiba: Case No. 97-5271-00034**

Port:	Miami
Importer:	Stamatis P. Livanos (Brooklyn, NY) (Cafe Cohiba; Mr. Zak, Attorney)
Exporter:	Monte Cristi
Origin:	Dominican Republic
Quantity:	40 boxes Montecristo/40 boxes Cohiba
Customs Action:	Customs seized as counterfeits
Disposition:	Trademark owners permitted exportation
Customs Contact:	Lillian Rodriguez

(9)[x] 01/07/97 Cohiba: Case No. 97-5271-00028

Port:	Miami
Importer.	Unknown
Exporter	Unknown
Origin:	Dominican Republic
Quantity:	450 cigars
Customs Action:	Customs seized as counterfeits
Disposition:	No response from importer, Customs will destroy
Customs Contact:	Gloria Soldo

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BM 00481

(10)[x] 01/08/97 **Montecristo and Cohiba: Case No. 97-5206-00515**

Port:	Miami
Importer:	Unknown
Exporter:	Unknown
Origin:	Dominican Republic
Quantity:	100 Montecristo/1,425 Cohiba
Customs Action:	Customs seized as counterfeits
Disposition:	No response from importer; Customs will destroy
Customs Contact:	Gloria Soldo

(11) 01/08/97 Montecristo: Case No. 97-5270-00065

Port:	Miami
Importer:	Unknown
Exporter:	Unknown
Origin:	Dominican Republic
Quantity:	38 boxes
Customs Action:	Customs seized as counterfeits
Disposition:	Importer filed a petition on 03/05/97
Customs Contact:	Molly Malanaphy

(12)[x] 01/08/97 Montecristo: Case No. 97-5270-00072

Port:	Miami
Importer:	Unknown
Exporter:	Unknown
Origin:	Dominican Republic
Quantity.	225 cigars
Customs Action	Customs seized as counterfeits
Disposition:	No response from importer; Customs will destroy
Customs Contact:	Molly Malanaphy

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Under Protective Order
BM 00482

(13) 01/15/97 Montecristo: Case No. 97-5271-00048

Port:	Miami
Importer:	Unknown
Exporter:	Unknown
Origin:	Dominican Republic
Quantity:	1,625 cigars
Customs Action:	Customs seized as counterfeits
Disposition:	Importer filed petition on 02/26/97
Customs Contact:	Molly Malanaphy

(14)* 01/15/97 Cohiba: Case No. 97-5271-00031

Port:	Miami
Importer:	Unknown
Exporter:	Unknown
Origin:	Dominican Republic
Quantity:	1,125 cigars
Customs Action:	Customs seized as counterfeits
Disposition:	No response from importer; Customs will destroy
Customs Contact:	Molly Malanaphy

(15) 02/13/97 Montecristo: Case No. 97-5271-00055

Port:	Miami
Importer:	Unknown
Exporter:	Unknown
Origin:	Dominican Republic
Quantity.	795 cigars
Customs Action	Customs seized as counterfeits
Disposition:	
Customs Contact:	Lillian Rodriguez

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BM 00483

(16)[x] 02/13/97 **Cohiba:** **Case No. 97-5206-00491**

Port:	Miami
Importer:	Danny Gordon, MG Supply, Inc.
Exporter:	Monte Cristi
Origin:	Dominican Republic
Quantity:	2600 cigars
Customs Action.	Customs seized as counterfeits
Disposition:	Trademark owner permitted import without bands and boxes
Customs Contact:	Sharon Alderman

(17)[x] 02/13/97 **Cohiba:** **Case No. 97-5271-00030**

Port:	Miami
Importer:	Al Larocca, Star Distributors, Memphis, TN
Exporter:	Monte Cristi
Origin:	Dominican Republic
Quantity:	1714 cigars
Customs Action:	Customs seized as counterfeits
Disposition:	Customs will destroy
Customs Contact:	Sharon Alderman

(18)[x] 02/21/97 Montecristo and Cohiba: **Case No. 1997-3501-0018601**

Port:	Minneapolis
Importer:	Farshad Khamenei, BBC International
Exporter:	Monte Cristi
Origin:	Dominican Republic
Quantity:	47 boxes of Montecristos (approx 1175 cigars); 78 boxes of Cohibas (approx. 1950 cigars)
Customs Action·	Customs seized as counterfeits
Disposition:	Trademark owners permitted import without bands and boxes
Customs Contact.	Mary L Foss

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BM 00484

(19)[x] 02/21/97 **Montecristo and Cohiba: Case No. 97-0417-00196**

Port:	Boston
Importer:	Bluestone Management Corp.
Exporter:	Monte Cristi
Origin:	Dominican Republic
Quantity:	1776 cigars (approx. 50% Montecristo, 50% Cohiba)
Customs Action:	Customs seized as counterfeits
Disposition:	Trademark owners permitted import without bands and boxes
Customs Contact:	James Dignan

(20) 03/06/97 **Montecristo and Cohiba: Case No. 1997-5270-00101**

Port:	Miami
Importer:	Unknown
Exporter:	Unknown
Origin:	Dominican Republic
Quantity:	250 Montecristo/250 Cohiba
Customs Action:	Customs seized as counterfeits
Disposition:	
Customs Contact:	Sharon Alderman

(21)[x] 03/06/97 **Montecristo and Cohiba: Case No. 1997-5270-00118**

Port:	Miami
Importer:	Fernando Mendoza (Hispaniola Imports & Corp.); Corona, NY
Exporter:	Monte Cristi
Origin:	Dominican Republic
Quantity:	67 boxes
Customs Action:	Customs seized as counterfeits
Disposition	Trademark owners permitted import without bands and boxes
Customs Contact:	Sharon Alderman

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BM 00485

(22) 03/07/97 **Montecristo and Cohiba: Case No. 97-5270-00117**

Port:	Miami
Importer:	Unknown
Exporter:	Unknown
Origin:	Dominican Republic
Quantity:	160 cigars Montecristo/160 cigars Cohiba
Customs Action:	Customs seized as counterfeits
Disposition:	
Customs Contact:	Gloria Soldo

(23) 03/10/97 **Montecristo and Cohiba: Case No. 97-5270-00115**

Port:	Miami
Importer:	Unknown
Exporter:	Unknown
Origin:	Turks and Caicos Islands
Quantity:	57 cigars Montecristo/56 cigars Cohiba
Customs Action:	Customs seized as counterfeits
Disposition:	
Customs Contact:	Lillian Rodriguez

(24) 03/17/97 **Montecristo and Cohiba: Case No. 97-5270-00116**

Port:	Miami
Importer:	Unknown
Exporter:	Unknown
Origin:	Dominican Republic
Quantity:	1 box Montecristo/2 boxes Cohiba
Customs Action:	Customs seized as counterfeits (indicated "Cuban Cigars")
Disposition:	
Customs Contact.	Molly Malanaphy

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Under Protective Order
BM 00486

(25)* 04/97 **Montecristo: Case No. 97-4701-03277**

Port:	JFK Airport
Importer:	Luis Espinosa
Exporter:	Monte Cristi
Origin:	Dominican Republic
Quantity:	62 boxes
Customs Action:	Customs seized as counterfeits
Disposition:	Destroyed
Customs Contact:	Geraldine Malvone-Carire

(26)* 04/24/97 **Cohiba: Case No. 1997-1704-00242**

Port:	Atlanta
Importer:	Universal Beverage Brokers, Inc.
Retailer:	Sherlock's
Exporter:	Monte Cristi
Origin:	Dominican Republic
Quantity:	831 cigars
Customs Action:	Customs seized as counterfeits
Disposition:	Trademark owner permitted exportation of Universal's; Need to decide on Sherlock's
Customs Contact:	Mary Bensel

(27) 04/25/97 Montecristo and Cohiba: Case No. 97-5206-01356

Port:	Miami
Importer:	Unknown
Exporter:	Unknown
Origin:	Dominican Republic
Quantity:	1,896 cigars Montecristo/1,896 cigars Cohiba
Customs Action:	Customs seized as counterfeits
Disposition:	
Customs Contact.	Molly Malanaphy

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Under Protective Order
BM 00487

(28) 03/14/97
Rec'd 05/20/97

Montecristo and Cohiba: Case No. 97-5206-01693

Port:	Miami
Importer:	Unknown
Exporter:	Unknown
Origin:	Dominican Republic
Quantity:	475 cigars Montecristo/500 cigars Cohiba
Customs Action:	Customs seized as counterfeits
Disposition:	
Customs Contact:	Sharon Alderman

Confidential
Under Protective Order
BM 00488

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 125 (D0125), BM 00441

Culbro

BAKER & McKENZIE

ATTORNEYS AT LAW

815 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20006-4078
TELEPHONE (202) 452-7000
FACSIMILE (202) 452-7074

EUROPE MIDDLE EAST: ALMATY, AMSTERDAM, BARCELONA, BERLIN, BRUSSELS, BUDAPEST, CAIRO, FRANKFURT, GENEVA, KIEV, LAUSANNE, LONDON, MADRID, MILAN, MOSCOW, PARIS, PRAGUE, RIYADH, ROME, ST PETERSBURG, STOCKHOLM, WARSAW, ZURICH

ASIA PACIFIC: BANGKOK, BEIJING, HANOI, HO CHI MINH CITY, HONG KONG, MANILA, MELBOURNE, SINGAPORE, SYDNEY, TAIPEI, TOKYO

NORTH AND SOUTH AMERICA: BOGOTA, BRASILIA, BUENOS AIRES, CARACAS, CHICAGO, DALLAS, JUAREZ, MEXICO CITY, MIAMI, MONTERREY, NEW YORK, PALO ALTO, RIO DE JANEIRO, SAN DIEGO, SAN FRANCISCO, SAO PAULO, SANTIAGO, TIJUANA, TORONTO, VALENCIA, WASHINGTON DC

June 13, 1997

VIA OVERNIGHT DELIVERY

Team 185
U.S. Customs Service
40 South Gay Street
Baltimore, MD 21202
Attn: Judy Winters

Re: Counterfeit Cigar Importations

Dear Judy:

Pursuant to our discussion today, enclosed are color photocopies of the genuine and counterfeit Montecristos from the Dominican Republic and Mexico, as well as photocopies of the genuine, counterfeit and infringing Cohibas from the Dominican Republic. These images will provide a convenient reference tool in the event of any importations of counterfeit or infringing goods.

We have been working closely with Customs Headquarters, Customs Miami, Boston and Atlanta to prevent the importation of counterfeit and infringing cigars. If any such cigars are imported through Baltimore, we request that they be seized pursuant to 19 U.S.C. §1526. Customs Miami, Boston and Atlanta have already instituted seizures of these counterfeits pursuant to 19 U.S.C. §1526.

Thank you again for your assistance.

Sincerely,

Michael E. Murphy

Enclosures
cc: Terrie A. Gleason, Esq.

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 125

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 126 (D0126), BM 00563-BM 00579

DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
Office of the Area Port Director
Fines, Penalties and Forfeitures Office
#1 La Puntilla Street, Room 209
Old San Juan, Puerto Rico 00901

Roberto Cruz

0 8 NOV 1997

ENF-4-FO:CM:PR:APD:FP RC
CN: 98-4913-00003301

CERTIFIED MAIL

Mr. Roberto Cimino
#14 Suchville Street
Guaynabo, Puerto Rico 00965

Dear Mr. Cimino:

This is to officially notify you that the United States Customs Service seized the merchandise described below at San Juan, Puerto Rico on October 24, 1997:

> 2 ctns. of cigars and 1 suitcase full with cigars bearing counterfeit "Cohiba" trademark, Customs recordation number 96-00150

The items were seized and are subject to forfeiture under the provisions of title 19, United States Code, section 1526(e), for violation of title 19, United States Code, section 1526(e) because the articles bear a counterfeit version of Cohiba trademark registered with the United States, and recorded with the U.S. Customs Service.

Unless we receive from the trademark owner(s), within 30 days from the date of this letter, written consent to the importation, exportation, entry after obliteration or other appropriate disposition of the articles or a petition for relief as described below, the merchandise will be forfeited and disposed of in accordance with title 19, Code of Federal Regulations, section 133.52.

Under the provisions of Title 19, United States Code, section 1618, and Part 171.12(b) of the Customs Regulations (19 CFR 171.12(b)), you may petition for relief from the above liability within 30 days from the date of mailing this letter. The petition need not be in any specific form, but it should include all the facts which you believe warrant relief from forfeiture. All petitions should be filed in duplicate addressed to the Area Port Director, Attn: Fines, Penalties and Forfeitures Office, at the address shown above.

Confidential
Under Protective Order
BM 00563

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 126

You may assent to an administrative forfeiture of the property by signing and returning the Enclosed Notice of Abandonment and Assent to Forfeiture (Customs Form 4607), in which case this office will dispose of the property without further action.

The enclosed Notice of Seizure and Information for Claimants explains your options with regard to the remission of the forfeiture and possible return to you of the seized property. If you decide to petition for relief, you must check the first box on the enclosed Election of Proceeding/Waiver form indicating that you wish this office to consider your petition administratively. Checking the second box indicates that you desire Customs to begin appropriate forfeiture proceedings. No matter which box you check, you must also sign and return the form.

If no action is taken towards the remission of this merchandise within the next 30 day , a notice of seizure and intention to forfeit will be initiated on or about December by publishing in The San Juan Star and "El Nuevo Dia" newspapers for three consecutive weeks.

Should you require any additional information concerning this matter, please do not hesitate to contact the Fines, Penalties and Forfeitures Office at (787) 729-6915 or 729-6966.

Sincerely yours,

Norma Ayuso

Norma Ayuso
Fines, Penalties and
Forfeitures Officer

Enclosures: Notice of Seizure and Information for Claimants
Customs Form 4607 - Notice of Abandonment

cc: P.R. International

CHRONOLOGICAL SUMMARY
OF
COUNTERFEIT AND INFRINGING
MONTECRISTO AND COHIBA CIGARS

Updated December 15, 1997

TOTAL CIGARS SEIZED BY CUSTOMS

	Montecristo	Cohiba	Total
Number Seized (Approximately)	24,535 Cigars 980 Boxes	22,263 Cigars 890 Boxes	46,798 Cigars 1,870 Boxes

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BM 00565

(1)\	Early 96	Montecristo, Cohiba and Caoba
	Port	Boston and Seattle
	Importer	Rocco Zagarella (Boston)/Los Indios (Seattle)
	Exporter	Monte Cristi
	Origin	Dominican Republic
	Quantity:	Unknown
	Customs Action·	Caoba & Cohiba do not infringe Montecristo
	Disposition·	Caoba & Cohiba imported
(2)\	05/30/96	Montecristo
	Port.	Cleveland
	Importer	Caribtrade
	Exporter	Monte Cristi
	Origin·	Dominican Republic
	Quantity	3002 Montecristo cigars/$13,509
	Custom Action	Customs seized on suspicion of being Cuban
	Disposition:	Destroyed
(3)\	10/96	Montecristo (Mexican)
	Port	Miami
	Importer.	Probably Danny Pollack aka Cigarking com per A Stickney (Customs)
	Exporter	Tabacos Labrados
	Origin	Mexican
	Quantity	Unknown
	Customs Action	Detained
	Disposition:	Customs permitted exportation (first time offense), but will seize next time

x=case resolved

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(4)[ix] 11/96 Cojimar

Port	Miami
Importer:	Unknown
Exporter	Monte Cristi
Origin·	Dominican Republic
Quantity	5,900 Cojimar cigars/$6,000
Customs Action	Detained
Disposition	Customs permitted exportation (first time offense), but will seize next time

(5)[x] 11/13/96 Montecristo and Cohiba: Case No. 97-5206-00170

Port	Miami
Importer	La Cubana Cigar Co /Ray Mallel (Los Angeles, CA)
Exporter	Monte Cristi
Origin	Guatemala (Dominican Republic)
Quantity	77 total boxes (approx 50% Montecristo, 50% Cohiba)
Customs Action	Customs seized as counterfeits
Disposition	Trademark owners requested destruction
Customs Contact	Gloria Soldo

(6)[x] 12/12/96 Montecristo and Cohiba: Case Nos. 1997-4909-00024 and 1997-4913-00104/01

Port	San Juan
Importer	Gold Ounces, Inc. d/b/a Art & Moore (Broker Rodriguez)
Exporter	Monte Cristi
Origin.	Dominican Republic
Quantity:	3600 Montecristo cigars/1250 Cohiba cigars
Customs Action·	Customs seized as counterfeits
Disposition	Trademark owners permitted import without bands and boxes
Custom Contact·	Rebeca de Jesus

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(7)[x] 12/18/96 **Montecristo and Cohiba: Case No. 97-5271-00024**

Port	Miami
Importer	Juan Modredo
Exporter	Unknown
Origin:	Dominican Republic
Quantity·	250 Montecristo cigars/1,000 Cohiba cigars
Customs Action.	Customs seized as counterfeits
Disposition:	No response from importer; Customs will destroy
Customs Contact	Lillian Rodriguez

(8)[x] 12/18/96 **Montecristo and Cohiba: Case No. 97-5271-00034**

Port·	Miami
Importer	Stamatis P Livanos (Brooklyn, NY) (Cafe Cohiba, Mr Zak. Attorney)
Exporter	Monte Cristi
Origin:	Dominican Republic
Quantity·	40 boxes of Montecristo/40 boxes of Cohiba
Customs Action	Customs seized as counterfeits
Disposition	Trademark owners permitted exportation
Customs Contact	Lillian Rodriguez

(9)[x] 01/07/97 **Cohiba: Case No. 97-5271-00028**

Port·	Miami
Importer:	Unknown
Exporter·	Unknown
Origin:	Dominican Republic
Quantity.	450 Cohiba cigars
Customs Action·	Customs seized as counterfeits
Disposition·	No response from importer, Customs will destroy
Customs Contact	Gloria Soldo

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(10)[x] 01/08/97 **Montecristo and Cohiba: Case No. 97-5206-00515**

Port	Miami
Importer	Unknown
Exporter	Unknown
Origin	Dominican Republic
Quantity:	100 Montecristo cigars/1.425 Cohiba cigars
Customs Action	Customs seized as counterfeits
Disposition	No response from importer. Customs will destroy
Customs Contact:	Gloria Soldo

(11) 01/08/97 Montecristo: Case No. 97-5270-00065

Port	Miami
Importer	Unknown
Exporter	Unknown
Origin	Dominican Republic
Quantity:	38 boxes of Montecristo
Customs Action	Customs seized as counterfeits
Disposition	Importer filed a petition on 03/05/97
Customs Contact	Molly Malanaphy

(12)[x] 01/08/97 Montecristo: Case No. 97-5270-00072

Port	Miami
Importer.	Unknown
Exporter:	Unknown
Origin.	Dominican Republic
Quantity.	225 Montecristo cigars
Customs Action:	Customs seized as counterfeits
Disposition:	No response from importer; Customs will destroy
Customs Contact:	Molly Malanaphy

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(13) 01/15/97 Montecristo: Case No. 97-5271-00048

Port	Miami
Importer	Unknown
Exporter	Unknown
Origin·	Dominican Republic
Quantity	1,625 Montecristo cigars
Customs Action	Customs seized as counterfeits
Disposition	Importer filed petition on 02/26/97
Customs Contact	Molly Malanaphy

(14)* 01/15/97 Cohiba: Case No. 97-5271-00031

Port	Miami
Importer	Unknown
Exporter	Unknown
Origin.	Dominican Republic
Quantity	1,125 Cohiba cigars
Customs Action	Customs seized as counterfeits
Disposition.	No response from importer; Customs will destroy
Customs Contact	Molly Malanaphy

(15) 02/13/97 Montecristo: Case No. 97-5271-00055

Port·	Miami
Importer	Unknown
Exporter	Unknown
Origin	Dominican Republic
Quantity:	795 Montecristo cigars
Customs Action.	Customs seized as counterfeits
Disposition:	
Customs Contact	Lillian Rodriguez

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(16)[x] 02/13/97 Cohiba: Case No. 97-5206-00491

Port:	Miami
Importer:	Danny Gordon, MG Supply, Inc
Exporter	Monte Cristi
Origin:	Dominican Republic
Quantity:	2600 Cohiba cigars
Customs Action	Customs seized as counterfeits
Disposition	Trademark owner permitted import without bands and boxes
Customs Contact:	Sharon Alderman

(17)[x] 02/13/97 Cohiba: Case No. 97-5271-00030

Port	Miami
Importer	Al Larocca, Star Distributors, Memphis, TN
Exporter	Monte Cristi
Origin:	Dominican Republic
Quantity.	1714 Cohiba cigars
Customs Action	Customs seized as counterfeits
Disposition	Customs will destroy
Customs Contact	Sharon Alderman

(18)[x] 02/21/97 Montecristo and Cohiba: Case No. 1997-3501-0018601

Port:	Minneapolis
Importer	Farshad Khamenei, BBC International
Exporter.	Monte Cristi
Origin:	Dominican Republic
Quantity	47 boxes of Montecristos (approx 1175 cigars), 78 boxes of Cohibas (approx 1950 cigars)
Customs Action:	Customs seized as counterfeits
Disposition:	Trademark owners permitted import without bands and boxes
Customs Contact:	Mary L Foss

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(19)* 02/21/97 **Montecristo and Cohiba: Case No. 97-0417-00196**

Port	Boston
Importer·	Bluestone Management Corp
Exporter	Monte Cristi
Origin	Dominican Republic
Quantity·	1776 cigars (approx 50% Montecristo, 50% Cohiba)
Customs Action	Customs seized as counterfeits
Disposition	Trademark owners permitted import without bands and boxes
Customs Contact	James Dignan

(20) 03/06/97 **Montecristo and Cohiba: Case No. 1997-5270-00101**

Port	Miami
Importer·	Unknown
Exporter	Unknown
Origin	Dominican Republic
Quantity	250 Montecristo cigars/250 Cohiba cigars
Customs Action	Customs seized as counterfeits
Disposition	
Customs Contact	Sharon Alderman

(21)* 03/06/97 **Montecristo and Cohiba: Case No. 1997-5270-00118**

Port	Miami
Importer	Fernando Mendoza (Hispaniola Imports & Corp), Corona, NY
Exporter:	Monte Cristi
Origin:	Dominican Republic
Quantity·	67 boxes (assumed 50% Montecristo, 50% Cohiba)
Customs Action	Customs seized as counterfeits
Disposition:	Trademark owners permitted import without bands and boxes
Customs Contact:	Sharon Alderman

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(22) 03/07/97 **Montecristo and Cohiba: Case No. 97-5270-00117**

Port.	Miami
Importer:	Unknown
Exporter:	Unknown
Origin	Dominican Republic
Quantity	160 Montecristo cigars/160 Cohiba cigars
Customs Action	Customs seized as counterfeits
Disposition	
Customs Contact	Gloria Soldo

(23) 03/10/97 **Montecristo and Cohiba: Case No. 97-5270-00115**

Port	Miami
Importer	Unknown
Exporter	Unknown
Origin	Turks and Caicos Islands
Quantity.	57 Montecristo cigars/56 Cohiba cigars
Customs Action	Customs seized as counterfeits
Disposition:	
Customs Contact	Lillian Rodriguez

(24) 03/17/97 **Montecristo and Cohiba: Case No. 97-5270-00116**

Port	Miami
Importer	Unknown
Exporter	Unknown
Origin	Dominican Republic
Quantity·	1 box of Montecristo/2 boxes of Cohiba
Customs Action·	Customs seized as counterfeits (indicated "Cuban Cigars")
Disposition:	
Customs Contact.	Molly Malanaphy

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(25)[x] 04/97 Montecristo: Case No. 97-4701-03277

Port.	JFK Airport
Importer	Luis Espinosa
Exporter	Monte Cristi
Origin	Dominican Republic
Quantity.	62 boxes of Montecristo
Customs Action	Customs seized as counterfeits
Disposition.	Destroyed
Customs Contact	Geraldine Malvone-Carire

(26)[x] 04/24/97 Cohiba: Case No. 1997-1704-00242

Port	Atlanta
Importer	Universal Beverage Brokers. Inc
Retailer	Sherlock's
Exporter	Monte Cristi
Origin	Dominican Republic
Quantity·	831 Cohiba cigars
Customs Action	Customs seized as counterfeits
Disposition	Trademark owner permitted exportation of Universal's and Sherlock's
Customs Contact	Mary Bensel

(27) 04/25/97 Montecristo and Cohiba: Case No. 97-5206-01356

Port	Miami
Importer·	Unknown
Exporter·	Unknown
Origin·	Dominican Republic
Quantity:	1,896 Montecristo cigars/1,896 Cohiba cigars
Customs Action:	Customs seized as counterfeits
Disposition:	
Customs Contact.	Molly Malanaphy

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(28) 03/14/97 Rec'd 05/20/97 — **Montecristo and Cohiba: Case No. 97-5206-01693**

Port:	Miami
Importer.	Unknown
Exporter·	Unknown
Origin	Dominican Republic
Quantity	475 Montecristo cigars/500 Cohiba cigars
Customs Action	Customs seized as counterfeits
Disposition	
Customs Contact	Sharon Alderman

(29) 05/21/97 — **Montecristo and Cohiba: Case No. 1997-1801-00231**

Port	Tampa
Importer	Gerardino International Inc
Exporter.	Unknown
Origin	Dominican Republic
Quantity	25 boxes of Montecristo and Cohiba cigars
Customs Action	Customs seized as infringing
Disposition	
Customs Contact	Mary Ann Cranford

(30) 05/24/97 — **Cohiba: Case No. 97-5270-00201**

Port	Miami
Importer.	Unknown
Exporter	Unknown
Origin·	Dominican Republic
Quantity:	150 Cohiba cigars
Customs Action:	Customs seized as counterfeit
Disposition:	
Customs Contact:	Gloria Soldo

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(31) 06/20/97 **Cohiba: Case No. 97-5206-02088**

Port	Miami
Importer·	Unknown
Exporter.	Unknown
Origin·	Colombia
Quantity	250 Cohiba cigars
Customs Action.	Customs seized as counterfeit
Disposition.	
Customs Contact	Lillian Rodriguez

(32) 06/20/97 **Montecristo and Cohiba: Case No. 97-5271-00027**

Port	Miami
Importer	Unknown
Exporter	Unknown
Origin	Dominican Republic
Quantity.	172 Montecristo and Cohiba cigars
Customs Action	Customs seized as counterfeit
Disposition	
Customs Contact.	Lillian Rodriguez

(33) 06/25/97 (Detain) 08/19/97 (Seizure) **Montecristo: Case No. 1997-5401-01105**

Port:	Dulles
Importer·	The Cigar Club (McLean, VA)
Exporter:	Monte Cristi
Origin·	Dominican Republic
Quantity:	2175 Montecristo cigars
Customs Action	Customs detained seized as counterfeit
Disposition:	Trademark owner waiting for agreement from importer
Customs Contact:	Joseph Sims Crystal Taylor Julie E. Bedenbaugh (FP&F)

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(34) 07/16/97 Montecristo: Case No. 97-5272-00117

Port	Miami
Importer:	Unknown
Exporter:	Unknown
Origin:	Dominican Republic
Quantity.	1,000 Montecristo cigars
Customs Action:	Customs seized as counterfeit
Disposition:	
Customs Contact:	Gloria Soldo

(35) 03/27/97 Montecristo and Cohiba: Case No. 97-5206-01355
Rec'd 07/17/97

Port	Miami
Importer:	Unknown
Exporter	Unknown
Origin:	Dominican Republic
Quantity	1050 Montecristo cigars/1050 Cohiba cigars
Customs Action	Customs seized as counterfeit
Disposition	
Customs Contact	Gloria Soldo

(36) 07/21/97 Cohiba: Case No. 97-5206-02182

Port:	Miami
Importer:	Unknown
Exporter.	Unknown
Origin:	Dominican Republic
Quantity.	106 Cohiba cigars
Customs Action	Customs seized as counterfeit
Disposition:	
Customs Contact:	Molly Malanaphy

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(37) 07/26/97 Cohiba: Case No. 97-5206-02751
Rec'd 09/02/97

Port.	Miami
Importer·	Unknown
Exporter	Unknown
Origin	Dominican Republic
Quantity:	10 boxes of Cohiba
Customs Action·	Customs seized as counterfeit
Disposition	
Customs Contact·	Gloria Soldo

(38) 09/26/97 Cohiba: Case No. 97-5206-003495

Port.	Miami
Importer·	Unknown
Exporter	Unknown
Origin:	Dominican Republic
Quantity·	725 Cohiba cigars
Customs Action	Customs seized as counterfeit
Disposition	
Customs Contact.	Lillian G Rodriguez

(39) 10/16/97 Montecristo: Case No. 97-5270-000298

Port:	Miami
Importer	Unknown
Exporter	Unknown
Origin:	Dominican Republic
Quantity:	25 Montecristo Cigars
Customs Action:	Customs seized as counterfeit
Disposition:	
Customs Contact·	Sharon Alderman

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(40)	11/12/97	Montecristo: Case No.
	Port:	Miami
	Importer	Unknown
	Exporter:	Unknown
	Origin	Unknown
	Quantity.	3 boxes of Montecristo Cigars
	Customs Action	Customs seized as counterfeit
	Disposition	
	Customs Contact	
(41)	10/16/97	Montecristo: Case No. 98-5206-000072
	Port	Miami
	Importer	Unknown
	Exporter	Unknown
	Origin	Dominican Republic
	Quantity·	75 Montecristo Cigars
	Customs Action.	Customs seized as counterfeit
	Disposition	
	Customs Contact	Lillian Rodriguez
(42)	10/24/97	Cohiba: Case No. 98-4913-00003301
	Port	San Juan
	Importer	Robert Cimino
	Exporter:	--
	Origin	Dominican Republic
	Quantity:	2 Cartons (approx 50 packets of 10) and One Suitcase (approx. 15 boxes)
	Customs Action	Customs seized as counterfeit
	Disposition	
	Customs Contact	Lillian Rodriguez

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BM 00579

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 127 (D0127), Defs Dep Ex 143

Cohiba (Dominican Republic)

COHIBA HAND MADE

The Genuine Article

The Dominican Cohiba from General Cigar Holdings Inc. employs a typeface that's similar to the Cuban version, but there's no confusing the two. The word "Cohiba" is centered evenly in the cream-colored background between the thick black borders on the top and bottom. A registered trademark sign appears to the upper right of the "A", denoting General's ownership of the brand in the United States. (The Cuban government owns it elsewhere.) The "Cohiba" lettering is raised, and the hole of the "O" is colored military red. A matching red square covers the right side, with "HAND MADE" printed in thin block letters. A printer's mark appears on the left-hand side of the band.

Note: General altered the Cohiba band soon after it was introduced in September 1997. The first generation had a red oval, not a square, on the right side. General executives said recently that they plan to continue tinkering with the band design, possibly dropping the words "Hand Made" and adding a line indicating the brand's Dominican origin.

DEFENDANT'S DEPOSITION EXHIBIT 143 4/24/01 AA

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DEFENDANT'S EXHIBIT D 127 Blumberg No. 5114

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

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For the mark COHIBA
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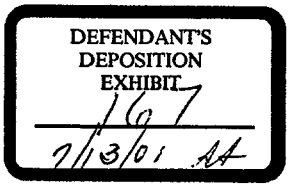
Defs Ex 128 (D0128), Defs Dep Ex 167

CUBAN CIGAR ALERT: ERSATZ COHIBAS ON SALE!
id PAA30742; Wed, 24 Sep 1997 15:35:14 -0400

Via NY Transfer News Collective * All the News that Doesn't Fit



CUBAN CIGARMAKERS WARNING ABOUT NEW ERSTAZ COHIBA

Habanos, S.A.
For Immediate Release
Sept 22, 1997

ALERT TO CONNOISSEUR OF THE COHIBA CIGAR.

It is very disconcerting that a serious company try to appropriate the name of one of the most famous and sought after cigars in the world, the COHIBA, by taking advantage of the impossibility of Habanos S.A. to enter the United States market because of the economic and financial blockade wich has been maintained by the United States government against Cuba for more than 30 years.

The product bearing this brand name, the launching of which was recently announced, neither offers the superior characteristics of the Habanos COHIBAS nor compares with the quality of any of the other Cuban brands because it lacks for crucial components which cannot enter the United States market: a CUBAN wrapper, the CUBAN binder and the CUBAN filler all of which come from the famous vegas of the Vuelta Abajo region of Cuba; and the words "made in Cuba". These essential elements contained in each Cuban cigar are what give them their unique and inimitable "sabor".

By the claim that one of these components is grown from Cuban seeds, the producers attempt to link their product with the quality of Cuban cigars wich is a fraud on consumers because their tobacco is not grown in Cuba. All those who are in the known are fully aware that the Cuban soil and climate as well as the know-how of Cuban growers are indispensable to the uniqueness of Cuban tobacco. Moreover, despite genetic experiments in many countries, no one has been able to duplicate the genuine and unique Cuban seed.

Undoubtedly this product will not confuse the expert cigar smoker that he is smoking a genuine Cuban COHIBA. To those who are not connoisseurs, we wish to remind them that there exists only one unique Habano COHIBA---the Cuban COHIBA produced and manufactured in Cuba with 100% Cuban tobacco.

Ana Lopez
Marketing Director
Habanos S.A.

source: Cuban Interest Section, Washington, DC

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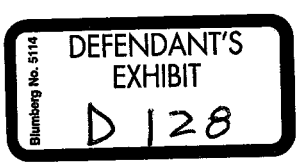

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the matter of Trademark Registration No. 1147309
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Defs Ex 129 (D0129) GC 001647-GC 001652

Not the Real Thing

Counterfeits of the Top Cuban Cigar Brands are Flooding the World Market

by James Suckling

"*Amigo.* Hey, *amigo,*" said the waiter who had just brought me an extremely cold Hatuey beer at the Hotel Nacional in Havana. "Do you want to buy some Cohibas? Only $25 a box. I have a friend who has some. What do you think?"

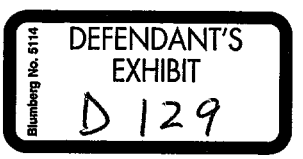
Cohibas at $1 a stick, I thought to myself. How can I lose? Cuba's most prestigious and highly sought-after cigars usually sell for at least $10 to $30 each, depending on the size.

I told the man that I would buy a box the next day. I waited in anticipation of enjoying my heavily discounted Cohibas. The next evening he arrived at my chair by the pool with a white, cardboard cigar box properly decorated with the Cohiba logo. It looked no different than what was currently being offered to tourists in most hotels and other authorized distribution points in Cuba. (At the time, the white, cardboard boxes were used only domestically for Cohiba while the more distinguished, varnished cedar boxes were kept exclusively for export and a few, key cigar shops in Havana.)

Before giving him the $25 in cash, I opened the box and looked at the cigars. They appeared slightly rough for the usually long and elegant-sized Lancero, but they carried the proper yellow, white and black Cohiba band, and they appeared to be the right size. The only difference I could see was that thecellophane was slightly shorter than normal and was not folded over at the end of each Lancero. But for $25, I thought, what would be the risk? How bad could they be?

I gave him the money and asked him to bring me another beer to celebrate my shrewd purchase. I decided to try one right away. I selected one of the 7 1/2 inch by 38 ring gauge cigars from the box. I pulled it out of its cellophane, cut the end and lit up. It was awful. Green. Harsh. And much too peaty. I used my beer to extinguish the fire in my mouth.

I was too embarrassed to tell any of my traveling companions what I had done. And I thought there was no use in trying to get my money back from the waiter; he needed the $25 more than I did. I threw the "Cohibas" in the trash in my hotel room.



This was not an isolated incident, and many cigar lovers have gone through the same disappointment. From a few boxes of cigars on the streets of Havana to large consignments in warehouses in the Middle East, the counterfeit cigar business is growing. Counterfeiters can't resist the temptation to copy some of the world's most sought-after luxury-cigar brands–including Cohiba, Montecristo and Davidoff. They can copy the bonafide product for next to nothing and then sell the bogus cigars for 10 to 20 times' the production cost–still a fraction of the market value for the real thing.

GC 001647

At the moment, counterfeiters have not focused their attention on well-known cigar brands from such countries as the Dominican Republic, Honduras, and Jamaica. "There isn't enough margin in the prices to do it with domestic brands," says Leonard Gold, national products manager for Consolidated

"We had 32 lawsuits to clean the (world) market. The cost was about 3.5 million Swiss francs ($1.95 million)."

However, Schneider admits that stopping counterfeit cigars is a much more difficult task than putting an end to the unauthorized use of his brand. Although it has been less of a problem since Davidoff began producing cigars in the Dominican Republic, his company was plagued for many years by phony cigars coming from Central and South America, especially Brazil. Schneider said that his company suffered from the production and sale of counterfeit Davidoffs in Brazil for nearly 16 years. Located near Sao Paulo, a company under the ownership of the Koenig family made Davidoff cigars in the same sizes and packaging. The company was named Davidoff Commercio y Industria.

"We tried to make an arrangement with them, but it never worked," says Schneider. "We could never trust them. They always started selling cigars again. We did not get one cent back for all the money we spent on stopping them. This is what happens when you have a luxury brand."

To make things worse, the Brazilian cigar producer even guaranteed the product, stating on the box that the cigars could be returned or exchanged with an authorized Davidoff merchant if the consumer was not satisfied. The British Davidoff agent still has a box of 25 Brazilian cigars in his office, which he inadvertently exchanged for a customer who said that the cigars were unsmokable. "We just assumed that they were the real thing," says Simon Chase, of Hunters & Frankau, who worked for Davidoff 11 years ago. "We were surprised, to say the least, when we received the cigars in the mail, and we had already made good on the cigars with the real item."

Brazilian courts, however, recently ruled that the only company authorized to use the Davidoff name is Davidoff of Geneva. But that doesn't mean that damage wasn't done to the company.

Creating bad will with the consumer is one of the key issues with counterfeit cigars, according to most cigar producers. "It is not really a matter of money," says Cubatabaco's Padron. "It is a matter of prestige because people smoke these cigars and then they are disappointed with the quality. I saw a fellow in Spain recently, and he said to me, 'look at this poor Cohiba Lancero.' He was on the other side of the table, and I told him that that happened because he bought his Cohibas on the streets of Havana. He got what he deserved, but it didn't make things any better."

Adds Davidoff's Schneider: "In (lost) sales, that's not so important, but we lost time dealing with this matter. We also lost a lot of money in court and lawyer fees. But we also lost our nerves. It was extremely upsetting."

It certainly takes a lot of chutzpah to make and to sell bogus Cohibas, Davidoffs and other cigars. Periodically, small factories are set up in just about every major cigar-producing area in Latin America. A recent source for fake Montecristos was a small factory on the outskirts of Santiago in the Dominican Republic. The cigar manufacturer had been making Montecristos for some time despite the fact that the ownership of the brand remains in the hands of the U.S.'s Consolidated Cigar Co., Cubatabaco and Spain's Tabacalera. It has been difficult to stop them because of an oversight by the Dominican government that inadvertently approved the company to produce Montecristo. "The government has admitted that it has made a mistake and is taking action to stop them from producing Montecristo, but it all takes time," says José Seijas, vice president and general manager of Tabacalera de Garcia, the key cigar factory for Consolidated Cigar Corp. "It's all a little embarrassing for the government of the Dominican Republic."

Counterfeiting is not confined to offshore operations. Such hard-to-find cigars as La Gloria Cubana–produced by El Credito Cigar Co. in Miami, Florida, and owned by Ernesto Carillo–are allegedly available at La Gloria Cigar Co.,

GC 001649

also in Miami. Call here and a man identifying himself as "Ernesto" will tell you that Wavells and Charlemagnes (two highly coveted sizes made by El Credito) are readily available. To neophytes and even regular smokers of El Credito cigars, it's hard to know the fake cigars from the real thing, until they are smoked. "They're just awful," says one unwary buyer who purchased and smoked the bogus cigars.

A similar case recently occurred with a cigar producer in Honduras, the Honduras Cuban Cigar Co., which began selling bogus Cohibas earlier this year. According to Cubatabaco, the company was making cigars for a Miami-based man, who claimed to have documentation giving him the rights to the brand name. He had Cohiba's distinctive yellow, black and white packaging produced by a printer in Miami, and the boxes and bands were so good that they were impossible to discern from the originals made in Havana.

The bogus Cohibas, mostly in the Lancero and Corona Especial shapes, were packaged in Honduras and shipped to various countries including Panama, Spain and Colombia. About 30,000 cigars were shipped and another 30,000 were ready to be exported to Germany before they were stopped. General Cigar Co., the United States company with the rights for Cohiba in the American market, is currently pursuing a settlement with both parties.

"It was the best counterfeit I have seen," admits Adriano Martinez, a key member of the Cubatabaco staff, who added a few of the Miami/Honduras boxes to his growing collection of counterfeits. "I don't know how a consumer would have ever known."

Most counterfeiting of cigars is less in the open, however. Phony cigar production is widespread in Cuba, but it's hard to stop because

of the number of people making them. It's usually individuals making a few boxes a week in their homes from stolen tobacco, boxes and bands. "They come from the farmers. They get the tobacco and make them themselves," says Padron. "They also steal cigars and bands from the factory. Some people even print the bands themselves. We have caught printers doing it. It is amazing how quickly things can be done with computers."

One of the biggest sources for fake Cohibas in Europe is through returning tourists who pay $15 to $25 a box for them and resell them to friends, restaurants and cigar merchants for four to five times' the price. Each year, more and more foreigners visit Cuba on holiday. The number of tourists has increased in the past three years from about 300,000 to more than 1 million annually. The idea of making a few hundred dollars after spending a week or two in the sun is too good to pass up for many, and it's easy to find a few boxes of cheap cigars while on holiday in Cuba. Just walk down a street in a popular tourist area in any town, and you're bound to be offered a box or two for sale.

"I sell 20 to 25 boxes a week here," said a young, clandestine street dealer who was selling cigars in the old part of Havana. He held boxes of Cohiba Lanceros and Montecristo No. 4's. "I get about $20 to $25 a box. There are two ways that we get these cigars. We either get them from someone who makes them in the streets or from someone who gets them from the factories. The ones that are made in the streets are no good. I sell only the best quality, and that means they come directly from the factory.

"I can get you anything--the very best brands," he continued. "You name it: Montecristo, Cohiba, Romeo y Julieta Churchill--even Davidoff Dom Perignon. I know Dom Perignon is not made anymore, but I have a friend who works in the factory where they were made [La Corona], and he makes the same cigar with the same blend at home."

GC 001650

The dealer, who asked for anonymity due to the danger in trading contraband cigars, said that he normally splits his money with his cigar suppliers. Together, their income may reach $750 a week. Not bad when the average

cigar roller makes only about $140 a month using the official Cuban government exchange rate (one peso to the U.S. dollar). The peso, however, is now trading at about one cent on the black market in Cuba, and most locals admit that without dollars they could not survive.

"I have been arrested before for selling cigars," the dealer said. "If I am caught again, I will go to jail for two years. It is very dangerous selling cigars now, but you can make money doing it, and you have to have dollars to live now."

Segundo Delgado, production director of the Briones Montoto Factory (Romeo y Julieta), admits that it's nearly impossible to control the flow of cigars leaving the factory. "We have a problem with people stealing cigars in all of our factories," he says. "Everyone is allowed to take one or two cigars a day, anyway. So it shouldn't be surprising that some are sold. They also steal tobacco leaf from here and roll cigars at home."

In addition, Delgado says that some leaf apparently is obtained directly from farmers in the Vuelta Abajo and other tobacco-growing regions, and rollers then manufacture the cigars at home. "Now that we are allowed to have dollars, it is much more difficult to control cigars leaving the factory," Delgado adds. "Considering the difficulty of living in Havana at this time, it is a very small problem."

Fake boxes of Cohiba have even been turning up in the United States, where Cuban cigars for the most part are illegal. They are not, however, the contraband of returning tourists. Cuban refugees frequently carry boxes of cigars with them on flights to the States from Cuba in hopes of exchanging them for dollars on their arrival. "I get offered counterfeit Cohibas all the time," admits Manuel Hernandez, the owner of King's Treasure Tobacco in Miami. "Cubans come in and ask me how much a box of Cohiba Lanceros are worth, and I tell them that they are not officially available in the United States and that I can't buy them, but elsewhere they sell for so much. Sometimes you can tell that they are not real Cohibas."

"We are often offered them," says Oscar Boruchin, owner of Mike's Cigars, also in Miami. "As a matter fact, it's getting difficult to tell which cigars are real and which are counterfeit. The forgers are so good that it's hard to tell. It is unbelievable."

Boruchin never buys Cuban cigars, because it's illegal, but some of his customers purchase Cuban cigars from private sources. "Lots of my customers bring them to me and ask me to look and see if they are real," he says. "I think that 90 percent of the Cuban cigars (illegally) sold in the Miami area are counterfeit."

The flow of counterfeit Cuban cigars into the United States has increased with more Cubans visiting the States, after a slight change in the visa laws in Cuba. Cigars are viewed as being as good as cash by Cubans on U.S. stopovers. "Anything can happen when you change the rules," adds Padron. "Anything can happen."

So what can consumers do to be sure they are not buying fakes? The most obvious choice is to buy cigars from reputable merchants and for realistic prices. Anyone should be leery of cigars sold under the table or on the street and for ridiculously low prices. Also, take a close look at the packaging. If it doesn't look right, don't buy them. For instance, all bonafide Cohibas now come in varnished wooden boxes in lots of 25 or 50 as well as small paper holders of five. In addition, they should have the green-and-white certification label from the Cuban government, a deeply burnished stamp of "Cohiba," "*Hecho en Cuba*," "Cubatabaco," and "*Totalmente a mano*," as well as the factory code on the bottom of the box. Most Cohibas also have "EL" printed in ink on the bottom of the box, which denotes the El Laguito factory, although Robustos and Esplendidos may have other markings such as "FPG" for the Partagas factory. Cubatabaco also has plans this year to introduce a

GC 001651

new sticker on the corners of all Cuban cigar boxes, with "*Habanos*" on it. Don't be shy about checking for the appropriate markings, even in a retail shop.

Yet, even with such measures to curb the growth in counterfeit cigars, consumers continue to be duped. "I can't tell you how many times I've seen counterfeit cigars," says Max Gutmann, the agent for Cuban cigars in Mexico and the owner of the Casa del Habano cigar shop in Mexico City. "It's always a question of getting the cigars for a cheaper price."

The day after I paid $25 for a box of counterfeit Cohiba Lance

GC 001652

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 130 (D0130), Plfs Ex 325, GC 007759-GC 007776

PX325

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FAX 212 466-5742

General Cigar Holdings, Inc.
387 Park Avenue South
New York, N.Y. 10016
212/448-3800

Fax(212)561-8791-Legal
Fax(212)561-8971-Executive
Fax(212)561-8979-Corporate

FAX TRANSMITTAL FORM

TO: Ralph Conte

FROM: A. Ross Wollen DATE:

MESSAGE: Happy to help - why not start with this from Cigar Officiando's web site. Also sending U.S. Custom's reports of CHIBA seizures.

DEFENDANT'S EXHIBIT D130
Blumberg No. 5114

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Cohiba

The Genuine Article

Counterfeit of unknown origin

We're going to call this band a "hybrid counterfeit," for lack of a better term. It's intended to look like the genuine Cuban Cohiba pictured at top, but it claims Dominican origin. The only Dominican-made Cohiba that may be legally sold in the United States is the one pictured below. It's manufactured by General Cigar Holdings Inc. in a free trade zone in Santiago and exported to the United States; General registered the Cohiba name in the States in 1978. General does not sell their Cohiba or claim ownership in the Dominican Republic, where several other companies make cigars under the Cohiba name. Who owns Cohiba in the Dominican Republic is a matter for the Dominican courts.

Detecting an illegitimate Dominican Cohiba in the United States is simple. If it doesn't look like the General band below, it infringes on General's trademark. "Illegitimate" is probably a more appropriate term than "counterfeit" for the band above, in that it clearly makes no attempt to copy the look of General's band.

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BACARDI rums and fine cigars ...
The classic combination.

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Cohiba

The Genuine Article

Counterfeit purchased in Cuba

This is an obvious fake. The yellow is off, the squares are rounded, the script is barely legible and the letters are too thin.

Previous Counterfeit Next Counterfeit

Genuine Article

Cohiba (Dom. Rep.) Gallery | Hoyo de Monterrey Gallery
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Romeo y Julieta Gallery | H. Upmann Gallery

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COUNTERFEIT GALLERY

Cohiba

The Genuine Article

Counterfeit purchased in San Jose, Costa Rica

Aside from being way off-center, the script is bold and scrunched and the word "Cohiba" rests beneath only one row of fuzzy squares.

Previous Counterfeit Next Counterfeit

Genuine Article

Cohiba (Dom. Rep.) Gallery | Hoyo de Monterrey Gallery
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Cohiba

The Genuine Article

Counterfeit purchased in Ocho Rios, Jamaica

The script is too small and the yellow contains too much orange. Most glaring, though, is that the yellow bleeds into the black area. You won't be able to tell online, but the band has a waxy texture that gives it a sort of shine.

Previous Counterfeit Next Counterfeit

Genuine Article

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La Gloria Cubana Gallery | Montecristo Gallery
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COUNTERFEIT GALLERY

Cohiba

The Genuine Article

Counterfeit purchased in St. Johns, Antigua

The script and the logo are small and scrunched, and the band lacks that touch of orange that distinguishes the genuine article. Plus the logo is positioned too high into the black, resting under only one row of squares.

Previous Counterfeit Next CoCounterfeit

Genuine Article

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BACARDI rums and fine cigars ...
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CIGAR BARS
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Cohiba

The Genuine Article

Counterfeit of unknown origin

Note the defined circles instead of squares, and the lack of the "La Habana, Cuba" script. Dead giveaways.

Previous Counterfeit Next Counterfeit

Genuine Article

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Stoli asks: FLAVORED RUSSIAN VODKAS

[redacted]

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Cohiba

The Genuine Article

Counterfeit purchased in Cuba

This is a decent counterfeit. The color's pretty much on the money, and the script is better than most. Yet again, the tell-tale single row of squares above "Cohiba" is the giveaway.

Previous Counterfeit Next Counterfeit

Genuine Article

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History and tradition don't lie ...
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COUNTERFEIT GALLERY

Cohiba

The Genuine Article

Counterfeit purchased in Prescot, Canada

There's way too much orange in this band, and only one row of squares above "Cohiba."

Previous Counterfeit Next Counterfeit

Genuine Article

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Cohiba

The Genuine Article

Counterfeit purchased in Moscow, Russia

Another fake exposed by the single row of squares above "Cohiba." There should be two. Also, the Cohiba box sits too far into the black area. And the gold strip is a bit washed out.

Previous Counterfeit Next Counterfeit

Genuine Article

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Stoli asks: FLAVORED RUSSIAN VODKAS

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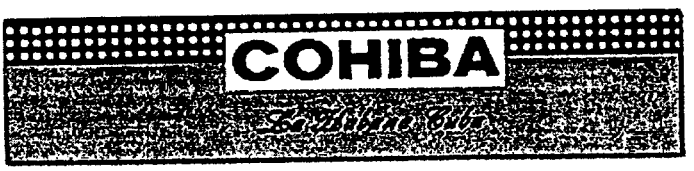
Cohiba

The Genuine Article



Counterfeit purchased in French St. Martin

Two major flaws give this fake away. It has white circles, not squares, and one row above "Cohiba," not two. The script is also suspect.

Previous Counterfeit Next Counterfeit

Genuine Article

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BACARDI rums and fine cigars ...
The classic combination.

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COUNTERFEIT GALLERY

Cohiba

The Genuine Article

Counterfeit of unknown origin

This band has white dots, not squares. The script is too thin and sits too low on the band, as does the word "Cohiba." There are three rows of dots above the brand name, where there should be just two.

Previous Counterfeit Next Counterfeit

Genuine Article

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COUNTERFEIT GALLERY

Cohiba

The Genuine Article

Counterfeit purchased in Cuba

The script is way off on this fake. It appears scrunched, as does the word "Cohiba."

Previous Counterfeit Next Counterfeit

Genuine Article

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Cohiba

The Genuine Article

Counterfeit purchased in Texas, believed to have been made in the Dominican Republic

This is a poor counterfeit. It has rows of circles, not squares, and there are three rows above "Cohiba," not two. But its most glaring flaw is the lack of the "La Habana, Cuba" script.

Previous Counterfeit Next Counterfeit

Genuine Article

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CHRONOLOGICAL SUMMARY
OF
COUNTERFEIT AND INFRINGING
MONTECRISTO AND COHIBA CIGARS

Updated April 23, 1998

TOTAL CIGARS SEIZED BY CUSTOMS

	Montecristo	Cohiba	Total
Number Seized (Approximately)	28,509 Cigars 1,140 Boxes	34,159 Cigars 1,366 Boxes	62,668 Cigars 2,506 Boxes

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DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE
PORT OF NEW ORLEANS
OFFICE OF FINES, PENALTIES, AND FORFEITURES
NEW ORLEANS, LOUISIANA

May 15, 1998

Scott Greenberg, Esquire
Morgan & Finnegan, L.L.P.
345 Park Avenue
New York, New York 10154-0053

Dear Mr. Greenberg:

This is to advise you of recent seizures of counterfeit trademarked Cohiba items/cigars by United States officers at the Federal Express facility at Memphis, Tennessee. The following reflects the date of seizure, seizure case number, the number of items/cigars seized and the importer's name and address.

DATE/SEIZURE #	NAME/ADDRESS
May 2, 1998 19982095-100704-01	Jose Sanabia, 275 189th Golden Shore Miami, Florida 33160

ITEM SEIZED: Eighty-four (84) counterfeit trademarked Cohiba cigar box lids

You are hereby notified that you have the right to provide written consent to the importation or exportation, or entry after obliteration of the trademark of this merchandise.

You should advise us within thirty (30) days from the date of this letter whether or not you consent to any of the above options.

Sincerely,

Jacqueline D. Lyons
for Leslie Dillmann
Fines, Penalties and Forfeitures Officer

REPLY TO: FP&F Officer, U. S. Customs, 423 Canal Street, Room 207, New Orleans, LA 70130-2341
Telephone(504) 670-2390, Fax (504) 670-2046

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE
PORT OF NEW ORLEANS
OFFICE OF FINES, PENALTIES, AND FORFEITURES
NEW ORLEANS, LOUISIANA

May 15, 1998

Scott Greenberg, Esquire
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345 Park Avenue
New York, New York 10154-0053

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This is to advise you of recent seizures of counterfeit trademarked Cohiba items/cigars by United States officers at the Federal Express facility at Memphis, Tennessee. The following reflects the date of seizure, seizure case number, the number of items/cigars seized and the importer's name and address.

DATE/SEIZURE #	NAME/ADDRESS
April 15, 1998 19982095-100618-01	Richar Static, 1006 Hollywood Blvd. Hollywood, Florida 33019

ITEM SEIZED: Forty-six (46) counterfeit trademarked Cohiba cigar box lids

You are hereby notified that you have the right to provide written consent to the importation or exportation, or entry after obliteration of the trademark of this merchandise.

You should advise us within thirty (30) days from the date of this letter whether or not you consent to any of the above options.

Sincerely,

Jacqueline A. Spurrier
for Leslie Dillmann
Fines, Penalties and Forfeitures Officer

REPLY TO: FP&F Officer, U. S. Customs, 423 Canal Street, Room 297, New Orleans, LA 70130-2341
Telephone(504) 670-2390, Fax (504) 670-2045

Confidential:
Under Protective Order

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE
PORT OF NEW ORLEANS
OFFICE OF FINES, PENALTIES, AND FORFEITURES
NEW ORLEANS, LOUISIANA

May 15, 1998

Scott Greenberg, Esquire
Morgan & Finnegan, L.L.P.
345 Park Avenue
New York, New York 10154-0053

Dear Mr. Greenberg:

This is to advise you of recent seizures of counterfeit trademarked Cohiba items/cigars by United States officers at the Federal Express facility at Memphis, Tennessee. The following reflects the date of seizure, seizure case number, the number of items/cigars seized and the importer's name and address.

DATE/SEIZURE #	NAME/ADDRESS
May 2, 1998 19982095-100705-01	Richar Lora, 275 189th Golden Shore Miami, Florida 33160

ITEM SEIZED: Seven hundred and fifty (750) counterfeit trademarked Cohiba cigars

You are hereby notified that you have the right to provide written consent to the importation or exportation, or entry after obliteration of the trademark of this merchandise.

You should advise us within thirty (30) days from the date of this letter whether or not you consent to any of the above options.

Sincerely,

Leslie Dillmann

Leslie Dillmann
Fines, Penalties and Forfeitures Officer

REPLY TO: FP&F Officer, U. S. Customs, 423 Canal Street, Room 237, New Orleans, LA 70130-2341
Telephone(504) 670-2390, Fax (504) 670-2046

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 131 (D0131), Plfs Dep Ex 374, GCP 0280-GCP 0286

PLAINTIFF'S
DEPOSITION
EXHIBIT
374
6/26/01 DA

DRAFT #1

Attorney Work Product

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Q & A Cohiba®cigars Fact Sheet

Q. What is Cohiba® the trademark registration status?

A. General Cigar (now Culbro) applied for registration of the Cohiba® brand wordmark on March 13, 1978 and the registration became effective in February 17, 1981. An Affidavit of Use and Incontestability was filed for this registration in June, 1986 and accepted by the Patent and Trademark Office. The registration is now therefore incontestable. It was assigned to General Cigar in 1987. Sales continued throughout this period. A second registration for the bold wordmark COHIBA® was issued in 1995.

Blumberg No. 5114
DEFENDANT'S
EXHIBIT
D 131

Q. How was the name chosen?

A. Oscar Boruchin now of Mikes Cigars in Miami, who was then an employee of General Cigar, remembers hearing about Fidel Castro having a personal cigar he named Cohiba®

Mr. Boruchin told Cigar Aficionado that in the 1970's a good friend of his returned to Miami from a visit with Fidel Castro:

> *"And he told me these are cigars that Fidel smokes that he gives to people that visit with him. The cigar is not a commercial brand. At that time, they didn't ever dream that they were going to make it commercial. I was working for General Cigar at that time and, loyal employee that I was, I sent the bands and a couple of cigars to Edgar Cullman Jr. And I told the Cullmans the story that I just told you. And General went ahead and registered the brand. And sure enough, nobody had an intent to register it*

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then because the brand wasn't even commercially available. So, General Cigar owns the brand in the United States " (p.92 Cigar Aficionado Vol. __ No. __)

Q. What happened when Mr. Boruchin recommended the Cohiba® brand?

A. John McLoughlin of General Cigar remembers researching the name Cohiba® and he found it cited in several reference books. He put together the following legend which was placed on Cohiba® packages beginning in 1977:

> *In the year 1496, the first account of tobacco was published by the Spanish monk, Romanus Pane, who sailed with Columbus on his second voyage to America. During his stay in St. Domingo (Hispaniola), he wrote the fascinating story of smoking by the Indian natives who used cured leaves from a strange plant which he named...COHIBA®.*
>
> *Since the early 16th century, the fertile soil and ideal climate of this Caribbean island has made it a major source of fine tobaccos. Fine handmade cigars further enhanced this reputation for excellence. We have selected St. Domingo (now the Dominican Republic) with its rich tradition to make our COHIBA®...a handmade cigar of impeccable quality.*
>
> *Cohiba® cigars are made from only fine aged tobaccos, blended with imported leaf to perfection and rolled with the skill and pride of cigar makers whose heritage is tobacco. COHIBA's® magnificent taste and aroma exemplify the centuries' old tradition of St. Domingo.*

Q. What label did General Cigar use on its Cohibas®?

A. It used a label consistent with the legend, i.e. an Indian and a Monk holding a tobacco leaf. Below the label was the bold name COHIBA®.

5-13-97 2:17 CLLBRO CORP. - LEGAL- MORGAN & FINNEGAN:# 3/ 8
SENT BY:

Q. Did General Cigar seek legal advice before it registered its Cohiba® brand?

A. Yes. General Cigar's longtime trademark counsel wrote in 1978 with reference to a 1974 newspaper article about the author bringing some Cuban Cohibas® into the U.S.:

> *First: At the time of this occurrence, in 1974, it was illegal for travelers to bring Cuban goods into this country. Hence, the cigars allegedly brought in at that time (by the author of the article) could not form a basis of trademark use of the brand in United States commerce. Unlawful use of a trademark is equivalent to no use at all.*
>
> *Second: As pointed out in the article, the "Cohiba" cigars made in Cuba are Castro's private brand; they are not in general distribution.*
>
> *Third: There is no evidence that any Cuban "Cohiba" cigars have been brought into this country since 1977, when American travelers were given permission to bring in up to $100.00 worth of Cuban goods. In view of the private nature of this brand, it is highly unlikely that any have in fact reached this country.*
>
> *Fourth: There is no evidence, and it would be difficult to establish, that the Cuban "Cohiba" cigar brand is a famous mark such as would be known to cigar consumers in the United States. If this could be established, Cuba might have standing to oppose registration of the COHIBA mark of Culbro.*

Q. Did Cubatabac oppose our registration of COHIBA® either in 1978-81 or 1993-95?

A. No.

Q. Could they have tried to do so?

A. Yes. Cuba's U.S. attorneys were active in the 1970's, 80's and 90's registering brands and opposing other registrations. They took absolutely no action as to COHIBA®.

Q. Was Cubatabac's failure to oppose General Cigar's registrations unusual?

A Not at all. General Cigar applied for registration in 1978 and satisfied the US PTO of its prior use of the brand. Cubatabac's current brochure states in bold print:

> *"The marketing of Cohiba began in 1982 with the limited production available at the time and was restricted to producing only three cigar types: LANCEROS, CORONAS ESPECIALES and PANETELAS."*
>
> *Thus Cubatabac had no standing to oppose the registration until long after it issued.*

Q. Is Cubatabac's petition in 1997 a surprise?

A. Absolutely. The President of Cubatabac told Cigar Aficiando when asked about the U.S. embargo being lifted:

> *Padron: We are not going to have two brands over there. Not even in Europe. We decided to break our deal with Davidoff because of that. So what would happen is that we would launch new things for the North American market, new brands. Or we could make an arrangement with the brand owners over there.*

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SENT BY 5-13-97 ; 2:17 ;CLLBRO CORP. - LEGAL- MORGAN & FINNEGAN;# 5/ 8

CA: General Cigar, as an example, owns the brand names Partagas, Ramon Allones and Cohiba for the U.S. market, and it has tremendous distribution in the United States. I would imagine that they would love to sit down with you and work it out to represent those brands of Cuban cigars in America. Is this possible or is it a problem? You are shaking your head no.

Padron: The first condition is that they must pass the brand name to us. This is the first condition. Immediately. If not, forget about it. Second condition, they must be our partner. The same way that we have it in the rest of the world. There is no other way to make a deal with us. If not, forget about it.

In a subsequent interview in the same publication Mr. Padron, the Cubatabac President said:

"But we are not going to fight in order to get our cigars into the United States. As we always say, a Habano [cigar] is a Habano [cigar]. With a name of Marvin or Padron or Meyer or whatever goes on the cigar, it is a Habano. So, we are going to let everybody know that we are here, and this is a Habano. We are not going to fight with somebody else because he owns the brand name of Cohiba or Montecristo in America. We have been living without that for a long time." (Emphasis added).

Q. Why didn't General Cigar duplicate the Cuban Cohiba® label and band?

A. We had no interest in copying the Cuban tradedress - we don't even know when they started using it. All we registered was the COHIBA® word trademark. We've sold our COHIBA® since 1978 with bands, with labels for a number of years but we decided to hold off a new label until we were ready to take it "national". As Edgar Cullman, Jr. in a 1996 interview with Cigar Aficiando said:

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Cullman: Yes, definitely. Cohiba is going to be our mark. There's no question about it.

CA: And when would this be?

Cullman: I hope it would be sooner rather than later, as my father would always like to say:

CA: Within the next two years?

Cullman: Yes.

CA: What I'm hearing, I just want to make sure, is that you plan to come out with Cohiba in the next two years utilizing a wrapper, similar in style to Opus X.

Cullman: That is our plan. It doesn't mean we will be successful.

CA: You are now farming enough of this wrapper for that project. But it seems from the Opus X experience that that kind of wrapper needs a lot more aging to enhance the flavors. It's not just something that you can turn around quickly, is it?

Cullman: That's the problem. Not only does it take time to develop the tobacco, but once you feel you have it and even in small quantities, it takes time to age it. And then, once you have made the cigars, you have to age it again. It is a very painstaking process."

Q. Why haven't you increased the distribution of your COHIBA® cigars?

A. For many years we have sold our COHIBA® through limited channels: Dunhill and its 12 U.S. retail stores and its mailorder customers and Mike's Cigars in Miami and its mailorder business. [It is also available in our Club Macanudo] According to Mr. Perez of Dunhill and Mr. Boruchin of Mikes they have been totally sold out of COHIBA's® for ____ years and only their best customers get allocations.

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5-13-97 : 2:18 :CLLBRO CORP. - LEGAL- MORGAN & FINNEGAN:# 7/ 8

Q. Does General Cigar believe that it owns the COHIBA® brand?

A. Of course. John McLoughlin researched the name in the 1970's and found that the name went back to the 15th Century - certainly it was available to us. It went through two 3 year periods for opposition and no one opposed it. We have sold it since 1978 and increased distribution appreciably in the early 1990's. We are in the process of greatly increasing distribution in 1997 in response to the resurgence in interest in cigars and our customers' preference for a stronger cigar.

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 132 (D0132), Pltfs Dep Ex 308, GC 008903-GC 008911

PLAINTIFF'S DEPOSITION EXHIBIT 308 11/29/00 AA

Attorney Work Product

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Q & A Cohiba® cigars Fact Sheet

Q. ***What is the Cohiba® trademark registration status?***

A. General Cigar (now Culbro) applied for registration of the Cohiba® brand wordmark on March 13, 1978 and the registration became effective in February 17, 1981. An Affidavit of Use and Incontestability was filed for this registration in June, 1986 and accepted by the Patent and Trademark Office. The registration is now therefore incontestable. It was assigned to General Cigar in 1987. Sales continued throughout this period. A second registration for the bold wordmark COHIBA® was issued in 1995.

Q. ***How was the name chosen?***

A. Oscar Boruchin now of Mikes Cigars in Miami, who was then an employee of General Cigar, remembers hearing about Fidel Castro having a personal cigar he named Cohiba®

Mr. Boruchin told Cigar Aficionado that in the 1970's a good friend of his returned to Miami from a visit with Fidel Castro:

> *"And he told me these are cigars that Fidel smokes that he gives to people that visit with him. The cigar is not a commercial brand. At that time, they didn't ever dream that they were going to make it commercial. I was working for General Cigar at that time and, loyal employee that I was, I sent the bands and a couple of cigars to Edgar Cullman Jr. And I told the Cullmans the story that I just told you. And General went ahead and*

Blumberg No. 5114 DEFENDANT'S EXHIBIT D 132

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registered the brand. And sure enough, nobody had an intent to register it then because the brand wasn't even commercially available. So, General Cigar owns the brand in the United States." (p.92 Cigar Aficionado Vol. __ No. __)

Q. ***Are there other reports of the origin of the COHIBA brand?***

A. *Yes. The 1997 Summer Issue of Smoke Magazine (page 309) stated:*

> *"The name Cohiba comes from the word cochiba, which was part of a tobacco ceremony used by native Americans in the pre-Columbian era. The brand's logo is in the likeness of a brave warrior and symbolizes the rejuvenation of the cigar industry under the Castro regime. Initially, the Cohibas were made only for Castro's consumption and to be given away as diplomatic gifts. It was actually not until the 1980s that the brand was sold commercially." (Emphasis added).*

Q. ***What is the significance of the above quote?***

A. *It confirms, from a different source, Cubatabac's admission that Cohibas were not sold commercially until the 1980's - long after General Cigar registered the brand in the U.S. It also distinguishes between the name COHIBA which traces to the pre-Columbian era in the Dominican Republic and the "logo" which symbolizes "the Castro regime". General Cigar, of course, has never used the logo, which is Cuban in origin. The name, however, traces to the Dominican Republic where General Cigar has always made its Cohibas and continues to do so today.*

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Q. ***What happened when Mr. Boruchin recommended the Cohiba® brand?***

A. *John McLoughlin of General Cigar remembers researching the name Cohiba® and he found it cited in several reference books. He put together the following legend which was placed on Cohiba® packages beginning in 1977:*

> *In the year 1496, the first account of tobacco was published by the Spanish monk, Romanus Pane, who sailed with Columbus on his second voyage to America. During his stay in St. Domingo (Hispaniola), he wrote the fascinating story of smoking by the Indian natives who used cured leaves from a strange plant which he named...COHIBA®.*
>
> *Since the early 16th century, the fertile soil and ideal climate of this Caribbean island has made it a major source of fine tobaccos. Fine handmade cigars further enhanced this reputation for excellence. We have selected St. Domingo (now the Dominican Republic) with its rich tradition to make our COHIBA®...a handmade cigar of impeccable quality.*
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> *Cohiba® cigars are made from only fine aged tobaccos, blended with imported leaf to perfection and rolled with the skill and pride of cigar makers whose heritage is tobacco. COHIBA's® magnificent taste and aroma exemplify the centuries' old tradition of St. Domingo.*

--

Q. ***What label did General Cigar use on its Cohibas®?***

A. *It used a label consistent with the legend, i.e. an Indian and a Monk holding a tobacco leaf. Below the label was the bold name COHIBA®.*

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Under Protective Order

Q. ***Did General Cigar seek legal advice before it registered its Cohiba® brand?***

A. *Yes. General Cigar's longtime trademark counsel wrote in 1978 with reference to a 1974 newspaper article about the author bringing some Cuban Cohibas® into the U.S.:*

> *First: At the time of this occurrence, in 1974, it was illegal for travelers to bring Cuban goods into this country. Hence, the cigars allegedly brought in at that time (by the author of the article) could not form a basis of trademark use of the brand in United States commerce. Unlawful use of a trademark is equivalent to no use at all.*
>
> *Second: As pointed out in the article, the "Cohiba" cigars made in Cuba are Castro's private brand; they are not in general distribution.*
>
> *Third: There is no evidence that any Cuban "Cohiba" cigars have been brought into this country since 1977, when American travelers were given permission to bring in up to $100.00 worth of Cuban goods. In view of the private nature of this brand, it is highly unlikely that any have in fact reached this country.*
>
> *Fourth: There is no evidence, and it would be difficult to establish, that the Cuban "Cohiba" cigar brand is a famous mark such as would be known to cigar consumers in the United States. If this could be established, Cuba might have standing to oppose registration of the COHIBA mark of Culbro. (Emphasis added)*

Q. ***Did Cubatabac oppose our registration of COHIBA® either in 1978-81 or 1993-95?***

A. *No.*

Q. ***Could they have tried to do so?***

A. *Yes. Cuba's U.S. attorneys were active in the 1970's, 80's and 90's registering brands and opposing other registrations. They took absolutely no action as to COHIBA®.*

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Under Protective Order

Q. ***Was Cubatabac's failure to oppose General Cigar's registrations unusual?***

A. *Not at all. General Cigar applied for registration in 1978 and satisfied the US PTO of its prior use of the brand. Cubatabac's current brochure states in bold print:*

> *"The marketing of Cohiba began in 1982 with the limited production available at the time and was restricted to producing only three cigar types: LANCEROS, CORONAS ESPECIALES and PANETELAS."*

Thus Cubatabac had no possible standing to oppose the registration until long after it issued and became incontestible.

Q. ***Is Cubatabac's petition in 1997 a surprise?***

A. *Absolutely. The President of Cubatabac told Cigar Aficiando when asked about the U.S. embargo being lifted:*

> *Padron: We are not going to have two brands over there. [the United States] Not even in Europe. We decided to break our deal with Davidoff because of that. So what would happen is that we would launch new things for the North American market, new brands. Or we could make an arrangement with the brand owners over there.*
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> *CA: General Cigar, as an example, owns the brand names Partagas, Ramon Allones and Cohiba for the U.S. market, and it has tremendous distribution in the United States. I would imagine that they would love to sit down with you and work it out to represent those brands of Cuban cigars in America. Is this possible or is it a problem? You are shaking your head no. (Emphasis added)*
>
> *Padron: The first condition is that they must pass the brand name to us. This is the first condition. Immediately. If not, forget about it. Second condition, they must be our partner. The same way that we have it in the rest of the world. There is no other way to make a deal with us. If not, forget about it.*

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Under Protective Order

In a subsequent interview in the same publication Mr. Padron, the Cubatabac President said:

> *"But we are not going to fight in order to get our cigars into the United States. As we always say, a Habano [cigar] is a Habano [cigar]. With a name of Marvin or Padron or Meyer or whatever goes on the cigar, it is a Habano. So, we are going to let everybody know that we are here, and this is a Habano. We are not going to fight with somebody else because he owns the brand name of Cohiba or Montecristo in America. We have been living without that for a long time." (Emphasis added).*

Q. ***Why didn't General Cigar duplicate the Cuban Cohiba® label and band?***

A. We had no interest in copying the Cuban tradedress - we don't even know when they started using it. All we registered was the COHIBA® wordmark. The wordmark came from the Dominican Republic where our Cohibas come from. The tradedress was Cuban in nature and we had no interest in it. We've sold our COHIBA® since 1978 with bands, with labels for a number of years but we decided to hold off a new label until we were ready to take it "national". As Edgar Cullman, Jr. in a _____ 1996 interview with Cigar Aficiundo said:

> *Cullman: Yes, definitely. Cohiba is going to be our mark. There's no question about it.*
>
> *CA: And when would this be?*
>
> *Cullman: I hope it would be sooner rather than later, as my father would always like to say:*
>
> *CA: Within the next two years?*
>
> *Cullman: Yes.*
>
> *CA: What I'm hearing, I just want to make sure, is that you plan to come out with Cohiba in the next two years utilizing a*

wrapper, similar in style to Opus X.

Cullman: That is our plan. It doesn't mean we will be successful.

CA: You are now farming enough of this wrapper for that project. But it seems from the Opus X experience that that kind of wrapper needs a lot more aging to enhance the flavors. It's not just something that you can turn around quickly, is it?

Cullman: That's the problem. Not only does it take time to develop the tobacco, but once you feel you have it and even in small quantities, it takes time to age it. And then, once you have made the cigars, you have to age it again. It is a very painstaking process."

Q. ***Why haven't you increased the distribution of your COHIBA® cigars?***

A. *For many years we have sold our COHIBA® through limited channels: Dunhill and its 12 U.S. retail stores and its mailorder customers and Mike's Cigars in Miami and its mailorder business. [It is also available in our Club Macanudo] According to Mr. Perez of Dunhill and Mr. Boruchin of Mikes they have been totally sold out of COHIBA's® for _____ years and only their best customers get allocations.*

Q. ***Does General Cigar believe that it owns the COHIBA® brand?***

A. *Of course. John McLoughlin researched the name in the 1970's and found that the name went back to the 15th Century - certainly it was available to us. It went through two 3 year periods for opposition and no one opposed it. We have sold it since 1978 and increased distribution appreciably in the early 1990's. We are in the process of greatly increasing distribution in 1997 in response to the resurgence in interest in cigars and our customers' preference for a stronger cigar.*

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Q. What has General Cigar done to protect its COHIBA® brand?

A. In recent years there has been an increase of both Cuban Cohibas® coming into the U.S. in violation of the embargo and counterfeit Cohibas® from other countries, emanating principally from a "renegade" company in the Dominican Republic. We have worked closely with U.S. Customs which has successfully interdicted and confiscated over 30,000 counterfeit Cohibas® and Monte Cristos. Customs has also confiscated large shipments of Cuban Cohibas, although from all reports many still arrive here in violation of U.S. law.

Q. Do consumers buy General Cigar's COHIBAs® believing them to be Cuban?

A. No. We have always made clear they are produced in the Dominican Republic and we avoided the Cuban label/tradedress to preclude any confusion. The Cohiba® story began in the Dominican Republic in 1496 and we are proud to produce it there.

Q. What is General Cigar doing currently with its Cohiba® brand?

A. The Cigar insider (July 1997) reported as follows (page 1):

"After almost 20 years of quietly marketing the brand at a few select retailers, General Cigar Holdings, Inc. plans to launch an expanded, re-blended line of Dominican-made Cohiba® cigars. Unlike General's existing Cohibas, which are sold in plain boxes without bands at Alfred Dunhill stores and Mike's Cigars in Miami, the new line will have bands, a distinct logo and will be widely available."

Q. Will the Re-launched Cohibas look like the counterfeit or Cuban Cohibas?

A. Cigar insider's interview with General Cigar President Edgar Cullman, Jr. stated (page 9):

"General will not try to imitate the look of the Cuban Cohiba brand, Cullman said. The Cubans created Cohiba in 1966 as Fidel Castro's private brand and began marketing it in 1982. General never purchased the U.S. rights, but registered the name only (not the

box art or logo) in 1978 and began making the cigar in limited quantities. Beyond the legal issues, General wants to avoid confusion between its Cohibas and the growing number of counterfeits - Dominican and Cuban - that are surfacing throughout the United States. "We want something distinct, so everyone will know the others are counterfeit," Cullman said."

Q. Are these Re-launched Cohibas the type of cigars Mr. Cullman referred to in his 1996 interview with Cigar Aficionado?

A. Yes. The Cigar insider also interviewed John Rano, Senior Vice President of Marketing and Product Development of General Cigar (page 9):

"[Rano] told Cigar insider that they have a Cameroon wrapper and Dominican filler. Raino (sic) declined to say where the binder is from, but he said it's "something we've never used before, and it just works wonderfully with this wrapper." He described the cigars as "very full-flavored and about as strong as a Partagas [another General brand with a Cameroon wrapper], but creamier."

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

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For the mark COHIBA
Date registered: June 6, 1995

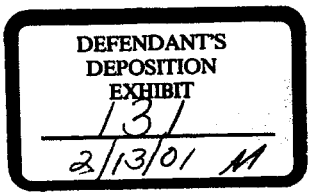
EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 133 (D0133), Defs Dep Ex 131

La Casa del Habano - Giraldilla
Calle No. 222, La Lisa
La Habana, Cuba
1-800-219-6897



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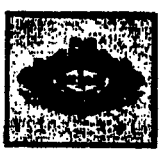
Now accepting Mastercard and American Express!

Cuban cigars shipped via Express Mail to ANY and EVERY country in the world. Many Cuban cigar orders can be shipped same day.

Congratulations on choosing La Casa Del Habano for your Cuban cigars. As a connoisseur of fine Cuban cigars you know that authentic Cubans are rare and that La Casa Del Habano dealers are the safest source for the wonderful Cuban cigar. Visitors to this site can feel secure in their cigar purchases. North American shipments are purchased in Cuba and distributed from Canada. We are the only Cuban cigar web site that GUARANTEES delivery of AUTHENTIC Cuban cigars.

Email us for special order requests



PRICES/ ORDERS

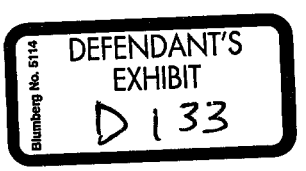
CIGAR SPECIALS

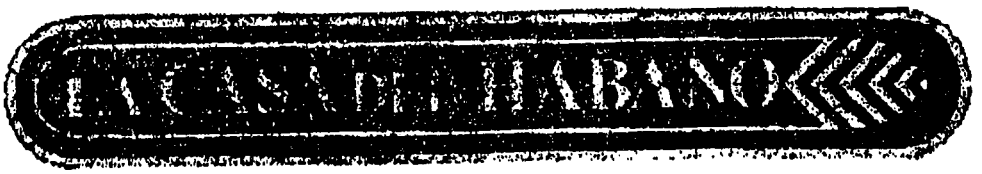
CIGAR FAQ

OUR CUBAN CIGAR GUARANTEE

SPOTTING FAKES

WARNING! FAKE CUBAN CIGARS ON THE WEB!





OUR GUARANTEE

Unlike other cigar web sites that offer international delivery, we guarantee the receipt of our cigars. In the unlikely event that orders do not arrive, we offer a full and immediate refund to all customers, if a credit card purchase was made. Obviously, COD orders are not paid for until the product arrives.

USA CUSTOMERS

Our guarantee is valid for all customers on the planet, including the United States. We ship to every country without problem. However, we do need to remind US customers that Cuban products are not legal in the United States.

Reject Falsifications! Our experience has shown that 90% of the Cuban cigars sold in the U.S. are fake. We have visited other sites, and urge a strong BUYER BEWARE if you buy from them. There are sites all over the world that send fake cigars to the U.S. and elsewhere. "DRCIGAR" is one notorious site that sends fake cigars. There are many others. Sadly, the vast majority of auction sites sell fake cigars, and many retail shops in the U.S. have fakes. We have heard of many people who have a "source" ("Hey, friend, you wanna buy a...") for very cheap Cuban cigars--they always swear that they are getting the real thing--and in our experience we find that they are always buying fakes. The proliferation of fake cigars in Cuba is also amazing. Street sellers sell fakes to the tourists, the cigars make their way to your country, and you end up buying a terrible tasting cigar. If you are not purchasing from a La Casa Del Habano dealer you are risking buying fake cigars. Please be careful when attempting to buy the cheapest cigar you can find, you might be penny wise, but pound foolish. A true Cuban cigar is a rare and wonderful product.

ORDER/PRICES

HOME

best rollers in all of Cuba, unusual figurado shape, gorgeos oily wrappers, amazing smooth taste

IN STOCK for 3 day delvery

Price: $50.00 ***Sale Price: $30.00***
Shipping: $1.00
28 items in stock
Enter quantity
to cart

Part 089 - Bolivar Belicosos Finos
5 1/2 - 52 - Belicosos Finos (BOXES ONLY)
Price: $400.00 ***Sale Price: $350.00***
Shipping: $10.00
Item is on Backorder
Enter quantity
to cart

Part 002 - Cohiba Robustos
4 7/8" - 50 (BOXES ONLY)
Yes, they're expensive, but they're real...
Price: $600.00
Shipping: $10.00
Item is on Backorder
Enter quantity
to cart

Part D2 - Diplomatico No. 2
Torpedo - (BOXES ONLY)
In stock, Diplomatico No. 2's are difficult to find and famed for their flavor.
Price: $400.00
Shipping: $10.00
Item is on Backorder
Enter quantity
to cart

Part 004 - Hoyo De Monterrey Epicure No. 2
4 7/8" - 50 (Robustos)(BOXES ONLY)
The highest rated Cuban Robusto in the recent Cigar Aficianado magazine!

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Culbro Corporation

605 Third Avenue
New York, NY 10156
212/687-7575

Culbro

Thomas R. Westle
Legal Department

May 13, 1982

Rafael Jacobs, Esq.
Freint, Jacobs and Bell
22 E. Quackenbush Avenue
Dumont, New Jersey 07628

Re: Quackenbush Trading Co.
Appln. in the US Patent & Trademark Office
for COHIBA filed 1/11/82.

Dear Mr. Jacobs:

Pursuant to our telephone conversation of even date where we informed you of the existence of our United States trademark Registration No. 1,147,309 for COHIBA for cigars, we are enclosing a photocopy of the grant which you requested for verification.

Upon receipt of this proof, we ask that you desist in distributing any cigars bearing this trademark to avoid infringing the mark and to withdraw your application for the trademark in the United States Patent & Trademark Office to dispell any confusion as to who is the owner of the trademark and the source of the goods manufactured under same.

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 134

Very truly yours,

Thomas R. Westle

Thomas R. Westle, Esq.

CONFIDENTIAL

GC 000107

CONFIDENTIAL

P 0111

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex. 135 (D0135), GC 004557

Culbro Corporation

387 Park Avenue South
New York, NY 10016-8899
212/561-8700
Telex: 325896
Cable: CULBROCORP NYK

Ronald S. Milstein
Vice President
Assistant General Counsel
212/561-8731
FAX 212/561-8791

November 9, 1990

Mr. Henry Kelner
Tabacos Dominicano
Carretera Don Pedro
P.O. Box 1162
Santiago, Dominican Republic

Dear Mr. Kelner

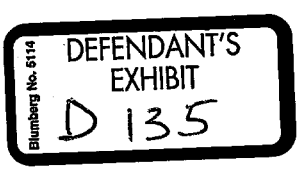
It has come to the attention of our General Cigar Co., Inc. subsidiary that your company is offering for sale cigars under the name "COHOBA". We have seen references to this brand in the International Tobacco Journal and other publications.

Please be advised that General Cigar Co., Inc. is the owner of the registered trademark for "COHIBA" for cigars (U.S. reg # 1,147,309, February 17, 1981). Your use of the name "COHOBA" infringes our considerable rights in that registration and that name is confusingly similar to our "COHIBA" cigar. Accordingly, we request that you discontinue use of that name immediately and advise us within thirty (30) days from the date of this letter that you have done so.

Very truly yours,

cc: David Burgh

m825



CONFIDENTIAL

GC 004557

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 136 (D0136), GC 006434-GC 006435

Culbro Corporation

387 Park Avenue South
New York, NY 10016-8899
212/561-8700
Telex: 325896
Cable: CULBROCORP NYK

A. Ross Wollen
Senior Vice President
General Counsel
212/561-8714
FAX: 212/561-8791

November 5, 1992

Mr. David Baxter
Hunters & Frankau Group Limited
30 St. James Street
London SW1A 1HB

Dear Mr. Baxter:

We have taken notice of the advertisement you ran in the premier issue of Cigar Aficionado Magazine for Cohiba brand cigars. We understand you ran this ad for Cubatabaco's Cohiba cigars.

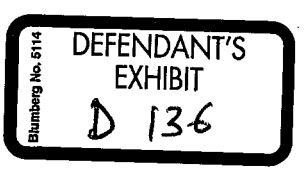
This will serve as our formal notice to you that General Cigar Co., Inc., a subsidiary of Culbro Corporation, as the owner of the trademark registration for Cohiba in the United States (the "Mark"), objects to your unauthorized use of our valuable mark. Continued unauthorized use may result in damage to our rights in this Mark and will not be tolerated. A copy of the trademark registration, Reg. No. 1,147,309, is enclosed for your consideration.

Please refrain from using the mark in any manner in the United States or in any magazine, journal, or any other media which may appear in the United States.

Very truly yours,

A Ross Wollen

m2207



All Entries MUST be in Ball Point or Typed

REGISTERED NO. R. 364 701 581

POSTMARK OF

Post Office Completion

Reg. Fee	$ 4.40	Special Delivery	$
Handling Charge	$	Return Receipt	$ 1.00
Postage	$ .50	Restricted Delivery	$
Received by		☐ Intl	

Customer Completion *(Please Print)*

Customer must declare Full value $

☐ With Postal Insurance ☐ Without Postal Insurance $25,000 Domestic Ins. Limit

FROM
Wollen c/o CULBRO
387 Park Avenue South
NY NY 10016
ZIP CODE

TO
BAXTER / Hunters + Frankau
30 St James Street
London SW1A 1HB
ZIP CODE

PS FORM 3806 July 1983 **RECEIPT FOR REGISTERED MAIL** *(Customer Copy)*
(See Information on Reverse)

GC 006433

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 137 (D0137), GC 004880-GC 004881

16-18 Hurlingham Business Park
Sulivan Road
London SW6 3DU

Tel: 071-736 8533
Fax: 071-371 0374
Telex: 8811125

Incorporating Knight Brothers Cigar Shippers

Importers of Fine Cigars

FAX MESSAGE

To: M.Shanken Communications Inc.
From: David Baxter
For the attention of: Marvin Shanken
Date: 13.11.92
Fax Number: 0101 212 684 5374
No. of pages (including this) Two

Dear Marvin,

COHIBA

I enclose a copy of the formal notice we have received from CULBRO Corporation objecting to "our" unauthorized use of their trademark in the first issue of CIGAR AFICIONADO magazine.

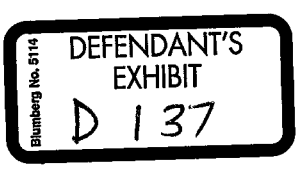
Clearly, this advertisment or, indeed, any other for COHIBA must not be repeated in your magazine and our company has no intention of being party to any further advertising of the COHIBA brand in the United States.

If, as we are given to understand, you are running the advertisement again in the second edition of CIGAR AFICIONADO it must be understood by all concerned that it is nothing to do with this company.

Best Regards.

David Baxter

DAVID BAXTER
Managing Director.



HUNTERS FRANKAU
EST. 1790
Incorporating Knight Brothers Cigar Shippers

HUNTERS & FRANKAU
Importers of Fine Cigars
Huntingdon Business Park, Sunwell Road, London SW6 2LQ [illegible]
Facsimile 071-371 0374 Telex: [illegible]

16th November 1992.

Mr. A. Ross Wollen,
Culbro Corporation,
387 Park Avenue South,
New York,
NY 10016 - 8899,
U.S.A.

Dear Mr. Wollen,

COHIBA

I acknowledge your letter dated 5th November 1992 and confirm that the contents have been noted.

For the record, I enclose a copy of a faxed communication we sent to the publisher of Cigar Aficionado immediately upon receipt of your notice.

Yours sincerely,

DAVID BAXTER
Managing Director.

GC 004881

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 138 (D0138), GC 007582-GC 007583

Culbro Corporation

387 Park Avenue South
New York, NY 10016-8899
212/561-8700
Telex: 325896
Cable: CULBROCORP NYK

A. Ross Wollen
Senior Vice President
General Counsel
212/561-8714
FAX: 212/561-8791

August 24, 1993

Marvin R. Shanken
Editor and Publisher
Cigar Aficionado
M. Shanken Communications, Inc.
387 Park Avenue South
New York, NY 10016

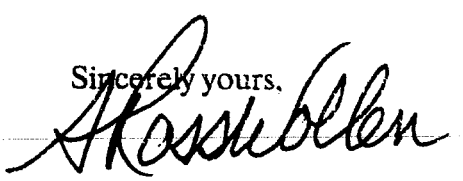
Dear Marvin:

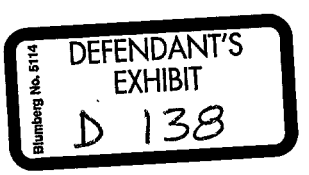
You may recall my letter to you late last year (attached) about the Cohiba brand which, as you know, General Cigar owns in the United States. Edgar and I noted that a similar, but less pronounced, Cohiba Cigar Divan advertisement ran on page 123 of your Autumn 1993 **Aficionado**. We must and do protest this misuse of our brand name by someone not licensed by us in a publication distributed in the United States as continued use in this fashion could impair our trademark.

If the ads are not to be eliminated entirely, we would like to discuss with you the use of a footnote-type warning/notice stating that the mark is owned by General Cigar in the United States.

Best regards and congratulations on another fine edition of the **Aficionado**.

Sincerely yours,





ah/5611
attachment

Culbro Corporation

387 Park Avenue South
New York, NY 10016-8899
212/561-8700
Telex: 325896
Cable: CULBROCORP NYK

A. Ross Wollen
Senior Vice President
General Counsel
212/561-8714
FAX: 212/561-8791

December 1, 1992

Marvin R. Shanken
Editor and Publisher
Cigar Aficionado
M. Shanken Communications, Inc.
387 Park Avenue South
New York, NY 10016

Dear Marvin:

I know you received a copy of my letter to David Baxter of Hunters & Frankau relating to the Cohiba advertisement. I thanked him for his prompt response (see attached).

We are also concerned about the "Cohiba Cigar Divan" advertisement which ran on page 89 of your Winter 1992/93 (Vol 1 No. 2) edition of the Cigar Aficionado. Obviously, we have no right to say what can or cannot be advertised or sold in Hong Kong's Mandarin Hotel (where I once spent one of the best weeks of my life after 9 months in Viet Nam). But any Cohiba ad that runs in the United States, that is not sponsored or licensed by General Cigar, threatens our trademark.

Would it be possible to run these Cohiba ads only overseas? Failing that we must object to the Cigar Aficionado running any further Cohiba advertisements without our express written consent.

Sincerely yours,

ah/5236
Attachment as indicated

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 139 (D0139), GC 005463

4/26/94
FAX: EMC, Sr.
EMC, Jr.
RW

Thx Ross: we should revise and send him and maybe another letter.
ATM

COPY

September 21, 1993

Havana House Cigar & Tobacco Merchants Ltd.
Hazelton Lanew
87 Avenue Road
Toronto, Canada

Dear Sir:

It has come to our attention that you intend to advertise Cohiba brand cigars manufactured by Cubatabaco and bearing the trademark Cohiba registered by Empresa Cubana del Tobaco in Canada, in the forthcoming issue of Cigar Aficionado Magazine. As you must know, Cigar Aficionado is distributed principally in the United States.

This will serve as our formal notice to you that General Cigar Co., Inc., a subsidiary of Culbro Corporation, as the owner of the trademark registration for Cohiba in the United States (the "Mark"), objects to your unauthorized use of our valuable mark. Continued unauthorized use of the Mark may result in damage to our rights in this Mark and will not be tolerated. Please be assured that unless you refrain from using the Mark in any manner in the United States or in any magazine, journal, or any other media which may appear in the United States we will take whatever action may be necessary to protect our registration, including the imposition of an injunction against publicatgion pursuant to 15 U.S.C. §1114.

A copy of the trademark registration, Reg. No.1,147,309, is enclosed for your consideration.

Very truly yours,

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 139

ah/5744
Attachment

CONFIDENTIAL

GC 004563

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 140 (D0140), GC 006001-GC 006002

Culbro Corporation

387 Park Avenue South
New York, NY 10016-8899
212/561-8700
Telex: 325896
Cable: CULBROCORP NYK

Ronald S. Milstein
Vice President
Assistant General Counsel
212/561-8731
FAX 212/561-8791

October 21, 1993

Certified Mail - Return Receipt Requested

Mr. Filiberto Marimon
Flor Cubana Enterprises, Inc.
200 Southwest 61st Avenue
Miami, Florida 33144

Dear Mr. Marimon:

I represent General Cigar Co., Inc., a subsidiary of Culbro Corporation. General Cigar is the owner of United States Trademark Registration No. 1147309 for COHIBA cigars, a copy of which is enclosed.

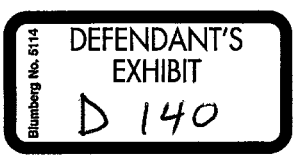
We have learned that you are preparing to import cigars for sale in the United States under the name COHIBA. Such action will infringe our exclusive rights to this mark.

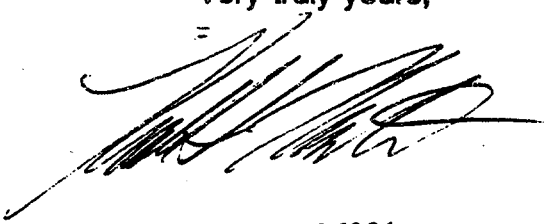
We note your fax of October 19, 1993 enclosing a copy of the State of Florida Department of State Certificate of Registration for COHIBA and Design. It is our position that our federal registration is superior to your state registration and takes priority over such registration. Therefore, your state registration serves as no defense to your unauthorized use of our mark.

You are hereby notified to cease and desist your efforts to import, sell or distribute cigars under the name COHIBA in the United States. General Cigar is prepared to take whatever legal , action may be necessary to protect its valuable trademark, including the commencement of an action for trademark infringement.

Very truly yours,

cc: David Burgh
Austin McNamara
/RSM748/





Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,147,309

Registered Feb. 17, 1981

United States Patent and Trademark Office

TRADEMARK
Principal Register

COHIBA

Culbro Corporation (New York corporation)
605 3rd Ave.
New York, N.Y. 10016

For: CIGARS, in CLASS 34 (U.S. Cl. 17).
First use Feb. 13, 1978; in commerce Feb. 13, 1978.

Ser. No. 161,879, filed Mar. 13, 1978.

DAVID C. REIHNER, Primary Examiner

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 141 (D0141), GC 005998-GC 006000

CASTILLO, SCHWEIGER & STAFFORD
ATTORNEYS AND COUNSELORS AT LAW
TENTH FLOOR, SUITE 1000
999 PONCE DE LEON BOULEVARD
MIAMI (CORAL GABLES), FLORIDA 33134

ANGEL CASTILLO, JR.
MARIAN A. SCHWEIGER
STORMIE STAFFORD

TELEPHONE (305) 445-0044
FAX (305) 445-7964
TELEX 285925 BRIC UR

November 2, 1993

Via FAX (212) 561-8791 (1 page)

Ronald S. Milstein, Esquire
Vice President and
Assistant General Counsel
Culbro Corporation
387 Park Avenue South
New York, New York 10016-8899

Dear Mr. Milstein:

We are counsel to Flor Cubana Enterprises, Inc., a Florida corporation ("Flor Cubana") which owns the trademark "Cohiba" for its cigars and related tobacco products. As you already have been informed, our client has been marketing and selling its products in Florida and elsewhere for more than one year using the mark "Cohiba," and has registered the mark in the State of Florida in accordance with Chapter 495, Florida Statutes.

Your letter to our client dated October 21, 1993 on behalf of your employer, Culbro Corporation ("Culbro") has been referred to us for this response, and our client has requested that we transmit to you the following comments.

Our client is unable to immediately accept at face value your argument that Flor Cubana cannot use the trademark "Cohiba" in commerce within the United States on the grounds that General Cigar Co., Inc. ("General Cigar") "is the owner" of the February 17, 1981 federal registration you provided to our client, which is in the name of Culbro, as it is our client's understanding that neither General Cigar nor Culbro has ever used the trademark "Cohiba" on cigars in commerce within the United States or, alternatively, if it ever did use it, has stopped using it and is not presently using it under circumstances indicating voluntary abandonment of the mark in this country. Should you be able to provide me further information regarding these issues I will be in a better position to advise our client further as to what position it should take in this matter, which our client wishes to resolve amicably.

Thanking you for your consideration and response, I am,

Very truly yours,

Angel Castillo, Jr.

Angel Castillo, Jr.
AC:me

By Certified Mail,
Return Receipt Requested
Item No. P 099 376 239
(November 10, 1993)

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 141

State of Florida

Department of State

I certify from the records of this office that FLOR CUBANA ENTERPRISES, INC., A FLA. CORP, 135 SW 57TH AVENUE, MIAMI, FL 33144 has registered COHIBA & Design to be used as a mark under class(es) 0034. Said mark was first used anywhere October 1, 1992 and was first used in Florida October 1, 1992.

I further certify that said mark was registered in this office on January 11, 1993 and its date of expiration is January 11, 2003.

The number of this mark is T93000000009.

I will also like to notify you that the address has been change The new adress is 200 SW 61 ave Miami Fl, 33144

Given under my hand and the Great Seal of the State of Florida, at Tallahassee, the Capital, this the Eleventh day of January, 1993

GREAT SEAL OF THE STATE OF FLORIDA

Jim Smith

Jim Smith

GC 005998

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 143 (D0143), GC 004855

Culbro Corporation

387 Park Avenue South
New York, NY 10016-8899
212/561-8700
Telex: 325896
Cable: CULBROCORP NYK

Ronald S. Milstein
Vice President
Assistant General Counsel
212/561-8731
FAX 212/561-8791

January 24, 1994

Registered Mail

Angel Castillo, Jr., Esq.
Castillo, Schweiger & Stafford
Tenth Floor - Suite 1000
999 Ponce DeLeon Boulevard
Miami (Coral Gables), Florida 33134

Re: "COHIBA"

Dear Mr. Castillo:

This will confirm today's conversation wherein you advised me that you received my correspondence of December 22, 1993 relating to the above referenced matter and have forwarded same to your clients for response.

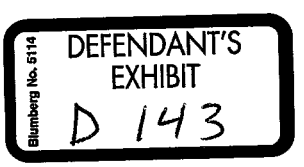
You are hereby notified that General Cigar Co., Inc. will commence suit against your client unless we can amicably resolve this matter before February 1, 1994.

Thank you for your attention.

Very truly yours,

cc: David Burgh
A. Rose Wollen

/RSM916/



CONFIDENTIAL

GC 004855

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Defs Ex 145 (D0145), GC 005950

Culbro Corporation

387 Park Avenue South
New York, NY 10016-8899
212/561-8700
Telex: 325896
Cable: CULBROCORP NYK

A. Ross Wollen
Senior Vice President
General Counsel
212/561-8714
FAX: 212/561-8791

October 10, 1995

Julio Perez Gonzalez
Calle El Conde No. 109
Zona Colonia
Santo Domingo, CN
Republica Dominicana

Dear Mr. Gonzalez:

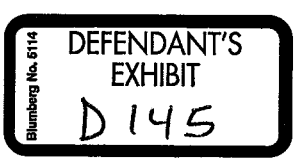
On behalf of our General Cigar subsidiary I have requested our trademark counsel, Morgan & Finnegan, to write you with respect to your reported use of General Cigar's COHIBA trademark in the United States on merchandise you are trying to market here. You should be hearing from them shortly.

My purpose in writing is to address one aspect of such use reported to me by General Cigar. You are reported to have represented your authority to use the COHIBA brand in the United States as being pursuant to some arrangement with the Cuban Government and/or CUBATABAC and/or Habanas S.A. or its present or former president. You should be aware that such arrangement, to be effective in the United States, must certainly violate the Trading With the Enemy Act; the Cuban Democracy Act of 1992; and/or the Department of Treasury (Office of Foreign Assets Control) Cuban Assets Control Regulations. Such Regulations are found at 31 CFR 515 and I strongly urge you to consult your legal counsel as to such Regulations and this purported authority to use the COHIBA trademark in the United States.

Very truly yours,

A Ross Wollen

ah/6985
cf: Vincent Romero Butten Y Asociados
Taromang #1 70-A
Calle Cesar Nicolas Penson
Ensanche Gascue
Santo Dominigo, DN



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

In the matter of Trademark Registration No. 1147309
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PARTY: RESPONDENT

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Defs Ex 146 (D0146), GC 005946-GC 005949

MORGAN & FINNEGAN, L.L.P.

A Registered Limited Liability Partnership

345 PARK AVENUE
NEW YORK, NEW YORK 10154-0053

TEL.: (212) 758-4800
TELEX 421792
FACSIMILE: (212) 751-6849

WASHINGTON OFFICE
1299 PENNSYLVANIA AVENUE, N.W.
SUITE 960
WASHINGTON, D.C. 20004
TEL.: (202) 857-7887
FACSIMILE: (202) 857-7929

WRITER'S DIRECT DIAL NUMBER:
(212) 415-8543

JOHN D. FOLEY
JOHN A. DIAZ
THOMAS P. DOWLING
JOHN C. VASSIL
WARREN H. ROTERT
ALFRED P. EWERT†
DAVID H. PFEFFER
HARRY C. MARCUS
ROBERT E. PAULSON
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NED W. BRANTHOVER
COUNSEL

RESIDENT PARTNERS IN WASHINGTON
HARRY F. MANBECK, JR.*†
FREDERICK F. CALVETTI†

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1939-1994

THOMAS M. HAMMOND*†
EUGENE C. RZUCIDLO*†
ANDREW M. RIDDLES
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EDWARD A. PENNINGTON*†
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CAROL GRUPPI, Ph.D.
RICHARD W. BORK, Ph.D.

FOREIGN LAW ADVISOR
RYOSUKE FUJIMOTO

* NOT ADMITTED IN NEW YORK
† ADMITTED IN WASHINGTON, D.C.

October 18, 1995

VIA FEDERAL EXPRESS

Mr. Julio Perez Gonzalez, President
Montecristi De Tabacos, C.X.A.
Calle El Conde No. 109
Zona Colonia
Santo Domingo, CN
Republica Dominicana

Dear Mr. Gonzalez:

Our client, General Cigar Co., Inc., has informed us that it has come to their attention that your company is offering for sale in the United States cigars bearing the trademark COHIBA.

For many years, General Cigar Co., Inc. and its predecessors in interest have used the registered mark COHIBA on cigars sold in the United States. This trademark is widely and favorably known to consumers in this country as designating goods originating exclusively from General Cigar Co., Inc. Enclosed for your reference are copies of United States Reg. Nos. 1,147,309 and 1,898,273 for the mark COHIBA, both of which are owned by General Cigar.

Your use of the mark COHIBA in the United States is likely to cause confusion, mistake or deception in that purchasers of your goods may be led, by reason of the identity of the marks and goods, to believe that your COHIBA products emanate from

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 146

General Cigar or from a company affiliated or otherwise related to our client. In addition, your use of the mark in the United States will dilute the distinctive quality of our client's mark, thus injuring our client's trademark rights and goodwill in the COHIBA mark in the United States.

For the foregoing reasons, we must insist that you terminate promptly all uses of the mark COHIBA in the United States, including the offering of cigars bearing the mark COHIBA for sale in the United States.

We look forward to your prompt assurance that you will abide by our client's request.

Very truly yours,

Scott Greenberg

SG:cm
Encl.
cc: General Cigar Co., Inc.

183077_1

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,147,309

United States Patent and Trademark Office

Registered Feb. 17, 1981

TRADEMARK
Principal Register

COHIBA

Culbro Corporation (New York corporation)
605 3rd Ave.
New York, N.Y. 10016

For: CIGARS, in CLASS 34 (U.S. Cl. 17).
First use Feb. 13, 1978; in commerce Feb. 13, 1978.

Ser. No. 161,879, filed Mar. 13, 1978.

DAVID C. REIHNER, Primary Examiner

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,898,273

United States Patent and Trademark Office

Registered June 6, 1995

TRADEMARK
PRINCIPAL REGISTER

COHIBA

GENERAL CIGAR CO., INC. (DELAWARE CORPORATION)
320 WEST NEWBERRY ROAD
BLOOMFIELD, CT 06002

FOR: CIGARS, IN CLASS 34 (U.S. CL. 17).
FIRST USE 12-0-1992; IN COMMERCE 12-0-1992, FIRST USED IN COMMERCE IN ANOTHER FORM IN FEBRUARY 1978.

OWNER OF U.S. REG. NO. 1,147,309.
UPON INFORMATION AND BELIEF, "COHIBA" IS A CONJUGATIVE FORM OF THE SPANISH WORD "COHIBIR", WHICH MEANS "TO RESTRAIN" OR "COHIBIT".

SN 74-344,349, FILED 12-30-1992.

R. G. COLE, EXAMINING ATTORNEY

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

In the matter of Trademark Registration No. 1147309
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Date registered: February 17, 1981

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EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 149 (D0147), GC 006007-GC 006008

ALFRED DUNHILL

ESTABLISHED 1893

March 7, 1996

REDACTED

Mr. Austin McNamara
President/CEO
General Cigar Co Inc.
320 West Newberry Road
Bloomfield, CT 06002-1398

Dear Austin,

I recently circulated a note to our stores regarding counterfeit Dominican Cohiba and Montecristo cigar products that have begun to appear in the marketplace. I have attached my communication for your information.

Peter Katz has brought to my attention two boxes of Dominican Cohiba made by Monte Cristi de Tabacos that were found in a customer locker downstairs. We do not know how or when these were brought in to the store, but the individual who had been purchasing cigars from us for his establishment has been informed that we will no longer trade with him. I have attached copies of box tops and bottoms in case you have not seen these products before. The cigars do bear the white, gold, black Cuban style band.

I know that Mr. DiMeola has taken legal action in the past against this company in the Domincan Republic relating to the Montecristo brand. I understand that cease and desist mandates had been given by the government, but mysteriously that mandate was subsequently reversed.

You should be aware that I took a call from a representative of Commonwealth Crossings who wanted to sell me these same Dominican Cohiba a few weeks ago. I asked for samples and information to be sent, but have not received anything. I am sure that they got wise after the call.

If this same individual is cold calling the RTDA list to solicit business this problem could grow in magnitude very quickly.

A potentially more damaging issue for General is that the individual from Commonwealth claimed to be an agent/distributor of several other brands including Macanudo. He could be sourcing legitimate Macanudo product from a distributor, or knocking off. I am not sure.

I strongly believe that we have a shared in interest in routing out these individuals and products. Clearly, with the nature of the business, problems like these are not going to go away completely, but I am personally committed to vigorously pursuing any situation like this that crosses my path.

I would appreciate any feedback for information that you could share about any plans that General has or may develop to pursue these matters in the future. If there is anything that Alfred Dunhill can do to assist you in the process, all you need to do is let us know.

Regards,

Marc Perez

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 147

ALFRED DUNHILL OF LONDON INC
EXECUTIVE OFFICE
450 PARK NEW YORK NY 10022

ALFRED DUNHILL

ESTABLISHED 1893

A SPECIAL NOTE ON MONTECRISTO AND COHIBA

There is a company in Santo Domingo producing counterfeit Dominican Cohiba and Montecristo cigars. The Cohiba box is close to the Cuban style box in styling. The Dominican Republic does not import Cuban products so anyone who tells you that they have Cohiba produced for the Dominican market is blowing smoke.

Consolidated has already taken action against this company in the Dominican Republic. However, I know that more of this product will illegally make its way in to the U.S.

I would greatly appreciate it for everyone to be on the lookout for these counterfeit products in the marketplace. Cohiba or Montecristo cigars in a store with packaging that does not match what you are familiar with are bogus.

If you see counterfeit product, please let me know right away. I will inform the manufacturers so that they can take action.

If you are solicited in our store, I would like for you to try to obtain any collateral that you can get. Price lists, business cards, brochures, promotional items, samples, box packaging, etc. Please forward any items to me ASAP.

As the primary retail outlet of these brands we clearly have a vested interest in helping our manufacturers protect their trademarks.

There is a company in Texas that I believe is called Commonwealth Crossings which is acting as the entry/distribution point for these products. I would appreciate it if anyone hears of details relating to this company and their business that I be notified immediately.

ALFRED DUNHILL OF LONDON INC
EXECUTIVE OFFICE
450 PARK NEW YORK NY 10022

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

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Defs Ex 148 (D0148), GC 006009

MAR 12 1996

ALFRED DUNHILL

ESTABLISHED 1893

FACSIMILE

ATTENTION OF	Austin Mc Namara	FROM	Marc Perez
COMPANY	General Cigar	DATE	March 12, 1996
FAX NUMBER	203-769-3675	FROM DIRECT FAX NO.	(212) 750-8841
COPY TO	Distribution	PAGE 1 OF 1	

RE: Counterfeit Cohiba

Please be advised that a customer has informed our Beverly Hills store that a Tinder Box in West LA is carrying the counterfeit Cohiba product detailed to you in my letter of 7th March.

It was somewhat fortunate for us that our sales associate who took the phone call from the customer had just read my memo to the stores regarding this issue, and so he was able to explain the situation to the customer.

As we are the retail outlet for this brand in the marketplace at this point, it is inevitable that questions from consumers concerning the brand will continue to be directed our way. It pays to be informed so one can respond intelligently in a situation like this.

I will pass along any other information as I receive it.

If you would like me to route this information through another individual within General Cigar, please let me know.

Regards,

Marc Perez

Distribution:

REDACTED

David Salz
Charlotte Dyslin
Michael Hatch

DEFENDANT'S EXHIBIT D 148

Blumberg No. 5114

ALFRED DUNHILL OF LONDON INC
EXECUTIVE OFFICE

GC 006009

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

In the matter of Trademark Registration No. 1147309
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Date registered: February 17, 1981

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Defs Ex 149 (D0149), BM 00190-BM 00193

MORGAN & FINNEGAN, L.L.P.
A Registered Limited Liability Partnership
345 PARK AVENUE
NEW YORK, NEW YORK 10154-0053
TEL. (212) 758-4800
TELEX 421792
FACSIMILE (212) 751-6849

WASHINGTON OFFICE
1300 PENNSYLVANIA AVENUE, N.W.
SUITE 860
WASHINGTON, D.C. 20004
TEL. (202) 857-7887
FACSIMILE (202) 857-7929

WRITER'S DIRECT DIAL NUMBER:
(212) 415-8543

JOHN D. FOLEY
JOHN A. DIAZ
THOMAS R. DOWLING
JOHN C. VASSIL
WARREN K. ROTERT
ALFRED P. EWERT*
DAVID H. PFEFFER
HARRY C. MARCUS
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1893-1939

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1939-1964

RESIDENT PARTNERS IN WASHINGTON
HARRY F. MANBECK, JR.*†
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CAROL GRUPPI, PH.D.
RICHARD W. BORK, PH.D.

FOREIGN LAW ADVISOR
RYOSUKE FUJIMOTO

* NOT ADMITTED IN NEW YORK
† ADMITTED IN WASHINGTON, D.C.

March 18, 1996

VIA EXPRESS MAIL - R.R.R.

S.S. Cigarros Co.
19360 Rinaldi Street, #301
Northridge, CA 91326
ATTN: Mr. Kevork Voskericyan

Dear Mr. Voskericyan:

Our client, General Cigar Co., Inc., has informed us that it has come to their attention that your company is offering for sale in the United States cigars bearing the trademark COHIBA.

For many years, General Cigar Co., Inc. and its predecessors in interest have used the registered mark COHIBA on cigars sold in the United States. This trademark is widely and favorably known to consumers in this country as designating goods originating exclusively from General Cigar Co., Inc. Enclosed for your reference are copies of United States Reg. Nos. 1,147,309 and 1,898,273 for the mark COHIBA, both of which are owned by General Cigar.

Your use of the mark COHIBA in the United States is likely to cause confusion, mistake or deception in that purchasers of your goods may be led, by reason of the identity of the marks and goods, to believe that your COHIBA products emanate from General Cigar or from a company affiliated or otherwise related to our client. In addition,

213061

Confidential
Under Protective Order
BM 00190

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 149

MORGAN & FINNEGAN, L.L.P.

your use of the mark in the United States will dilute the distinctive quality of our client's mark, thus injuring our client's trademark rights and goodwill in the COHIBA mark in the United States.

For the foregoing reasons, we must insist that you terminate promptly all uses of the mark COHIBA in the United States, including the offering of cigars bearing the mark COHIBA for sale in the United States.

We look forward to your prompt assurance that you will abide by our client's request.

Very truly yours,

Scott Greenberg

SG:hg
Encl.

cc: General Cigar Co., Inc.

219081

Confidential
Under Protective Order
BM 00191

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,898,273

United States Patent and Trademark Office

Registered June 6, 1995

TRADEMARK
PRINCIPAL REGISTER

COHIBA

GENERAL CIGAR CO., INC (DELAWARE CORPORATION)
320 WEST NEWBERRY ROAD
BLOOMFIELD, CT 06002

FOR: CIGARS, IN CLASS 34 (U.S. CL. 17).
FIRST USE 12-0-1992; IN COMMERCE 12-0-1992, FIRST USED IN COMMERCE IN ANOTHER FORM IN FEBRUARY 1978.

OWNER OF U.S REG. NO. 1,147,309.
UPON INFORMATION AND BELIEF, "COHIBA" IS A CONJUGATIVE FORM OF THE SPANISH WORD "COHIBIR", WHICH MEANS "TO RESTRAIN" OR "COHIBIT"

SN 74-344,349, FILED 12-30-1992

R. G COLE, EXAMINING ATTORNEY

REDACT

Confidential
Under Protective Order
BM 00192

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,147,309

Registered Feb. 17, 1981

United States Patent and Trademark Office

TRADEMARK
Principal Register

COHIBA

Culbro Corporation (New York corporation)
605 3rd Ave
New York, N Y 10016

For CIGARS, in CLASS 34 (U.S. Cl. 17).
First use Feb. 13, 1978; in commerce Feb 13, 1978.

Ser No 161 879, filed Mar. 13, 1978

DAVID C. REIHNER Primary Examiner

REDACT

Confidential
Under Protective Order
BM 00193

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 150 (D0150), GC 007789

ALFRED DUNHILL

ESTABLISHED 1893

FACSIMILE

ATTENTION OF	A. Ross Wollen	FROM	Marc Perez
COMPANY	Culbro	DATE	April 11, 1996
FAX NUMBER	212-561-8791	FROM DIRECT FAX NO.	(212) 750-8841
COPY TO	Distribution	PAGE 1 OF 1	

Thank you for your letter of March 21.

Please be advised that Cigar Cellar in La Jolla, CA is selling the illegal Cohibas and recently purported them to be the 'real' (Cuban) Cohiba to one of our staff.

Mr. Zimmerman to whom I had written a letter concerning this product called me today. He reported that his friend (who he says is in the cigar industry) still maintains that the banded Cohiba in question was a General Cigar product. Unfortunaely, he was not inclined to offer the name of this individual.

I did speak with Brandon Vaughn from Cigar Insider yesterday, and provided him with information relating to my experience with illegal Cohiba. I did ask that he refrain from using my name or Alfred Dunhill as a source of any of this information, and that if he were to use Alfred Dunhill at all that the company name only be mentioned as a retailer of the legal product from General Cigar.

I will continue to foward this information to you as it comes up.

Regards,

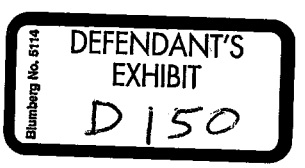
Marc Perez

REDACTED

Distribution:

David Salz
Charlotte Dyslin
Austin McNamara

ALFRED DUNHILL OF LONDON INC
EXECUTIVE OFFICE



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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 151 (D0151), GC 000511

General Cigar Co., Inc.

320 West Newberry Road
Bloomfield, CT 06002-1398
860/769-3600
Telex: 325896
Cable: CULBROCORP NYK

a company of
Culbro Corporation
Culbro

MEMORANDUM

TO: John Rano

FROM: Carol

DATE: May 29, 1996\

SUBJECT: Cohiba

Just for your information, we were informed today by one of our sales people that a smoke shop exists as follows:

Cohiba Tobacconist
110E. Broadway
Long Beach, CA 90802

Tel: (310) 491-5220

cc: Mike Conder

6/5
Carol,
Please cc. Ross Weller at Culbro

CONFIDENTIAL

DEFENDANT'S EXHIBIT
D 151
Blumberg No. 5114

GC 000511

RETAX ENJOY • A • CIGAR

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
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Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 152 (D0152), GC 000282-GC 000283, P 0301-P 0302

MORGAN & FINNEGAN, L.L.P.

A Registered Limited Liability Partnership

345 PARK AVENUE
NEW YORK, NEW YORK 10154-0053

TEL.: (212) 758-4800
TELEX 421792
FACSIMILE: (212) 751-6849

WASHINGTON OFFICE
1299 PENNSYLVANIA AVENUE, N.W.
SUITE 960
WASHINGTON, D.C. 20004
TEL.: (202) 857-7887
FACSIMILE: (202) 857-7929

WRITER'S DIRECT DIAL NUMBER:

(212) 415-8543

JOHN D. FOLEY
JOHN A. DIAZ
THOMAS P. DOWLING
JOHN C. VASSIL
WARREN H. ROTERT
ALFRED P. EWERT†
DAVID H. PFEFFER
HARRY C. MARCUS
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GEORGE B. FINNEGAN, JR.
JEROME G. LEE
ROGER S. SMITH
THOMAS I. O'BRIEN
RICHARD C. WITTE*
JOHN P. SINNOTT
NED W. BRANTHOVER
EUGENE C. RZUCIDLO*†
COUNSEL

RESIDENT PARTNERS IN WASHINGTON
HARRY F. MANBECK, JR.*†
EDWARD A. PENNINGTON*†

JOHN D. MORGAN
1893-1939

HOBART N. DURHAM
1930-1969

GRANVILLE M. PINE
1939-1994

THOMAS M. HAMMOND*†
SCOTT D. GREENBERG
MARK LEE HOGGE*†
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BRUCE D. RADIN
ANDREA L. WAYDA
ELAINE J. KAMAN
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JOHN W. OSBORNE
MICHAEL S. MARCUS*†
RICHARD K. WARTHER
MICHAEL M. MURRAY*
CINDY M. ZELSON
LEIF R. SIGMOND, JR.*
LAURENCE J. BROMBERG
JEAN E. SHIMOTAKE†

M. CARAGH NOONE†
WALTER G. HANCHUK†
JEFFREY J. OELKE
OLIVER A. ZITZMANN
SCOTT B. HOWARD
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BRUNO POLITO
JAMES R. HASTINGS
BRENDA POMERANCE
CHRISTOPHER J. HAMATY*
KATHRYN E. DIAZ*
ALANA G. FIRESTER

SCIENTIFIC ADVISORS
KATHRYN M. BROWN, Ph.D.
LESLIE A. SERUNIAN, Ph.D.
DOROTHY R. AUTH, Ph.D.
DAVID V. ROSSI, Ph.D.
CAROL GRUPPI, Ph.D.
RICHARD W. BORK, Ph.D.

*NOT ADMITTED IN NEW YORK
†ADMITTED IN WASHINGTON, D.C.

FOREIGN LAW ADVISOR
RYOSUKE FUJIMOTO

June 10, 1996

VIA EXPRESS MAIL - R.R.R.

EG581519551US

Stephen A. Schorr, Esq.
Korman, Schorr & Wagenheim, P.A.
Suite 400 The Dart Building
2101 North Andrews Avenue
Fort Lauderdale, Florida 33311

Re: Infringement of COHIBA Trademark By Southeast Cigar, Inc.

Dear Mr. Schorr:

Our client, General Cigar Co., Inc., has informed us that it has come to their attention that your client, Southeast Cigar, Inc. of Boca Raton, Florida, is offering for sale in the United States cigars bearing the trademark COHIBA.

For many years, General Cigar Co., Inc. and its predecessors in interest have used the registered mark COHIBA on cigars sold in the United States. This trademark is widely and favorably known to consumers in this country as designating goods originating exclusively from General Cigar Co., Inc. Enclosed for your reference are copies of United States Reg. Nos. 1,147,309 and 1,898,273 for the mark COHIBA, both of which are owned by General Cigar.

230571_1

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D152

Your client's use of the mark COHIBA in the United States is likely to cause confusion, mistake or deception in that purchasers of your client's goods may be led, by reason of the identity of the marks and goods, to believe that the COHIBA products sold by Southeast Cigar, Inc. emanate from General Cigar or from a company affiliated or otherwise related to our client. In addition, your client's use of the mark in the United States will dilute the distinctive quality of our client's mark, thus injuring our client's trademark rights and goodwill in the COHIBA mark in the United States.

For the foregoing reasons, we must insist that Southeast Cigar, Inc. terminate promptly all uses of the mark COHIBA in the United States, including the offering of cigars bearing the mark COHIBA for sale in the United States.

We look forward to your prompt assurance that your client will abide by our client's request.

Very truly yours,

Scott Greenberg

SG:cm
Encl.

cc: General Cigar Co., Inc.

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 153 (D0153), GC 000281, P 0300

LAW OFFICES
KORMAN, SCHORR & WAGENHEIM
PROFESSIONAL ASSOCIATION

DONALD G. KORMAN
STEPHEN A. SCHORR
RICHARD L. WAGENHEIM*
THOMAS S. EUSTIS
*BOARD CERTIFIED IN WORKERS' COMPENSATION

SUITE 400
THE DART BUILDING
2101 NORTH ANDREWS AVENUE
FORT LAUDERDALE, FLORIDA 33311
TELEPHONE (305) 564-4800
FAX (305) 564-5493

June 14, 1996

RECEIVED
JUN 20 1996
MORGAN & FINNEGAN

Scott Greenberg, Esquire
Morgan & Finnegan, L.L.P.
345 Park Avenue
New York, New York

Re: Infringement of Cohiba Trademark by Southeast Cigar, Inc.

Dear Mr. Greenberg:

Please allow this letter to serve as a response to your letter to me dated June 10, 1996 regarding infringement issues with Southeast Cigar, Inc.

Southeast Cigar, Inc. is no longer a viable business entity and has ceased all operations. As a result, Southeast Cigar, Inc. is not presently, and shall not in the future, use the mark "Cohiba."

Please rest assured that this matter can now be deemed a non-issue.

Sincerely,

STEPHEN A. SCHORR
For the Firm

SAS\cs

cc: Southeast Cigar, Inc.

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 153

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
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Date registered: June 6, 1995

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DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 154 (D0154), GC 007906

Cohiba

August 1, 1996

To Ross Wollen

From Maureen Wellington

Per Gary Blumenthal of Tinder Box and Mr. Seltzer of Villazon the following company sells the counterfeit Macanudos and Cohibas:

Don Alberto Cigars
540 Brickell Key Drive
Miami, FL 33131

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 154

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
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PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 155 (D0155), GC 004558-GC 004560

Las Vegas

Culbro Corporation

387 Park Avenue South
New York, NY 10016-8899
212/448-3800

A. Ross Wollen
Senior Vice President
General Counsel and Secretary
212/448-3820
FAX: 212/561-8791

September 18, 1996

Via Fax 808-593-8742

Mr. Stephen H. Sasaki
The Cohiba Pacific Club
1330 Ala Moana Boulevard
Honolulu, Hawaii 96814

Re: Cohiba Pacific Club

Dear Mr. Sasaki:

Mr. Edgar Cullman, Jr. asked me to respond immediately to your September 17, 1996 letter to him. I write on behalf of Culbro and its General Cigar subsidiary.

While we would normally wish you the very best of luck with your cigar club we must demand and insist that you cease all use of the name Cohiba in its name and on any product associated with the club as you propose to name it, unless such use is expressly permitted by General Cigar in a written license agreement.

General Cigar owns the United States rights and registrations for the COHIBA mark on cigars and related products. Enclosed are copies of United States Registrations Nos. 1,147,309 and 1,898,273 for the mark COHIBA, in typed letters and in special form, respectively, in connection with cigars. Also enclosed are copies of General Cigar's two pending United States applications for the mark COHIBA in connection with a wide array of other products, including smokers' accessories (Ser. Nos. 74-686,067 and 75-051,706; filed June 8, 1995 and February 1, 1996, respectively). General Cigar's predecessor's first use of the COHIBA mark in the United States was in 1978, and General Cigar's United States sales of cigars under the COHIBA mark in the last several years have totaled in the tens of thousands of dollars per year. Even Cubatabaco, which claims rights in the COHIBA mark in other

countries, has effectively acknowledged, on page 43 of an interview of then Director, Francisco Padron, appearing in the spring 1993 issue of Cigar Aficionado magazine, that General Cigar owns the United States rights in the COHIBA trademark and that any possible future use of the COHIBA mark in the United States by Cubatabaco would first require an assignment of rights from General Cigar.

You should know that we diligently enforce our valuable United States trademark rights in the COHIBA mark against unauthorized uses and/or attempts at registration in connection with cigars and related products or services. For example, in response to our objections, R&H Designs, Inc. of Chatsworth, California has expressly withdrawn all of its federal applications for marks containing or comprising the term "COHIBA" and has agreed to cease all use of "COHIBA". We have vigorously investigated and successfully shut down a number of other misuses of our COHIBA trademark in the U.S.

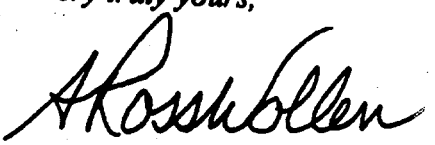
In short, General Cigar is the owner of valuable trademark rights in the United States for the mark COHIBA in connection with cigars and all related products.

In view of the foregoing, based on the information which you have provided, General Cigar objects to the planned use of the COHIBA trademark in the name of your club, on smoking accessories, logo apparel and, of course, on cigars. Based on information in your letter, your proposed use of the mark COHIBA in Hawaii is likely to cause confusion, mistake or deception as to source, sponsorship or affiliation with respect to said products and the COHIBA products sold in the United States by General Cigar.

As you probably are aware we have opened a Club Macanudo in New York City, named after one of our other registered cigar brand names. It is entirely possible we will open a Club Cohiba some day (and we certainly reserve the right to do so). You have no more right to open a Cohiba Club than a Club Macanudo. The same principles of trademark law apply in both cases, and preclude your use without a license agreement.

For the foregoing reasons, we must insist that you terminate all use or planned use of the COHIBA trademark in Hawaii or anywhere else in the United States. Please consult your attorney as to the seriousness of this matter.

Very truly yours,



A. Ross Wollen

ah/334

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
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PARTY: RESPONDENT

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Defs Ex 156 (D0156), GC 007692-GC 007695

TORKILDSON, KATZ, FONSECA, JAFFE, MOORE & HETHERINGTON

ATTORNEYS AT LAW — A LAW CORPORATION

Amfac Building
15th Floor
700 Bishop Street
Honolulu, HI 96813
(808) 523-6000

FAX (808) 523-6001

NEIGHBOR ISLAND OFFICES:

KAILUA-KONA
75-5706 Kuakini Highway
Suite 105
Kailua-Kona, HI 96740
(808) 329-8581
FAX (808) 329-3837

HILO
100 Pauahi Street #201
Hilo, HI 96720
(808) 961-0406
FAX (808) 935-6725

MAUI
2158 Main Street #105
Wailuku, Maui, HI 96793
(808) 242-9292

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TELECOPIER TRANSMITTAL

Date:	October 2, 1996
To:	A. Ross Wollen
Company:	Culbro Corporation
From:	Terrence M. Lee (Honolulu Office)
Our Telecopy No:	(808) 523-6001
Our Callback No:	(808) 523-6000
Your Telecopy No:	212-561-8791
Number of Pages:	4 (including cover page)
Description of document being transmitted:	Consent of the Board of Directors and Sole Shareholder; Articles of Amendment to Change Corporate Name

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If there are any problems receiving this message, please call and ask for: Ellen

Thank you.

COMMENTS: For your information.

DEFENDANT'S EXHIBIT D 156

Blumberg No. 6114

UNANIMOUS WRITTEN CONSENT OF THE BOARD OF DIRECTORS OF COHIBA PACIFIC CLUB, INC.

The undersigned, constituting all of the directors of COHIBA PACIFIC CLUB, INC., a Hawaii corporation (the "Corporation"), hereby adopt the following resolution by unanimous written consent in lieu of a meeting, as authorized by, in compliance with, and pursuant to Section 415-44 of the Hawaii Revised Statutes:

RESOLVED, that the Articles of Incorporation of Cohiba Pacific Club, Inc., be amended by deleting the name "Cohiba Pacific Club, Inc." wherever it appears in the Articles of Incorporation and inserting in lieu thereof the name "The Havana Pacific Club, Inc."

RESOLVED, that this proposed amendment to the Articles of Incorporation be submitted to the shareholders of Cohiba Pacific Club, Inc. for approval.

RESOLVED, FURTHER, that the President or any Vice President and the Secretary or any Assistant Secretary be and they hereby are authorized to file Articles of Amendment in the Department of Commerce and Consumer Affairs, State of Hawaii, and to sign such other documents and take such other action as said officers may deem necessary or desirable to effectuate the change of name of the Corporation.

DATED: Honolulu, Hawaii, October 1, 1996.

STEPHEN H. SASAKI

0163262.WP

Confidential:
Under Protective Order

UNANIMOUS WRITTEN CONSENT OF THE SOLE SHAREHOLDER OF COHIBA PACIFIC CLUB, INC.

The undersigned, being the sole shareholder of Cohiba Pacific Club, Inc., a Hawaii corporation (the "Corporation"), hereby adopt the following resolution by unanimous written consent in lieu of a meeting, as authorized by, in compliance with, and pursuant to Section 415-145 of the Hawaii Revised Statutes:

RESOLVED, that the Articles of Incorporation of Cohiba Pacific Club, Inc. be amended by deleting the name "Cohiba Pacific Club, Inc." wherever it appears in the Articles of Incorporation and inserting in lieu thereof the name "The Havana Pacific Club, Inc."

RESOLVED, FURTHER, that the President or any Vice President and the Secretary or any Assistant Secretary be and they hereby are authorized to file Articles of Amendment in the Department of Commerce and Consumer Affairs, State of Hawaii, and to sign such other documents and take such other action as said officers may deem necessary or desirable to effectuate the change of name of the Corporation.

DATED: Honolulu, Hawaii, October 1, 1996.

STEPHEN H. SASAKI

0163261.WP

Nonrefundable Filing Fee: $25.00
Submit Original and One True Copy

DOMESTIC PROFIT
NAME CHANGE ONLY

STATE OF HAWAII
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
Business Registration Division
1010 Richards Street
Mailing Address: P. O. Box 40, Honolulu, Hawaii 96810

ARTICLES OF AMENDMENT TO CHANGE CORPORATE NAME
(Section 415-61, Hawaii Revised Statutes)

The undersigned, duly authorized officers of the corporation submitting these Articles of Amendment, certify as follows:

1. The present name of the corporation is:

   COHIBA PACIFIC CLUB, INC.

2. The name of the corporation is changed to:

   THE HAVANA PACIFIC CLUB, INC.

3. Total number of shares outstanding is: 1,000.

4. If adoption of the amendment to change the corporate name was at a meeting, complete the following:

   The meeting of the shareholders was held on _____ (Month Day Year).

Class/Series	Number of Shares Voting For Amendment	Number of Shares Voting Against Amendment

5. If adoption of the amendment to change the corporate name was by unanimous written consent of the shareholders, complete the following:

   By written consent dated October (Month) 1 (Day) 1996 (Year), the shareholders unanimously adopted the amendment to change the corporate name.

We certify under the penalties of Section 415-136, Hawaii Revised Statutes, that we have read the above statements, and that the same are true and correct.

Witness our hands this 2nd day of October, 19 96.

Stephen H. Sasaki, President, Vice President, Secretary, Treasurer,
(Type/Print Name & Title) (Type/Print Name & Title)

(Signature of Officer) (Signature of Officer)

(See Reverse Side For Instructions)

D1-5
Rev. 4/86 AMD

B14 (Fee)
(W/SH)

GC 007695
Confidential:
Under Protective Order

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex (D0157), GC 000274-GC 000275, P 0293-P 0294

MORGAN & FINNEGAN, L.L.P.

A Registered Limited Liability Partnership

345 PARK AVENUE
NEW YORK, NEW YORK 10154-0053

TEL.: (212) 758-4800
TELEX 421792
FACSIMILE: (212) 751-6849

WASHINGTON OFFICE
1299 PENNSYLVANIA AVENUE, N.W.
SUITE 960
WASHINGTON, D.C. 20004
TEL.: (202) 857-7887
FACSIMILE: (202) 857-7929

WRITER'S DIRECT DIAL NUMBER:

(212) 415-8543

JOHN A. DIAZ
JOHN D. FOLEY
THOMAS P. DOWLING
JOHN C. VASSIL
WARREN H. ROTERT
ALFRED P. EWERT†
DAVID H. PFEFFER
HARRY C. MARCUS
ROBERT E. PAULSON
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WILLIAM S. FEILER†
JANET DORE
JOSEPH A. CALVARUSO
JAMES W. GOULD†
RICHARD C. KOMSON
ISRAEL BLUM
CHRISTOPHER K. HU
BARTHOLOMEW VERDIRAME
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JOSEPH A. DeGIROLAMO
CHRISTOPHER E. CHALSEN
MICHAEL A. NICODEMA
MICHAEL P. DOUGHERTY
SETH J. ATLAS
ANDREW M. RIDDLES

GEORGE B. FINNEGAN, JR.
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NED W. BRANTHOVER
EUGENE C. RZUCIDLO*†
JOHN E. HOEL*
JOSEPH C. REDMOND, JR.†
COUNSEL

RESIDENT PARTNERS IN WASHINGTON
HARRY F. MANBECK, JR*†
EDWARD A. PENNINGTON*†

JOHN D. MORGAN
1893-1939

HOBART N. DURHAM
1930-1969

GRANVILLE M. PINE
1939-1994

THOMAS M. HAMMOND*†
SCOTT D. GREENBERG
MARK LEE HOGGE*†
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PETER N. FILL

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†ADMITTED IN WASHINGTON, D.C.

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RICHARD STRAUSSMAN
JAMES M. GIBSON
STEPHEN J. MANETTA
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CARLA M. KRIVAK*†
MICHAEL O. CUMMINGS
MATTHEW D. SIMON
JOSEPH P. CURTIN*†
MICHAEL A. SCHWARTZ*

SCIENTIFIC ADVISORS
KATHRYN M. BROWN, PH. D.
LESLIE A. SERUNIAN, PH. D.
DOROTHY R. AUTH, PH. D.
DAVID V. ROSSI, PH. D.
CAROL GRUPPI, PH. D.
RICHARD W. BORK, PH. D.

FOREIGN LAW ADVISOR
RYOSUKE FUJIMOTO

December 6, 1996

VIA FAX (718-978-8189)

Mr. Michael L. Lynch
Lybel Forwarding Co., Inc.
223-14 South Conduit Avenue
Springfield Gardens, NY 11413

Re: COHIBA

Dear Mr. Lynch:

I have now discussed with General Cigar Co., Inc. the seized shipment of COHIBA cigars which were being brought into the country by the importers which you represent, and the importers' request that General Cigar consent to re-exportation of the cigars to the Dominican Republic under U.S. Customs custody.

However, a second problem exists in connection with the apparent use of the term "CAFE COHIBA" by the parties which you represent. Specifically, the Customs Service custody receipt for the subject seized goods which you forwarded to me lists the importer as Stamatis P. Livanos of 9212 3rd Avenue, Brooklyn, NY. We have ascertained that NYNEX has issued a new business telephone number under the listed name of "CAFE COHIBA" having the same address. It would thus appear that the importers which you represent are operating, or plan to operate, a business in Brooklyn, NY under the name "CAFE COHIBA". Please be advised that General Cigar Co., Inc. objects to such usage of CAFE COHIBA as well as to the importation of counterfeit COHIBA cigars.

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 157

CONFIDENTIAL

267148_1

In view of the foregoing, General Cigar would only be willing to consent to the requested re-exportation of the seized cigars if the parties which you represent will first agree to cease and/or refrain from all use of COHIBA, CAFE COHIBA, or any other term incorporating the word COHIBA or any confusingly similar variant thereon. This would include cessation of all use of CAFE COHIBA, including an immediate change in the relevant listed name in telephone company records and directories. We understand from NYNEX that a change in the listed name for a business listing can be effected within 2-4 days.

Accordingly, please immediately provide me with the name of all of the partners to the business enterprise which you represent, and I will incorporate their names as parties to a brief agreement between them and General Cigar, providing for consent to re-exportation in return for their agreement to cease all use of COHIBA and CAFE COHIBA as set out above. I will be able to send you the agreement for signature by your parties upon hearing back from you.

We look forward to your response.

Very truly yours,

Scott Greenberg

SG:cm
cc: General Cigar Co., Inc.

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 158 (D0158), GC 000276-GC 000280, P 0295-P 0299

AGREEMENT

This Agreement made as of the date of the last signature hereto by and between General Cigar Co., Inc., a Delaware corporation having offices at 320 West Newberry Road, Bloomfield, Connecticut 06002 ("General Cigar") and Stamatis P. Livanos, 128- 97st Brooklyn, N.Y.C., 11209 and _____, all United States citizens and having a place of business at 9212 Third Avenue, Brooklyn, NY 11207 ("Importers").

WHEREAS, General Cigar owns in the United States and is there using in connection with its cigars the trademark COHIBA and is the owner of United States Trademark Registrations Nos. 1,147,309 (typed letters) and 1,898,273 (special form) therefor, issued February 17, 1981 and June 6, 1995, respectively; and is also the owner of United States Trademark Applications Ser. Nos. 74-686,067 and 75-051,706 for the mark COHIBA in connection with various products including smokers' accessories, filed June 8, 1995 and February 1, 1996, respectively, based on an intention to use in United States commerce.

WHEREAS, Importers have attempted to import into the United States certain cigars bearing the trademark COHIBA which were seized by the United States Customs Service on November 22, 1996 as being in violation of General Cigar's aforementioned United States rights in the mark COHIBA;

267057_1

DEFENDANT'S EXHIBIT D 158

Blumberg No. 5114

GC 000276

P 0295

WHEREAS, Importers are operating a business establishment under the name "CAFE COHIBA" and have obtained a business telephone number of (718) 238-2224 under said name "CAFE COHIBA" at the business address of Importers set out above;

WHEREAS, General Cigar has objected to all of the foregoing activities of Importers in connection with the names and marks COHIBA and CAFE COHIBA;

WHEREAS, Importers have not made any other uses of or importations under "COHIBA" or "CAFE COHIBA", and have no registration or application to register the mark or name COHIBA, CAFE COHIBA, or any other term incorporating the term COHIBA or any other word confusingly similar thereto, in the United States or any state, territory or locality of the United States, other than a New York assumed name certificate for the "CAFE COHIBA" business establishment.

WHEREAS, the parties wish to resolve all issues and disputes between them relating to the mark COHIBA;

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Upon execution of this Agreement, Importers will forthwith discontinue and not thereafter resume any and all use of "COHIBA", "CAFE COHIBA" or any other term incorporating the word COHIBA or any other word confusingly similar thereto on or in connection with any business, product, or service, or in any manner whatsoever.

2. Pursuant to their obligation under Paragraph 1 hereof, Importers will not import into the United States any cigars bearing the mark "COHIBA" on the goods or their labels, packaging materials or any related printed materials.

3. Pursuant to their obligation under Paragraph 1 hereof, Importers will, within two weeks from the date on which they execute this agreement, request a change in the listed name for the above-referenced business telephone number, withdraw or amend the above-referenced New York assumed name certificate, and take all other necessary actions to change the name of their business establishment from "CAFE COHIBA" to a name which does not incorporate the term "COHIBA" or any other word confusingly similar thereto. Importers will not obtain any other telephone numbers or other business listings under any name incorporating the term "COHIBA" or any other word confusingly similar thereto.

4. Importers will neither register nor attempt to register the name or mark COHIBA, CAFE COHIBA or any other name or mark incorporating the term COHIBA or any other word confusingly similar thereto in the United States or any state, territory or locality of the United States.

5. In return for Importers' compliance with their obligations under the foregoing paragraphs hereof, General Cigar will notify the United States Customs Service of General Cigar's consent to exportation of the above-referenced seized COHIBA cigars. General Cigar will so notify Customs immediately upon receipt of this agreement executed by Importers.

GC 000278

267057_1

P 0297

6. Importers will not contest or challenge in any way the right of General Cigar or its related companies to use or register any mark incorporating the term COHIBA in connection with their activities.

7. This Agreement sets forth the entire agreement between the parties. All matters concerning this Agreement and its validity, performance, or breach, shall be governed by the laws of New York. No agreement changing, amending, extending, superseding, rescinding, terminating, or discharging this Agreement, or any provisions thereof, shall be valid unless in writing and signed by the party to be charged. No waiver of any breach hereof shall be construed to be a continuing waiver or consent to any subsequent breach hereof. If any provision of this Agreement is invalid or unenforceable, it shall not affect the validity or enforceability of the other provisions.

8. This Agreement shall be binding upon and inure to the benefit of the undersigned parties, their partners, officers, directors, shareholders, agents, servants, employees, licensees, attorneys, subsidiaries, related and affiliated companies, heirs,

successors and assigns, and all entities operated and or controlled by any of them or in active concert or participation with any of them.

Dated: Bloomfield, Connecticut
February 14 , 1997

GENERAL CIGAR CO., INC.

By: A Ross Wollen
Name: A Ross Wollen
Title: SECRETARY

Dated: Brooklyn, New York
December 16 , 1996

STAMATIS P. LIVANOS

Dated: Brooklyn, New York
, 1996

Name:

Dated: Brooklyn, New York
, 1996

Name:

Dated: Brooklyn, New York
, 1996

Name:

GC 000280

267057_1

P 0299

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 159 (D0159), GC 000294, P 0313

STAMATIS P. LIVANOS
C/O CAFÉ CIGAR
9212 THIRD AVENUE
BROOKLYN, NEW YORK 11209

March 18, 1997

Mr. Leonard Zack, Esq.
405 Park Avenue
New York, New York 10022

RE:Store Name Change

Dear Mr. Zack:

Please be advised that "Café Cohiba" has changed its name to "Café Cigar".Furthermore, NYNEX and the small business office has been notified. A Miss Rice instituted the name change on March 17, 1997 from the previous name,"Café Cohiba" to the current."Café Cigar".For reference purposes, this buiness listing is : R1RM 7583.

Thank You,

Stamatis P. Livanos,
President, Cafe Cigar

DEFENDANT'S EXHIBIT
D 159
Blumberg No. 5114

GC 000294

P 0313

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 160 (D0160), GC 000374-GC 000378, P 0392-P 0396

Culbro Corporation

35 Griffin Road South
Bloomfield, CT 06002
Phone: 860/243-4360
Fax: 860/243-4367
Internet: johnwebber@counsel.com

John E. Webber
Assistant General Counsel

Cigar Elegante
Ortiz Inc.
1910 W. Platt St.
Tampa, FL 33606

VIA EXPRESS MAIL

January 6, 1997

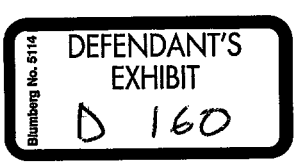
Re: Cohiba Cigars

Dear Sir:

I write today on behalf of Culbro Corporation and its General Cigar subsidiary.

For many years, General Cigar Co., Inc. ("General Cigar") and its predessors-in-interest have used the registered mark COHIBA on cigars sold in the United States. This trademark is widely and favorably known to consumers in this country as designating cigars originating exclusively from General Cigar Co., Inc. Enclosed for your reference are copies of General Cigar's United States Registrations for the mark COHIBA in connection with cigars, Reg. Nos. 1,147,309 and 1,898,273. General Cigar also has plans in progress to sell a wide array of additional products in the United States under the mark COHIBA promoting and related to its COHIBA cigars, including various types of clothing and apparel, including t-shirts, shorts, ties, sweatshirts, polo shirts and sports apparel such as golf apparel and beachwear, smoker's accessories, as well as other products. Accordingly, General Cigar also owns United States Trademark Application Serial No. 74-686,067 for the mark COHIBA in connection with various clothing and apparel products and accessories, including a variety of shirts such as t-shirts, golf shirts and beach shirts, filed June 8, 1995 based on an intention to use the mark for those goods.

It has come to our attention that you are using the identical mark COHIBA in connection with the sale of cigars which were not produced by General Cigar.



Any use of the mark COHIBA in the United States by you or your company or on your or your company's behalf, in connection with the sale of cigars or other the goods identified, does and will constitute infringement of General Cigar's exclusive trademark rights in the mark COHIBA. Such use is likely to cause confusion, mistake or deception, in that purchasers of your or your company's goods will be led, by reason of the identity of the marks and the related nature of the goods, to believe that your COHIBA products emanate from or are otherwise sponsored or licensed by or affiliated with General Cigar. In addition, your use of the COHIBA mark in the United States does and will dilute the distinctive quality of our mark, thus injuring our trademark rights and goodwill in the COHIBA mark. Please be assured that General Cigar will take prompt legal action to protect its valuable rights.

For the foregoing reasons, we must insist that you, your company and any affiliated entities immediately cease and desist any and all use or planned use of the COHIBA trademark in the United States.

Please immediately provide us, via express mail, with your written confirmation that your use of and/or sale of goods bearing the mark COHIBA have ceased, along with the following information:

1. A complete listing of any and all sources of cigars bearing the COHIBA mark which have been purchased by you or your company.

2. A complete listing of any and all cigars bearing the COHIBA mark currently in inventory.

3. Copies of any and all shipping documentation relating to your purchase of the cigars bearing the COHIBA mark.

We look forward to your prompt assurance that you will abide by our request.

Very truly yours,

John E. Webber

P 0393

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,898,273

United States Patent and Trademark Office

Registered June 6, 1995

TRADEMARK
PRINCIPAL REGISTER

COHIBA

GENERAL CIGAR CO., INC. (DELAWARE CORPORATION)
320 WEST NEWBERRY ROAD
BLOOMFIELD, CT 06002

FOR: CIGARS, IN CLASS 34 (U.S. CL. 17).
FIRST USE 12-0-1992; IN COMMERCE 12-0-1992, FIRST USED IN COMMERCE IN ANOTHER FORM IN FEBRUARY 1978.

OWNER OF U.S. REG. NO. 1,147,309.
UPON INFORMATION AND BELIEF, "COHIBA" IS A CONJUGATIVE FORM OF THE SPANISH WORD "COHIBIR", WHICH MEANS "TO RESTRAIN" OR "COHIBIT".

SN 74-344,349, FILED 12-30-1992.

R. G. COLE, EXAMINING ATTORNEY

P 0394

GC 000376

nt. Cl.: 34

'rior U.S. Cl.: 17

Reg. No. 1,147,309

Jnited States Patent and Trademark Office

Registered Feb. 17, 1981

TRADEMARK
Principal Register

COHIBA

Culbro Corporation (New York corporation)
605 3rd Ave.
New York, N.Y. 10016

For: CIGARS, in CLASS 34 (U.S. Cl. 17).
First use Feb. 13, 1978; in commerce Feb. 13, 1978.

Ser. No. 161,879, filed Mar. 13, 1978.

DAVID C. REIHNER, Primary Examiner

P 0395

GC 000377

FedEx USA Airbill

Tracking Number 2628421611

Sender's Copy

500 11082729 6276N

1 From (please print)

Date 2-6-96 Sender's FedEx Account Number 1231-6858-5

Sender's Name Lynn Wood Phone (860)769-3600

Dept./Floor/Suite/Room

Company GENERAL CIGAR COMPANY

Address 320 W NEWBERRY RD

City BLOOMFIELD State CT Zip 06002

2 Your Internal Billing Reference Information (Optional) (First 24 characters will appear on invoice)

3 To (please print)

Recipient's Name 813-242-0509 Phone

Dept./Floor/Suite/Room

Company Cigar Elegante, Ortiz INC

Address 1910 W. Platt St. (To "HOLD" at FedEx location, print FedEx address here) (We Cannot Deliver to P.O. Boxes or P.O. Zip Codes)

City TAMPA State FL Zip 33606

For HOLD at FedEx Location check here

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4b Express Freight Service *Packages over 150 lbs.* Delivery commitment may be later in some areas.

- [ ] FedEx Overnight Freight (Next business-day service for any distance)
- [ ] FedEx 2Day Freight (Second business-day service for any distance)
- [ ] FedEx Express Saver Freight (Up to 3 business-day service based upon distance)

(Call for delivery schedule. See back for detailed descriptions of freight products.)

5 Packaging

- [x] FedEx Letter (Declared value limit $500.)
- [ ] FedEx Pak
- [ ] FedEx Box
- [ ] FedEx Tube
- [ ] Other Pkg.

6 Special Handling

Does this shipment contain dangerous goods?

- [ ] Yes (As per attached Shipper's Declaration)
- [ ] Yes (Shipper's Declaration not required)
- [ ] Dry Ice — Dry Ice, 9, UN 1845 III ____ x ____ kg. 904 (Dangerous Goods Shipper's Declaration not required)
- [ ] CA Cargo Aircraft Only

7 Payment

Bill to:

- [x] Sender (Account no. in section 1 will be billed)
- [ ] Recipient
- [ ] Third Party
- [ ] Credit Card
- [ ] Cash/Check

(Enter FedEx account no. or Credit Card no. below)

FedEx Account No.

Credit Card No. Exp. Date

Total Packages	Total Weight	Total Declared Value*	Total Charges
		$ .00	$

*When declaring a value higher than $100 per shipment, you pay an additional charge. See SERVICE CONDITIONS, DECLARED VALUE AND LIMIT OF LIABILITY section for further information.

8 Release Signature *Sign to authorize delivery without obtaining signature.*

Your signature authorizes Federal Express to deliver this shipment without obtaining a signature and agrees to indemnify and hold harmless Federal Express from any resulting claims.

272

Rev. Date 6/96
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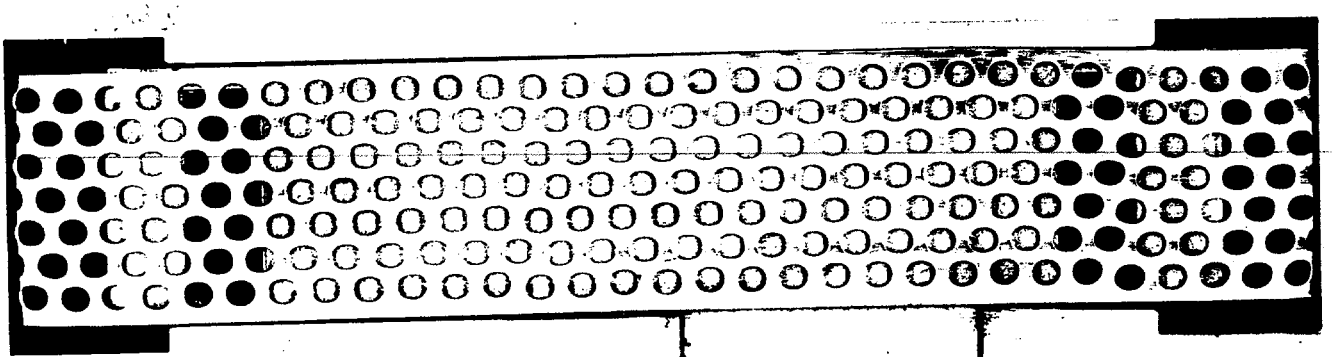

GC 000378

P 0396

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 161 (D0161), GC 000401-GC 000405, P 0419-P 0423

Culbro Corporation

35 Griffin Road South
Bloomfield, CT 06002
Phone: 860/243-4360
Fax: 860/243-4367
Internet: johnwebber@counsel.com

John E. Webber
Assistant General Counsel

Express Mail

January 13, 1997

Roberto Pupo
R.P.
717 Sanson Street
Philadelphia, PA 19106

Dear Mr. Pupo:

I want to thank you for your recent commitment that you will immediately cease the unauthorized use of the Cohiba trademark. However, as I indicated in the attached letter sent to you on November 26, 1996 we do require, among other things, a written confirmation that you have stopped using the trademark and have no intention of making any additional unauthorized use of the trademark. Once we have the information we requested and barring any additional violations, we will close our file. Your prompt attention to this matter will be greatly appreciated.

Very truly yours,

John E. Webber
Assistant General Counsel

Attachements

JEB/lw

GC 000403

P 0421

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,147,309

United States Patent and Trademark Office

Registered Feb. 17, 1981

TRADEMARK
Principal Register

COHIBA

Culbro Corporation (New York corporation)
605 3rd Ave.
New York, N.Y. 10016

For: CIGARS, in CLASS 34 (U.S. Cl. 17).
First use Feb. 13, 1978; in commerce Feb. 13, 1978.

Ser. No. 161,879, filed Mar. 13, 1978.

DAVID C. REIHNER, Primary Examiner

GC 000404

P 0422

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,898,273

United States Patent and Trademark Office

Registered June 6, 1995

TRADEMARK
PRINCIPAL REGISTER

COHIBA

GENERAL CIGAR CO., INC. (DELAWARE CORPORATION)
320 WEST NEWBERRY ROAD
BLOOMFIELD, CT 06002

FOR: CIGARS, IN CLASS 34 (U.S. CL. 17).
FIRST USE 12-0-1992; IN COMMERCE 12-0-1992, FIRST USED IN COMMERCE IN ANOTHER FORM IN FEBRUARY 1978.

OWNER OF U.S. REG. NO. 1,147,309.
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SN 74-344,349, FILED 12-30-1992.

R. G. COLE, EXAMINING ATTORNEY

GC 000405

P 0423

Culbro Corporation

35 Griffin Road South
Bloomfield, CT 06002
Phone: 860/243-4360
Fax: 860/243-4367
Internet: johnwebber@counsel.com

John E. Webber
Assistant General Counsel

VIA EXPRESS MAIL

November 26, 1996

Mr. Roberto Pupo
R.P.
717 Sansom Street
Philadelphia, PA 19106

Re: Cohiba Cigars

Dear Mr. Pupo:

I write today on behalf of Culbro Corporation and its General Cigar subsidiary.

For many years, General Cigar Co., Inc. ("General Cigar") and its predessors-in-interest have used the registered mark COHIBA on cigars sold in the United States. This trademark is widely and favorably known to consumers in this country as designating cigars originating exclusively from General Cigar Co., Inc. Enclosed for your reference are copies of General Cigar's United States Registrations for the mark COHIBA in connection with cigars, Reg. Nos. 1,147,309 and 1,898,273. General Cigar also has plans in progress to sell a wide array of additional products in the United States under the mark COHIBA promoting and related to its COHIBA cigars, including various types of clothing and apparel, including t-shirts, shorts, ties, sweatshirts, polo shirts and sports apparel such as golf apparel and beachwear, smoker's accessories, as well as other products. Accordingly, General Cigar also owns United States Trademark Application Serial No. 74-686,067 for the mark COHIBA in connection with various clothing and apparel products and accessories, including a variety of shirts such as t-shirts, golf shirts and beach shirts, filed June 8, 1995 based on an intention to use the mark for those goods.

It has come to our attention that you are using the identical mark COHIBA in connection with the sale of cigars which were not produced by General Cigar.

Any use of the mark COHIBA in the United States by you or your company or on your or your company's behalf, in connection with the sale of cigars or other the goods identified, does and will constitute infringement of General Cigar's exclusive trademark rights in the mark COHIBA. Such use is likely to cause confusion, mistake or deception, in that purchasers of your or your company's goods will be led, by reason of the identity of the marks and the related nature

of the goods, to believe that your client's COHIBA products and/or your company emanate from or are otherwise sponsored or licensed by or affiliated with General Cigar. In addition, your use of the COHIBA mark in the United States does and will dilute the distinctive quality of our client's mark, thus injuring our client's trademark rights and goodwill in the COHIBA mark. Please be assured that General Cigar will take prompt legal action to protect its valuable rights.

For the foregoing reasons, we must insist that you, your company and any affiliated entities immediately cease and desist any and all use or planned use of the COHIBA trademark in the United States.

Please immediately provide us, via express mail, with your written confirmation that your use of and/or sale of goods bearing the mark COHIBA have ceased, along with the following information:

1. A complete listing of any and all sources of cigars bearing the COHIBA mark which have been purchased by you or your company.

2. A complete listing of any and all cigars bearing the COHIBA mark currently in inventory.

3. Copies of any and all shipping documentation relating to your purchase of the cigars bearing the COHIBA mark.

We look forward to your prompt assurance that you will abide by our request.

Very truly yours,

John E. Webber

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 162 (D0162), GC 000390-GC 000393, P 0408-P 0411

Culbro Corporation

35 Griffin Road South
Bloomfield, CT 06002
Phone: 860/243-4360
Fax: 860/243-4367
Internet: johnwebber@counsel.com

John E. Webber
Assistant General Counsel

VIA EXPRESS MAIL

January 24, 1997

Adams Mark Hotel
939 Ridge Lake Blvd
Memphis, TN 38120

Re: Cohiba Cigars

Dear Sir:

I write today on behalf of Culbro Corporation and its General Cigar subsidiary.

For many years, General Cigar Co., Inc. ("General Cigar") and its predessors-in-interest have used the registered mark COHIBA on cigars sold in the United States. This trademark is widely and favorably known to consumers in this country as designating cigars originating exclusively from General Cigar Co., Inc. Enclosed for your reference are copies of General Cigar's United States Registrations for the mark COHIBA in connection with cigars, Reg. Nos. 1,147,309 and 1,898,273. General Cigar also has plans in progress to sell a wide array of additional products in the United States under the mark COHIBA promoting and related to its COHIBA cigars, including various types of clothing and apparel, including t-shirts, shorts, ties, sweatshirts, polo shirts and sports apparel such as golf apparel and beachwear, smoker's accessories, as well as other products. Accordingly, General Cigar also owns United States Trademark Application Serial No. 74-686,067 for the mark COHIBA in connection with various clothing and apparel products and accessories, including a variety of shirts such as t-shirts, golf shirts and beach shirts, filed June 8, 1995 based on an intention to use the mark for those goods.

It has come to our attention that you are using the identical mark COHIBA in connection with the sale of cigars which were not produced by General Cigar.

Any use of the mark COHIBA in the United States by you or your company or on your or your company's behalf, in connection with the sale of cigars or other of the goods identified, does and will constitute infringement of General Cigar's exclusive trademark rights in the mark COHIBA. Such use is likely to cause confusion, mistake or deception, in that purchasers of your or your company's goods will be led, by reason of the identity of the marks and the related nature of the goods, to believe that your COHIBA products emanate from or are otherwise sponsored or licensed by or affiliated with General Cigar. In addition, your use of the COHIBA mark in the United States does and will dilute the distinctive quality of our mark, thus injuring our trademark rights and goodwill in the COHIBA mark. Please be assured that General Cigar will take prompt legal action to protect its valuable rights.

For the foregoing reasons, we must insist that you, your company and any affiliated entities immediately cease and desist any and all use or planned use of the COHIBA trademark in the United States.

Please immediately provide us, via express mail, with your written confirmation that your use of and/or sale of goods bearing the mark COHIBA have ceased, along with the following information:

1. A complete listing of any and all sources of cigars bearing the COHIBA mark which have been purchased by you or your company.

2. A complete listing of any and all cigars bearing the COHIBA mark currently in inventory.

3. Copies of any and all shipping documentation relating to your purchase of the cigars bearing the COHIBA mark.

We look forward to your prompt assurance that you will abide by our request.

Very truly yours,

John E. Webber

nt. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,147,309

United States Patent and Trademark Office

Registered Feb. 17, 1981

TRADEMARK
Principal Register

COHIBA

Culbro Corporation (New York corporation)
605 3rd Ave.
New York, N.Y. 10016

For: CIGARS, in CLASS 34 (U.S. Cl. 17).
First use Feb. 13, 1978; in commerce Feb. 13, 1978.

Ser. No. 161,879, filed Mar. 13, 1978.

DAVID C. REIHNER, Primary Examiner

GC 000392

P 0410

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,898,273

United States Patent and Trademark Office

Registered June 6, 1995

TRADEMARK
PRINCIPAL REGISTER

COHIBA

GENERAL CIGAR CO., INC. (DELAWARE CORPORATION)
320 WEST NEWBERRY ROAD
BLOOMFIELD, CT 06002

FOR: CIGARS, IN CLASS 34 (U.S. CL. 17).
FIRST USE 12-0-1992; IN COMMERCE 12-0-1992, FIRST USED IN COMMERCE IN ANOTHER FORM IN FEBRUARY 1978.

OWNER OF U.S. REG. NO. 1,147,309.
UPON INFORMATION AND BELIEF, "COHIBA" IS A CONJUGATIVE FORM OF THE SPANISH WORD "COHIBIR", WHICH MEANS "TO RESTRAIN" OR "COHIBIT".

SN 74-344,349, FILED 12-30-1992.

R. G. COLE, EXAMINING ATTORNEY

GC 000393

P 0411

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 163 (D0163), GC 000361-GC 000362, P 0379-P 0380

General Cigar Co., Inc.

387 Park Avenue South
New York, NY 10016-8899

a company of
Culbro Corporation

February 18, 1997

Via Fax 912-652-4309

Mrs. Marian Ladner
U.S. Customs
One East Bay Street
Savannah, GA 31401

DEFENDANT'S EXHIBIT
D 163

Dear Mrs. Ladner:

Mr. Craig Kodish of Universal Beverage Brokers wrote me the accompanying letter and I write on behalf of General Cigar, the owner of the COHIBA registration in the United States, to agree to allowing the 39 boxes of counterfeit COHIBA cigars to be exported out of the U.S.

We appreciate the fine efforts currently underway by U.S. Customs to interdict these counterfeit cigars.

Very truly yours,

A. Ross Wollen
Vice President-Secretary

CONFIDENTIAL

P 0379

GC 000361

Universal Beverage Brokers, Inc.

170 Lochland Circle, Roswell, GA 30075
(770) 641-0269 FAX (770) 641-1247

February 14, 1997

Mr. A. Ross Wollen
Culbro Corporation
Via Facsimile 212-581-8791

Dear Mr. Wollen:

Thank you for the time you gave me on the telephone yesterday to discuss and give insight on the subject of counterfeit Cohiba cigars. As I discussed with you, in my case I had no idea there was such a thing. I guess sometimes in life you have to find things out the hard way as was in my case. Now that I have learned this valuable lesson, I promise you and your company that I will no longer do business with Monte Cristi's products.

As per our conversation, I would need for you to write a brief letter to the attention of Mrs. Marian Ladner at U.S. Customs in Savannah, Georgia. Her address is One East Bay St. Savannah, Georgia 31401. The fax number is 912-652-4309. Mrs. Ladner is handling my case. The letter would have to authorize them to allow me to return the 39 boxes of Cohibas back to the Dominican Republic. The seizure number is 1997-1704-00235. If you would please fax a copy to my attention, as well as a hard copy in the mail, I would greatly appreciate it.

Again, thank you for your understanding, as you understood the three policemen in New York. I hope to meet you at the RTDA show this summer.

Sincerely,

Craig Kodish

P 0378

GC 000360

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 164 (D0164), GC 000386-GC 000389, P 0404-P 0407

Culbro Corporation

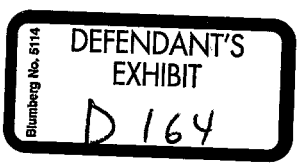
35 Griffin Road South
Bloomfield, CT 06002
Phone: 860/243-4360
Fax: 860/243-4367
Internet: johnwebber@counsel.com

John E. Webber
Assistant General Counsel

VIA EXPRESS MAIL

March 3, 1997

Mr. Hector Van Lennep
Cigar Box
Aventura Mall
19501 Biscayne Blvd
Aventura, FL. 33180



Re: Cohiba Cigars

Dear Mr. Van Lennep:

I write today on behalf of Culbro Corporation, General Cigar Holdings, Inc. and its General Cigar subsidiary.

For many years, General Cigar Co., Inc. ("General Cigar") and its predessors-in-interest have used the registered mark COHIBA on cigars sold in the United States. This trademark is widely and favorably known to consumers in this country as designating cigars originating exclusively from General Cigar Co., Inc. Enclosed for your reference are copies of General Cigar's United States Registrations for the mark COHIBA in connection with cigars, Reg. Nos. 1,147,309 and 1,898,273. General Cigar also has plans in progress to sell a wide array of additional products in the United States under the mark COHIBA promoting and related to its COHIBA cigars, including various types of clothing and apparel, including t-shirts, shorts, ties, sweatshirts, polo shirts and sports apparel such as golf apparel and beachwear, smoker's accessories, as well as other products. Accordingly, General Cigar also owns United States Trademark Application Serial No. 74-686,067 for the mark COHIBA in connection with various clothing and apparel products and accessories, including a variety of shirts such as t-shirts, golf shirts and beach shirts, filed June 8, 1995 based on an intention to use the mark for those goods.

It has come to our attention that you are using the identical mark COHIBA in connection with the sale of cigars which were not produced by General Cigar.

Any use of the mark COHIBA in the United States by you or your company or on your or your company's behalf, in connection with the sale of cigars or other of the goods identified, does and will constitute infringement of General Cigar's exclusive trademark rights in the mark COHIBA. Such use is likely to cause confusion, mistake or deception, in that purchasers of your or your company's goods will be led, by reason of the identity of the marks and the related nature of the goods, to believe that your COHIBA products emanate from or are otherwise sponsored or licensed by or affiliated with General Cigar. In addition, your use of the COHIBA mark in the United States does and will dilute the distinctive quality of our mark, thus injuring our trademark rights and goodwill in the COHIBA mark. Please be assured that General Cigar will take prompt legal action to protect its valuable rights.

For the foregoing reasons, we must insist that you, your company and any affiliated entities immediately cease and desist any and all use or planned use of the COHIBA trademark in the United States.

Please immediately provide us, via express mail, with your written confirmation that your use of and/or sale of goods bearing the mark COHIBA have ceased, along with the following information:

1. A complete listing of any and all sources of cigars bearing the COHIBA mark which have been purchased by you or your company.

2. A complete listing of any and all cigars bearing the COHIBA mark currently in inventory.

3. Copies of any and all shipping documentation relating to your purchase of the cigars bearing the COHIBA mark.

We look forward to your prompt assurance that you will abide by our request.

Very truly yours,

John E. Webber

JEB/lw
Enclosures

cc: J. Rano

P 0405

GC 000387

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,898,273

United States Patent and Trademark Office

Registered June 6, 1995

TRADEMARK
PRINCIPAL REGISTER

COHIBA

GENERAL CIGAR CO., INC. (DELAWARE CORPORATION)
320 WEST NEWBERRY ROAD
BLOOMFIELD, CT 06002

FOR: CIGARS, IN CLASS 34 (U.S. CL. 17).
FIRST USE 12-0-1992; IN COMMERCE 12-0-1992, FIRST USED IN COMMERCE IN ANOTHER FORM IN FEBRUARY 1978.

OWNER OF U.S. REG. NO. 1,147,309.
UPON INFORMATION AND BELIEF, "COHIBA" IS A CONJUGATIVE FORM OF THE SPANISH WORD "COHIBIR", WHICH MEANS "TO RESTRAIN" OR "COHIBIT".

SN 74-344,349, FILED 12-30-1992.

R. G. COLE, EXAMINING ATTORNEY

GC 000388

P 0406

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,147,309

Registered Feb. 17, 1981

United States Patent and Trademark Office

TRADEMARK
Principal Register

COHIBA

Culbro Corporation (New York corporation)
605 3rd Ave.
New York, N.Y. 10016

For: CIGARS, in CLASS 34 (U.S. Cl. 17).
First use Feb. 13, 1978; in commerce Feb. 13, 1978.

Ser. No. 161,879, filed Mar. 13, 1978.

DAVID C. REIHNER, Primary Examiner

GC 000389

P 0407

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 165 (D0165), GC 000381-GC 00385, P 0399-P 0403

Culbro Corporation

35 Griffin Road South
Bloomfield, CT 06002
Phone: 860/243-4360
Fax: 860/243-4367
Internet: johnwebber@counsel.com

John E. Webber
Assistant General Counsel

Express Mail

March 13, 1997

Mr. Hector Van Lennep
Cigar Box
Aventura Mall
19501 Biscayne Blvd
Aventura, FL 33180

Dear Mr. Van Lennep:

Regarding the attached letter sent to you dated March 3, 1997, please acknowledge back immediately by letter that you have ceased the unauthorized use of the Cohiba trademark; otherwise, we will have to take further action on this matter.

Please call me if you have any questions.

Very truly yours,

John E. Webber
Assistant General Counsel

Attachments

JEB/lw

cc: J. Rano

VIA EXPRESS MAIL

March 3, 1997

Mr. Hector Van Lennep
Cigar Box
Aventura Mall
19501 Biscayne Blvd
Aventura, FL. 33180

Re: Cohiba Cigars

Dear Mr. Van Lennep:

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2. A complete listing of any and all cigars bearing the COHIBA mark currently in inventory.

3. Copies of any and all shipping documentation relating to your purchase of the cigars bearing the COHIBA mark.

We look forward to your prompt assurance that you will abide by our request.

Very truly yours,

John E. Webber

JEB/lw
Enclosures

cc: J. Rano

P 0401

GC 000383

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,898,273

United States Patent and Trademark Office

Registered June 6, 1995

TRADEMARK
PRINCIPAL REGISTER

COHIBA

GENERAL CIGAR CO., INC. (DELAWARE CORPORATION)
320 WEST NEWBERRY ROAD
BLOOMFIELD, CT 06002

FOR: CIGARS, IN CLASS 34 (U.S. CL. 17).
FIRST USE 12-0-1992; IN COMMERCE 12-0-1992, FIRST USED IN COMMERCE IN ANOTHER FORM IN FEBRUARY 1978.

OWNER OF U.S. REG. NO. 1,147,309.
UPON INFORMATION AND BELIEF, "COHIBA" IS A CONJUGATIVE FORM OF THE SPANISH WORD "COHIBIR", WHICH MEANS "TO RESTRAIN" OR "COHIBIT".

SN 74-344,349, FILED 12-30-1992.

R. O. COLE, EXAMINING ATTORNEY

P 0402

GC 000384

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,147,309

United States Patent and Trademark Office

Registered Feb. 17, 1981

TRADEMARK
Principal Register

COHIBA

Culbro Corporation (New York corporation)
605 3rd Ave.
New York, N.Y. 10016

For: CIGARS, in CLASS 34 (U.S. Cl. 17).
First use Feb. 13, 1978; in commerce Feb. 13, 1978.

Ser. No. 161,879, filed Mar. 13, 1978.

DAVID C. REIHNER, Primary Examiner

P 0403

GC 000385

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 166 (D0166), GC 000367-GC 000368, P 0385-P 0386

MORGAN & FINNEGAN, L.L.P.

A Registered Limited Liability Partnership

345 PARK AVENUE
NEW YORK, NEW YORK 10154-0053
TEL.: (212) 758-4800
TELEX 421792
FACSIMILE: (212) 751-6849

WASHINGTON OFFICE
1299 PENNSYLVANIA AVENUE, N.W.
SUITE 960
WASHINGTON, D.C. 20004
TEL.: (202) 857-7887
FACSIMILE: (202) 857-7929

WRITER'S DIRECT DIAL NUMBER:

(212) 415-8543

March 20, 1997

JOHN A. DIAZ
JOHN D. FOLEY
THOMAS R. DOWLING
JOHN C. VASSIL
WARREN H. ROTEIRT
ALFREO P. EWERT†
DAVID H. PFEFFER
HARRY C. MARCUS
ROBERT E. PAULSON
STEPHEN R. SMITH
KURT E. RICHTER
J. ROBERT DAILEY
EUGENE MOROZ
JOHN F. SWEENEY†
ARNOLD I. RADY†
CHRISTOPHER A. HUGHES

WILLIAM S. FEILER†
JANET DORE
JOSEPH A. CALVARUSO
JAMES W. GOULD†
RICHARD C. KOMSON
ISRAEL BLUM
CHRISTOPHER K. HU
BARTHOLOMEW VERDIRAME
DICKERSON M. DOWNING
MARIA C. H. LIN
JOSEPH A. DEGIROLAMO
CHRISTOPHER E. CHALSEN
MICHAEL A. NICODEMA
MICHAEL P. DOUGHERTY
SETH J. ATLAS
ANDREW M. RIDDLES

GEORGE B. FINNEGAN, JR.
JEROME G. LEE
ROGER S. SMITH
THOMAS J. O'BRIEN
RICHARD C. WITTE*
JOHN P. SINNOTT
NED W. BRANTHOVER
EUGENE C. RZUCIDLO*†
JOHN E. HOEL*
JOSEPH C. REDMOND, JR.†
COUNSEL

RESIDENT PARTNERS IN WASHINGTON
HARRY F. MANBECK, JR*†
EDWARD A. PENNINGTON*†

JOHN D. MORGAN
1893-1929

HOBART N. DURHAM
1930-1969

GRANVILLE M. PINE
1939-1964

THOMAS M. HAMMOND*†
SCOTT D. GREENBERG
MARK LEE HODGE*†
BRUCE D. DIPENZI
MARK J. ABATE
BARRY J. SCHINDLER
JOHN T. GALLAGHER
STEVEN F. MEYER
GABRIEL P. KRALIK
TONY V. PEZZANO
BRUCE D. RADIN
ANDREA L. WAYDA
ELAINE J. KAMAN
DESIREE M. STAHL
MARY J. MORRY
ROBERT K. GOETHALS
KENNETH H. SONNENFELD
JOHN W. OSBORNE
MICHAEL S. MARCUS*†
RICHARD K. WARTHER
MICHAEL M. MURRAY*
CINDY M. ZELSON
LEIF R. SIGMOND, JR.*
LAURENCE J. BROMBERG
JEAN E. SHIMOTAKE†
M. CARAGH MOONE†
WALTER G. MANCHUK†
JEFFREY J. OELKE
OLIVER A. ZITZMANN
PETER N. FILL

KENNETH S. WEITZMAN
RICHARD STRAUSSMAN
JAMES M. GIBSON
STEPHEN J. MANETTA
BRUNO POLITO
JAMES R. MARTINOS
BRENDA POMERANCE
CHRISTOPHER J. HAMATY*
KATHRYN E. DIAZ
ALANA G. FIRESTER
GERARD A. HADDAD
TODD J. TIBERI
TIMOTHY J. DOUROS
RICHARD W. ERWINE
PHILIP E. LEVY*
CARLA M. KRIVAK*†
MICHAEL O. CUMMINGS
MATTHEW D. SIMON
JOSEPH P. CURTIN*†
MICHAEL A. SCHWARTZ*

SCIENTIFIC ADVISORS
KATHRYN M. BROWN, PH. D.
LESLIE A. SERUNIAN, PH. D.
DOROTHY R. AUTH, PH. D.
DAVID V. ROSSI, PH. D.
CAROL GRUPPI, PH. D.
RICHARD W. BORK, PH. D.

*NOT ADMITTED IN NEW YORK
†ADMITTED IN WASHINGTON, D.C.

FOREIGN LAW ADVISOR
RYOSUKE FUJIMOTO

VIA FACSIMILE (617) 565-4617 AND
FIRST CLASS MAIL

Mr. James Dignan
Fines, Penalties and Forfeitures Officer
U.S. Customs Service
Suite 003
10 Causeway Street
Boston, MA 02222-1060

DEFENDANT'S EXHIBIT
D 166
Blumberg No. 5114

Re: Case No. 97-0417-00196
(TMK: 94-00751 and TMK: 96-00150);
Counterfeit Montecristo and Cohiba Cigars

Dear Mr. Dignan:

We represent General Cigar Co., Inc. ("General Cigar"), the owner of the trademark "COHIBA." On behalf of General Cigar, we hereby consent to the following disposition of the seized COHIBA cigars that are the subject of the above-referenced seizure:

1. Removal under Customs' supervision of all boxes, cigar bands and other materials that are labeled with the "COHIBA" trademark and destruction thereof by Customs.

MORGAN & FINNEGAN, L.L.P.

2. Following the removal of all traces of the "COHIBA" trademark, the cigars may be released to the importer with no bands or packaging; i.e., as loose, unmarked cigars.

If you have any questions, please contact the undersigned at (212) 415-8543.

Respectfully submitted,

Scott Greenberg
Attorney for
General Cigar Co. Inc.

cc: Terrie A. Gleason, Esq.
Wayne M. Kennard, Esq. (617-526-5000)

CONFIDENTIAL

CONFIDENTIAL

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 167 (D0167), GC 000396-GC 000400, P 0414-P 0418

Culbro Corporation

35 Griffin Road South
Bloomfield, CT 06002
Phone: 860/243-4360
Fax: 860/243-4367
Internet: johnwebber@counsel.com

Blumberg No. 6114
DEFENDANT'S EXHIBIT
D 167

VIA EXPRESS MAIL

John E. Webber
Assistant General Counsel

March 24, 1997

Cohiba Cigar Co.
3155 N.W. 82 Avenue
Miami, FL 33122

GC 000396

Re: Cohiba Cigars

P 0414

Dear Sir:

I write today on behalf of Culbro Corporation, General Cigar Holdings, Inc. and its General Cigar subsidiary.

For many years, General Cigar Co., Inc. ("General Cigar") and its predessors-in-interest have used the registered mark COHIBA on cigars sold in the United States. This trademark is widely and favorably known to consumers in this country as designating cigars originating exclusively from General Cigar Co., Inc. Enclosed for your reference are copies of General Cigar's United States Registrations for the mark COHIBA in connection with cigars, Reg. Nos. 1,147,309 and 1,898,273. General Cigar also has plans in progress to sell a wide array of additional products in the United States under the mark COHIBA promoting and related to its COHIBA cigars, including various types of clothing and apparel, including t-shirts, shorts, ties, sweatshirts, polo shirts and sports apparel such as golf apparel and beachwear, smoker's accessories, as well as other products. Accordingly, General Cigar also owns United States Trademark Application Serial No. 74-686,067 for the mark COHIBA in connection with various clothing and apparel products and accessories, including a variety of shirts such as t-shirts, golf shirts and beach shirts, filed June 8, 1995 based on an intention to use the mark for those goods.

It has come to our attention that you are using the identical mark COHIBA in connection with the sale of cigars which were not produced by General Cigar.

Any use of the mark COHIBA in the United States by you or your company or on your or your company's behalf, in connection with the sale of cigars or other of the goods identified, does and will constitute infringement of General

Cigar's exclusive trademark rights in the mark COHIBA. Such use is likely to cause confusion, mistake or deception, in that purchasers of your or your company's goods will be led, by reason of the identity of the marks and the related nature of the goods, to believe that your COHIBA products emanate from or are otherwise sponsored or licensed by or affiliated with General Cigar. In addition, your use of the COHIBA mark in the United States does and will dilute the distinctive quality of our mark, thus injuring our trademark rights and goodwill in the COHIBA mark. Please be assured that General Cigar will take prompt legal action to protect its valuable rights.

For the foregoing reasons, we must insist that you, your company and any affiliated entities immediately cease and desist any and all use or planned use of the COHIBA trademark in the United States.

Please immediately provide us, via express mail, with your written confirmation that your use of and/or sale of goods bearing the mark COHIBA have ceased, along with the following information:

1. A complete listing of any and all sources of cigars bearing the COHIBA mark which have been purchased by you or your company.

2. A complete listing of any and all cigars bearing the COHIBA mark currently in inventory.

3. Copies of any and all shipping documentation relating to your purchase of the cigars bearing the COHIBA mark.

We look forward to your prompt assurance that you will abide by our request.

Very truly yours,

John E. Webber

GC 000397

JEB/lw
Enclosures

P 0415

cc: J. Rano

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,898,273

United States Patent and Trademark Office

Registered June 6, 1995

TRADEMARK
PRINCIPAL REGISTER

COHIBA

GENERAL CIGAR CO., INC. (DELAWARE CORPORATION)
320 WEST NEWBERRY ROAD
BLOOMFIELD, CT 06002

FOR: CIGARS, IN CLASS 34 (U.S. CL. 17).
FIRST USE 12-0-1992; IN COMMERCE 12-0-1992, FIRST USED IN COMMERCE IN ANOTHER FORM IN FEBRUARY 1978.

OWNER OF U.S. REG. NO. 1,147,309.
UPON INFORMATION AND BELIEF, "COHIBA" IS A CONJUGATIVE FORM OF THE SPANISH WORD "COHIBIR", WHICH MEANS "TO RESTRAIN" OR "COHIBIT".

SN 74-344,349, FILED 12-30-1992.

R. G. COLE, EXAMINING ATTORNEY

GC 000398

P 0416

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,147,309

United States Patent and Trademark Office

Registered Feb. 17, 1981

TRADEMARK
Principal Register

COHIBA

Culbro Corporation (New York corporation)
605 3rd Ave.
New York, N.Y. 10016

For: CIGARS, in CLASS 34 (U.S. Cl. 17).
First use Feb. 13, 1978; in commerce Feb. 13, 1978.

Ser. No. 161,879, filed Mar. 13, 1978.

DAVID C. REIHNER, Primary Examiner

GC 000399

P 0417

COHIBA CIGAR CO.

Cohiba Cigar Co.

3155 N.W. 82 Ave.
Miami FL 33122
Phone: (305) 592-8050
Fax: (305) 593-9995
E-mail: sales@cohibaco.com

REDACTED

We grow our Tobacco and hand make our premium cigars in the Central Cibao region of the Dominican Republic, using only the best hand picked Dominican and Cuban Leaves and finishing them with selected wrappers.

Cultivamos y enrollamos a mano nuestros cigarros de primera clase en la región del Cibao Central en la Republica Dominicana, utilizando exclusivamente las mejores hojas Dominicanas y Cubanas, finalizandolos con capotes selectos.

We will private label your own cigars for orders of over 5,000
Podemos hacerles sus propias marcas en ordenes de mas de 5,000

Juan Lopez 1891 **Mariné** **Don Guillermo**

San Cristobal **Presidente**

P 0418

GC 000400

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 168 (D0168), GC 000437-GC 000438, P 0456-P 0455

Culbro Corporation

35 Griffin Road South
Bloomfield, CT 06002
Phone: 860/243-4360
Fax: 860/243-4367
Internet: johnwebber@counsel.com

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 168

Culbro

VIA EXPRESS MAIL

John E. Webber
Assistant General Counsel

March 28, 1997

Titan Sales & Marketing, Inc.
4831 Black Bear Rd. #204
Las Vegas, NV 89129

GC 000437

P 0455

Re: Cohiba Cigars

Dear Sir:

I write today on behalf of Culbro Corporation, General Cigar Holdings,

FedEx

Tracking Number 4047840392

Sender's Copy

933313 00456/00500

1 From (please print)

Date 3-27-97 Sender's FedEx Account Number 1231-6858-5

Sender's Name John Webber Phone (860) 769-3600

Dept./Floor/Suite/Room

Company GENERAL CIGAR COMPANY

Address 320 W. NEWBERRY RD

City BLOOMFIELD State CT Zip 06002

2 Your Internal Billing Reference Information (Optional. First 24 characters will appear on invoice) 811

3 To (please print)

Recipient's Name 888-848-2656 Phone

Dept./Floor/Suite/Room

Company Titan Sales + Marketing, Inc

Address 4831 Black Bear Rd #204

(HOLD at FedEx location, print FedEx address here) (We Cannot Deliver to P.O. Boxes or P.O. Zip Codes)

City LAS VEGAS State NV Zip 89129

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For Saturday Delivery check here
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4a Express Package Service *Packages under 150 lbs.* Delivery commitment may be later in some areas
☒ FedEx Priority Overnight (Next business morning)
☐ FedEx Standard Overnight (Next business afternoon)
☐ FedEx 2Day* (Second business day)
☐ NEW FedEx First Overnight (Earliest next business morning delivery to select locations) (Higher rates apply)
* FedEx Letter Rate not available. Minimum charge: One pound FedEx 2Day rate.

4b Express Freight Service *Packages over 150 lbs.* Delivery commitment may be later in some areas
☐ FedEx Overnight Freight (Next business-day service for any distance)
☐ FedEx 2Day Freight (Second business-day service for any distance)
☐ FedEx Express Saver Freight (Up to 3 business-day service based upon distance)
(Call for delivery schedule. See back for detailed descriptions of freight products.)

5 Packaging
☒ FedEx Letter ☐ FedEx Pak (Declared value limit $500) ☐ FedEx Box ☐ FedEx Tube ☐ Other Pkg.

6 Special Handling
Does this shipment contain dangerous goods? ☐ Yes (As per attached Shipper's Declaration) ☐ Yes (Shipper's Declaration not required)
☐ Dry Ice — Dry Ice, 9, UN 1845 III ____ x ____ kg. 904 (Dangerous Goods Shipper's Declaration not required)
☐ Cargo Aircraft Only

7 Payment
Bill to: ☒ Sender (Account no. in section 1 will be billed) ☐ Recipient ☐ Third Party ☐ Credit Card ☐ Cash/Check
(Enter FedEx account no. or Credit Card no. below)
FedEx Account No
Credit Card No Exp. Date

Total Packages	Total Weight	Total Declared Value*	Total Charges
		$ .00	$

*Whenever declaring a value higher than $100 per shipment, you pay an additional charge. See SERVICE CONDITIONS, DECLARED VALUE AND LIMIT OF LIABILITY section for further information.

8 Release Signature *Sign to authorize delivery without obtaining signature.*

Your signature authorizes Federal Express to deliver this shipment without obtaining a signature and agrees to indemnify and hold harmless Federal Express from any resulting claims.

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Rev. Date 5/95
PART #147956
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Questions?
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The World On Time

Culbro Corporation

35 Griffin Road South
Bloomfield, CT 06002
Phone: 860/243-4360
Fax: 860/243-4367
Internet: johnwebber@counsel.com

VIA EXPRESS MAIL

John E. Webber
Assistant General Counsel

March 28, 1997

Titan Sales & Marketing, Inc.
4831 Black Bear Rd. #204
Las Vegas, NV 89129

Re: Cohiba Cigars

Dear Sir:

I write today on behalf of Culbro Corporation, General Cigar Holdings, Inc. and its General Cigar subsidiary.

For many years, General Cigar Co., Inc. ("General Cigar") and its predessors-in-interest have used the registered mark COHIBA on cigars sold in the United States. This trademark is widely and favorably known to consumers in this country as designating cigars originating exclusively from General Cigar Co., Inc. Enclosed for your reference are copies of General Cigar's United States Registrations for the mark COHIBA in connection with cigars, Reg. Nos. 1,147,309 and 1,898,273. General Cigar also has plans in progress to sell a wide array of additional products in the United States under the mark COHIBA promoting and related to its COHIBA cigars, including various types of clothing and apparel, including t-shirts, shorts, ties, sweatshirts, polo shirts and sports apparel such as golf apparel and beachwear, smoker's accessories, as well as other products. Accordingly, General Cigar also owns United States Trademark Application Serial No. 74-686,067 for the mark COHIBA in connection with various clothing and apparel products and accessories, including a variety of shirts such as t-shirts, golf shirts and beach shirts, filed June 8, 1995 based on an intention to use the mark for those goods.

GC 005960

It has come to our attention that you are using the identical mark COHIBA in connection with the sale of cigars which were not produced by General Cigar.

Any use of the mark COHIBA in the United States by you or your company or on

exclusive trademark rights in the mark COHIBA. Such use is likely to cause confusion, mistake or deception, in that purchasers of your or your company's goods will be led, by reason of the identity of the marks and the related nature of the goods, to believe that your COHIBA products emanate from or are otherwise sponsored or licensed by or affiliated with General Cigar. In addition, your use of the COHIBA mark in the United States does and will dilute the distinctive quality of our mark, thus injuring our trademark rights and goodwill in the COHIBA mark. Please be assured that General Cigar will take prompt legal action to protect its valuable rights.

For the foregoing reasons, we must insist that you, your company and any affiliated entities immediately cease and desist any and all use or planned use of the COHIBA trademark in the United States.

Please immediately provide us, via express mail, with your written confirmation that your use of and/or sale of goods bearing the mark COHIBA have ceased, along with the following information:

1. A complete listing of any and all sources of cigars bearing the COHIBA mark which have been purchased by you or your company.

2. A complete listing of any and all cigars bearing the COHIBA mark currently in inventory.

3. Copies of any and all shipping documentation relating to your purchase of the cigars bearing the COHIBA mark.

We look forward to your prompt assurance that you will abide by our request.

Very truly yours,

John E. Webber

John E. Webber

GC 000438

JEB/lw
Enclosures

P 0456

cc: J. Rano

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 169 (D0169), GC 000359, P 0377

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE
SAVANNAH, GEORGIA

ENF-4-SV:F:DKH/ML

JUN 0 3 1997

Scott Greenberg, Esquire
Morgan and Finnegan, L. L. P.
345 Park Avenue
New York, New York 10154-0053

Re: 1997-1704-00235

Dear Sir:

In accordance with section 133.23a, Customs Regulations (Title 19, Code of Federal Regulations), implementing section 526 of the Tariff Act of 1930, as amended, 19 USC 1526, articles bearing counterfeit trademarks are subject to seizure and forfeiture (19 USC 1526(e)).

As you are aware, an importation of counterfeit "Cohiba" cigars in the amount of $14,625 had been seized as it was considered to infringe the following trademark recorded with the U. S. Customs Service:

Title: Cohiba, cigar, General Cigar Company, Inc.
U. S. Patent & Trademark Office Trademark Reg. No. 1,898,273
Customs Issuance Number: TMK 96-00150

Importer's Name and Address: Universal Beverage Brokers
170 Lochland Circle
Roswell, Georgia 30075

DEFENDANT'S EXHIBIT
D 169
Blumberg No. 5114

By letter dated February 18, 1997 General Cigar Co., Inc., granted Mr. Kodish of Universal Beverage permission to export 39 boxes of Cohibas. As a consequence, all but 50 cigars were returned to Mr. Kodish and exported. The remaining 50 cigars will be destroyed upon completion of administrative forfeiture.

Sincerely,

CONFIDENTIAL

GC 000359

for Mary C. Bensel-Mills
Fines, Penalties & Forfeitures Officer

Enclosure

CONFIDENTIAL

P 0377

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	:	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 170 (D0170), GC 000346-GC 000349, P 0365-P 0368

MORGAN & FINNEGAN, L.L.P.
A Registered Limited Liability Partnership
345 PARK AVENUE
NEW YORK, NEW YORK 10154-0053
TEL.: (212) 758-4800
TELEX 421792
FACSIMILE: (212) 751-6849

WASHINGTON OFFICE
1299 PENNSYLVANIA AVENUE, N.W.
SUITE 960
WASHINGTON, D.C. 20004
TEL.: (202) 857-7887
FACSIMILE: (202) 857-7929

WRITER'S DIRECT DIAL NUMBER:
(212) 415-8543

JOHN A. DIAZ
JOHN D. FOLEY
JOHN C. VASSIL
ALFRED P. EWERT†
DAVID H. PFEFFER
HARRY C. MARCUS
ROBERT E. PAULSON
STEPHEN R. SMITH
KURT E. RICHTER
J. ROBERT DAILEY
EUGENE MOROZ
JOHN F. SWEENEY†
ARNOLD I. RADY†
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ISRAEL BLUM
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WARREN H. ROTERT
ROGER S. SMITH
JOHN P. SINNOTT
NED W. BRANTHOVER
EUGENE C. RZUCIDLO*†
JOHN E. HOEL*
JOSEPH C. REDMOND, JR.†
COUNSEL

RESIDENT PARTNER IN WASHINGTON
EDWARD A. PENNINGTON*†

JOHN D. MORGAN
1893-1939
HOBART N. DURHAM
1930-1969
GRANVILLE M. PIN
1939-1994

THOMAS M. HAMMOND*†
SCOTT D. GREENBERG
MARK LEE HOGGE*†
MARK J. ABATE
BARRY J. SCHINDLER
JOHN T. GALLAGHER
STEVEN F. MEYER
TONY V. PEZZANO
BRUCE D. RADIN
ANDREA L. WAYDA
MARY J. MORRY
ROBERT K. GOETHALS
KENNETH H. SONNENFELD
JOHN W. OSBORNE
MICHAEL S. MARCUS*†
RICHARD K. WARTHER
CINDY M. ZELSON
LAURENCE J. BROMBERG
JEAN E. SHIMOTAKE†
WALTER G. HANCHUK†
JEFFREY J. OELKE
PETER N. FILL
KENNETH S. WEITZMAN
RICHARD STRAUSSMAN
JAMES M. GIBSON
STEPHEN J. MANETTA
DOROTHY R. AUTH
BRENDA POMERANCE
CHRISTOPHER J. HAMATY*†
KATHRYN E. DIAZ
GERARD A. HADDAD
RICHARD W. ERWINE
PHILIP E. LEVY*
MICHAEL O. CUMMINGS
MATTHEW D. SIMON
JOSEPH P. CURTIN*†
MICHAEL A. SCHWARTZ*†
IAN G. DIBERNARDO
DOUGLAS R. NEMEC
BETH A. OLIAK

SCIENTIFIC ADVISORS
KATHRYN M. BROWN, PH. D.
LESLIE A. SERUNIAN, PH. D.
DAVID V. ROSSI, PH. D.
CAROL GRUPPI, PH. D.
RICHARD W. BORK, PH. D.

*NOT ADMITTED IN NEW YORK
†ADMITTED IN WASHINGTON, D.C.

FOREIGN LAW ADVISOR
RYOSUKE FUJIMOTO

July 3, 1997

VIA FEDERAL EXPRESS

Jesus Sanchelima, Esq.
Sanchelima & Associates, P.A.
235 S.W. Le Jeune Road
Miami, FL 33134-1762

DEFENDANT'S EXHIBIT
D 170
Blumberg No. 5114

Re: Cohiba Clothing Co.
Your File No. 17091

Dear Mr. Sanchelima:

We are counsel to Culbro Corporation, General Cigar Holdings, Inc. and its General Cigar Co., Inc. subsidiary ("General Cigar"). General Cigar has forwarded your letter of March 25, 1997 to our attention.

Please be advised that our client's well-known COHIBA trademark is in use in United States commerce in connection with cigars and has been for many years. General Cigar's COHIBA cigars are available through select distributors, particularly Dunhill, and, in the Miami area, Mike's Cigars. Enclosed for your reference are some illustrative samples of commercial literature for General Cigar's COHIBA cigar products.

In addition, as previously noted, General Cigar has plans in progress to sell a wide array of additional products in the United States under the mark COHIBA promoting and related to its COHIBA cigars, including various types of clothing and apparel, and owns two pending United States trademark applications for said mark for such additional goods including clothing, i.e. Serial No. 74-686,067 (filed June 8, 1995) and 75-051,706 (filed February 1, 1996). It is our understanding that the aforementioned two applications also predate your client's use of "COHIBA" in connection with your client's clothing products.

308251_1

Accordingly, the aforementioned applications will serve to enhance General Cigar's rights in the COHIBA mark upon their issuance as registrations.

In view of all of the foregoing, General Cigar repeats its demand that Cohiba Clothing Co. and any affiliated entities immediately cease and desist any and all use of the COHIBA trademark in the United States. If your client continues to sell and/or market clothing items in the United States under the COHIBA mark, it does so at its own risk.

Very truly yours,

Scott Greenberg

SG:cm
Encl.

ALFRED DUNHILL

Established 1893

dunhill

GC 000348

P 0367

cohiba

Highly desirable with a slightly
elusive quality, this cigar is both hard
to define and difficult to keep in stock.
Its complex flavor may account for its clout.
Unbanded and available only through
Alfred Dunhill. Made in the Dominican Republic.

Taste: medium body, rich

Wrapper: Connecticut Shade

Filler: Dominican Republic, Mexico, Jamaica

Binder: Mexico

Robusto, 5 [illegible] × 50, Box of 25 (ND0081) $215

Espinosa, 7 [illegible] × 49, Box of 25 (ND0083) $225

Corona Especial, 6 [illegible] × 42, Box of 25 (ND0082) $205

1 800 860 8362 [illegible] HOURS 7 DAYS

GC 000349

P 0368

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 171 (D0171), GC 000411-GC 000421, P 0429-P 0438

GENERAL CIGAR CO • INC
320 WEST NEWBERRY ROAD BLOOMFIELD, CT 06002-1398 PHONE 860-769-3600 FAX 860-769-3670

VIA EXPRESS MAIL

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 171

July 28, 1997

Global Direct Marketing
599 Lexington Avenue
New York, NY 10022

GC 000411

P 0429

Re: Cohiba Cigars

Dear Sir:

I write today on behalf of Culbro Corporation, General Cigar Holdings, Inc. and its General Cigar subsidiary.

For many years, General Cigar Co., Inc. ("General Cigar") and its predessors-in-interest have used the registered mark COHIBA on cigars sold in the United States. This trademark is widely and favorably known to consumers in this country as designating cigars originating exclusively from General Cigar Co., Inc. Enclosed for your reference are copies of General Cigar's United States Registrations for the mark COHIBA in connection with cigars, Reg. Nos. 1,147,309 and 1,898,273. General Cigar also has plans in progress to sell a wide array of additional products in the United States under the mark COHIBA promoting and related to its COHIBA cigars, including various types of clothing and apparel, including t-shirts, shorts, ties, sweatshirts, polo shirts and sports apparel such as golf apparel and beachwear, smoker's accessories, as well as other products. Accordingly, General Cigar also owns United States Trademark Application Serial No. 74-686,067 for the mark COHIBA in connection with various clothing and apparel products and accessories, including a variety of shirts such as t-shirts, golf shirts and beach shirts, filed June 8, 1995 based on an intention to use the mark for those goods.

It has come to our attention that you are using the identical mark COHIBA in connection with the sale of cigars which were not produced by General Cigar.

Any use of the mark COHIBA in the United States by you or your company or on your or your company's behalf, in connection with the sale of cigars or other of the goods identified, does and will constitute infringement of General Cigar's exclusive trademark rights in the mark COHIBA. Such use is likely to cause confusion, mistake or deception, in that purchasers of your or your company's goods will be led, by reason of the identity of the marks and the related nature of the goods, to believe that your COHIBA products emanate from or are otherwise sponsored or

licensed by or affiliated with General Cigar. In addition, your use of the COHIBA mark in the United States does and will dilute the distinctive quality of our mark, thus injuring our trademark rights and goodwill in the COHIBA mark. Please be assured that General Cigar will take prompt legal action to protect its valuable rights.

For the foregoing reasons, we must insist that you, your company and any affiliated entities immediately cease and desist any and all use or planned use of the COHIBA trademark in the United States.

Please immediately provide us, via express mail, with your written confirmation that your use of and/or sale of goods bearing the mark COHIBA have ceased, along with the following information:

1. A complete listing of any and all sources of cigars bearing the COHIBA mark which have been purchased by you or your company.

2. A complete listing of any and all cigars bearing the COHIBA mark currently in inventory.

3. Copies of any and all shipping documentation relating to your purchase of the cigars bearing the COHIBA mark.

We look forward to your prompt assurance that you will abide by our request.

Very truly yours,

John E. Webber

JEB/lw
Enclosures

cc: J. Rano

GC 000412

P 0430

Int. Cl.: 34

Prior U.S. Cl.: 17

Reg. No. 1,898,273
Registered June 6, 1995

United States Patent and Trademark Office

TRADEMARK
PRINCIPAL REGISTER

COHIBA

GENERAL CIGAR CO., INC. (DELAWARE CORPORATION)
320 WEST NEWBERRY ROAD
BLOOMFIELD, CT 06002

FOR: CIGARS, IN CLASS 34 (U.S. CL. 17).
FIRST USE 12-0-1992; IN COMMERCE 12-0-1992, FIRST USED IN COMMERCE IN ANOTHER FORM IN FEBRUARY 1978.

OWNER OF U.S. REG. NO. 1,147,309.
UPON INFORMATION AND BELIEF, "COHIBA" IS A CONJUGATIVE FORM OF THE SPANISH WORD "COHIBIR", WHICH MEANS "TO RESTRAIN" OR "COHIBIT".

SN 74-344,349, FILED 12-30-1992.

R. G. COLE, EXAMINING ATTORNEY

P 0431

Int. Cl.: 34

Prior U.S. Cl.: 17

United States Patent and Trademark Office

Reg. No. 1,147,309
Registered Feb. 17, 1981

TRADEMARK
Principal Register

COHIBA

Culbro Corporation (New York corporation)
605 3rd Ave.
New York, N.Y. 10016

For: CIGARS, in CLASS 34 (U.S. Cl. 17).
First use Feb. 13, 1978; in commerce Feb. 13, 1978.

Ser. No. 161,879, filed Mar. 13, 1978.

DAVID C. REIHNER, Primary Examiner

P 0432

GC 000414

Global Direct Marketing

IMPORT-EXPORT

599 Lexington Ave.
New York, NY 10022

Telephone 212-836-4334

Ray Parker

PRICE LIST 6/15/97

COHIBA-DOMINICANA

		bundle/box price
Cohiba #1	38 x 7 ½	170.00
Cohiba #2	38 x 6 ⅝	165.00
Cohiba #3	38 x 6	155.00
Cohiba Robusto	46 x 5	125.00
Cohiba Bocado Selectos	46 x 4	120.00
Cohiba Jibarito	44 x 6 ¼	140.00
Cohiba Esplendido	47 x 7	150.00

Note: **Most shipments of Cohiba are in bundles of 25 due to the shortage of cedar used to make boxes.**

All sizes are not always available due to high demand.

Quantity discounts available.

Prices UPS C.O.D.

Please call Global Direct Marketing at 212-836-4334

ATTN: LYNN WOOD

Global Direct Marketing

599 Lexington Ave.
New York, NY 10022

IMPORT-EXPORT

Telephone 212-836-4334

ATTN: TONY TECCE

PRICE LIST 6/15/97

COHIBA-DOMINICANA

		bundle/box price
Cohiba #1	38 x 7 ½	170.00
Cohiba #2	38 x 6 ¾	165.00
Cohiba #3	38 x 6	155.00
Cohiba Robusto	46 x 5	125.00
Cohiba Rosado Selectos	46 x 4	120.00
Cohiba Jibarito	44 x 6 ¼	140.00
Cohiba Esplendido	47 x 7	150.00

Note: Most shipments of Cohiba are in bundles of 25 due to the shortage of cedar used to make boxes.

Boxes are available special order in small quantity.

All sizes are not always available due to high demand.

Quantity discounts available.

Prices UPS C.O.D.

Please call Global Direct Marketing at 212-836-4334

CONFIDENTIAL

CONFIDENTIAL

GC 000416

P 0434

LYNN:
RECEIVE AT TOBACCO OUTLET – 8613 N. MICHIGAN RD.
INDPLS., IN 46268
(317) 334-9700

G.D.M. INC

1523 Plimpton Ave. Suite 3 Bronx, NY 10452

Price List

It's Easy to Order!

DOMINICAN COHIBA

PHONE YOUR ORDER	FAX YOUR ORDER	MAIL YOUR ORDER
Phone your order to: Open 24 hours 718-731-3641	*Fax this form to:* 718-731-3641	*Fill out this form and mail it to the address above*

••• CALL FOR QUANTITY DISCOUNTS •••

ITEM NO.	QTY	ITEM NAME		NOW ONLY!	TOTAL
0001		Cohiba #1	38 x 7 1/2	$195.00	
0002		Cohiba #2	38 x 6 3/4	$190.00	
0003		Cohiba #3	38 x 6	$180.00	
0004		Cohiba Robusto	46 x 5	$150.00	
0005		Cohiba Bocado Selectos	48 x 4	$145.00	
0006		Cohiba Jibarito	44 x 6 1/4	$166.00	
0007		Cohiba Esplendido	47 x 7	$175.00	
0008		Caoba ****	46 x 7	$130.00	
0009		Caoba ***	44 x 6 1/4	$128.00	
0010		Caoba **	42 x 5 1/2	$126.00	
0011		Caoba *	42 x 5	$125.00	
0012		Caoba Panatela #1	36 x 7 1/2	$128.00	
0013		Caoba Panatela #2	36 x 6 3/4	$126.00	
0014		Caoba Panatela #3	38 x 6	$128.00	
0015		Caoba Robusto	50 x 5	$128.00	
0016		Caoba Pendejo	46 x 5 1/2	$128.00	
0017		Caoba Guajiro	50 x 7	$140.00	
0018		Caoba Piramides		$220.00	
				SUBTOTAL	
				SHIPPING & HANDLING	
				TOTAL COST	

NOTES:
Most shipments of Cohiba are in bundles of 25 due to the shortage of cedar used to make boxes.

Prices C.O.D.

Montecristo occasionally avail. for $175.00 - $185.00

Davidoff avail. soon in limited quantities. Call for availability!

Discount on bulk orders!

CONFIDENTIAL

GC 000417

P 0435

CONFIDENTIAL

Global Direct Marketing
599 Lexington Ave.
New York, NY 10022

IMPORT-EXPORT
Telephone 212-836-4334

Attn: Steve

PRICE LIST 6/15/97

COHIBA-DOMINICANA

		bundle/box price
Cohiba #1	38 x 7 ½	170.00
Cohiba #2	38 x 6 ¾	165.00
Cohiba #3	38 x 6	155.00
Cohiba Robusto	46 x 5	125.00
Cohiba Bocado Selectos	46 x 4	120.00
Cohiba Jibarito	44 x 6 ½	140.00
Cohiba Esplendido	47 x 7	150.00

Note: Most shipments of Cohiba are in bundles of 25 due to the shortage of cedar used to make boxes.

All sizes are not always available due to high demand.

Quantity discounts available.

Prices UPS C.O.D.

Please call Global Direct Marketing at 212-836-4334

CONFIDENTIAL

FedEx Ship
Shipment Receipt

From:
Lynn Wood
(860) 243-4360
General Cigar Co., Inc.
Legal
35 Griffin Road, South
Bloomfield, CT 06002

To:
(212) 836-4334
GLOBAL DIRECT MARKETING
599 LEXINGTON AVENUE
NEW YORK, NY 10022

COD Return Address:
N/A

Date: 28JUL97
Track Number: 0180968141
Service: Priority Overnight
Packaging: FedEx Letter
Special Handling: Drop
Piece: 1 of 1
Weight: 1 LBS
Dimensions: N/A
Declared Value: N/A
Deliver without Signature: No

Billing: Bill Sender
Bill To Acct: 123168585
Rate Quote: $8.42
Reference: N/A

COD Shipment: No
COD Amount: N/A
Secured Check: N/A
Include Freight: N/A

Document Shipment: N/A
Commodities: N/A
Total Customs Value: N/A
Currency: N/A
Countries of MFG: N/A
Ultimate Destination: N/A

CONFIDENTIAL

GC 000419

P 0437

2 of 2

Global Direct Marketing

IMPORT-EXPORT

599 Lexington Ave.
New York, NY 10022

Telephone 212-836-4334

REVISED PRICE LIST 10/09/97

FEATURING PREMIUM CIGARS IMPORTED DIRECTLY FROM THE DOMINICAN REPUBLIC

COHIBA - Dominicana

#1	38 x 7 ½	$ 150.00
#2	38 x 6 ¾	$ 145.00
#3	38 x 6	$ 135.00
Esplendido	48 x 7	$ 150.00
Robusto	48 x 5	$ 125.00
Bocado Selectos	48 x 4	$ 90.00
Jibarito	46 x 6 ¼	$ 125.00
Piramide	52/36 x 6 ¼	$ 165.00

All sizes are not always available due to high demand.

Quantity discounts available.

25-49	$ 6.25	discount	each
50-74	$12.50	"	"
75-99	$18.75	"	"
100+	$25.00	"	"

Prices are C.O.D.

Brent - Sales reporting "Cohiba" Clothing everywhere -

CONFIDENTIAL

GC 000420

CONFIDENTIAL

P 0439

Sent in By B. Jones

1 of 2

Global Direct Marketing

IMPORT-EXPORT

599 Lexington Ave.
New York, NY 10022

Telephone 212-836-4334

Urgent Attn: B. Currie

October 1997

?

Last July, the federal registration of the Cohiba trademark by General Cigar was suspended.

Global direct marketing is proud to announce exclusive distribution of the *original* Dominican Cohiba.

The Dominican Cohiba has been produced by the Monti Cristi factory in Santiago for the past 15 years and carries the familiar yellow/orange and black ring that is familiar throughout the world.

Please do not confuse this cigar with the "new" Cohiba produced by General Cigar. There are no similarities.

We are experiencing overwhelming demand for Cohiba and suggest you contact our sales department early to place your order.

Prices and samples are available on request.

Quantity pricing is available for a limited time.

What's going on?

D. Schertz

Global Direct Marketing

(212) 836-4334

Also - Tinder Box in Buffalo (Trish C) Steve Denne 716 689 2914 has received Boxes of Dom. Cohiba without Bands but in original Cohiba boxes from Mike Cigar Tel.

10/09/97 10:52 TX/RX NO.1336 P.001

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 171 (D0171), GC 000411-GC 000421, P 0429-P 0438 Defs Ex 172 (D0172), GC 004667

Tinder Box
INTERNATIONAL

VIA FEDERAL EXPRESS

August 15, 1997

Mr. Dixon Farrington
General Cigar Co.
320 W. Newberry Rd
Bloomfield, CT 06002-1398

Re: Catalog Advertising

Dear Mr. Farrington:

Thank you for responding to my call so quickly, I have enclosed a sample of a video tape that was sent to us by Ravindi Productions and they are requesting from us to advertise this video in our new catalog that is in production.

We at Tinder Box International want to know (1) Is this a trademark infringement? (2) Do you have an identity issue which will cause discomfort with us allowing this product in our catalog? We currently know of only four (4) Tinder Box stores carrying this item through-out the entire country. If this item is allowed to be advertised it will generate a demand for this product, our catalog is currently in production for 500,000 pieces to be distributed throughout the 110 Tinder Box stores.

word Cohiba not used!

Mr. Ravindi did inform me that he spoke with the representatives at your booth at the 1997 R.T.D.A. show in Orlando and was told this item was no issue with General, however he could not give me the names of anyone at General to confirm this with.

Your prompt response and assistance is greatly appreciated. Should you have any additional questions please feel free to call me at 800.846.3372.

Sincerely,

Wendy Ellis

Wendy Ellis
The Tinder Box International, Ltd.

DEFENDANT'S EXHIBIT D 172
Blumberg No. 5114

/wcc
Enclosure
cc: Gary Blumenthal, President

CONFIDENTIAL

GC 004667

THREE BALA PLAZA EAST, SUITE 102 • BALA CYNWYD, PA 19004 • (610) 668-4220 • (800) 846-3372

SENT BY: 8-29-97 ; 2:15 ;CULBRO CORP. - LEGAL→ 1860/6836/0;# 2/ 2

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

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Defs Ex 173 (D0173), GC 006010

COHIBA

August 24, 1997

Dear Cigar Retailer:

Enclosed you will find a few pictures that will help you to visualize the quality of our product and a sample cigar so that you can taste it as well. For you to have received this letter, you must be the epitome of the cigar industry, as we do not open accounts for people who are in this "business" temporarily and are looking to gouge the new or the old cigar aficionado.

Our name and reputation speak for themselves. We expect our product to become the number one selling product in your establishments. We also expect that you will see a rise in your overall sales as a result of being able to advertise to the public that you are carrying our product.

You may have been approached with offers for "Cohiba" cigars by wholesalers. Most if not all of the product that is offered by them are counterfeit goods. The Cohiba label that most of them sell is underlined by "Dominican Republic" in small lettering. The box is made of pine treated wood. In addition all "Cohiba" cigars offered for sale in bundled form are counterfeit. Cohiba has never been, nor will it ever be offered for sell in bundles. The prices that are being charged for these goods do not reflect the fact that they are counterfeit. All of our goods come packaged in cedar boxes.

We at Cohiba De Dominicana are dedicated to bringing you the best of the cigar world and to customer service. We do not and are not opening more than 100 "relationships" for the period starting 7-1-97 through 7-1-98, and in doing so, we are better able to attend to your needs.

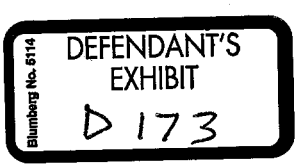
We are looking forward to hearing from you. Please give us a call at our 24-hour non-live line at the number below. Once an account is established, through a call back from us, we will forward you a live number that you can reach from 9:00 a.m. to 5:00 p.m. Pacific Standard Time. We use this procedure to guard against conflicts with our distributors nationwide and to avoid the retail consumer.

We will discuss prices and related topics with you on a more individual basis when we hear from you.

Sincerely yours,

Kevin Moda
So. Cal. Sales Coordinator
Cohiba De Dominicana

DEFENDANT'S EXHIBIT D 173
Blumberg No. 5114



GC 006010

COHIBA DE DOMINICANA
048 IRVINE AVE. · SUITE 449 · NEWPORT BEACH, CA 92660 · 714-810-8006

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 174 (D0174), GC 004671

GENERAL CIGAR HOLDINGS • INC
387 PARK AVENUE SOUTH • NEW YORK, NY 10016-8899

A. Ross Wollen
SENIOR VICE PRESIDENT
GENERAL COUNSEL & SECRETARY
PHONE 212-448-3020 FAX 212-561-8791

August 28, 1997

Ms. Wendy Ellis
The Tinder Box International, Ltd.
Three Bala Plaza East Suite 102
Bala Cynwyd, PA 19004

Re: Videotape "Smoke - In Your Eyes - Cigar Lovers Adventure in Cuba"

Dear Ms. Ellis:

Your August 5, 1997 letter to Dickson Farrington about the Cohiba video tape was referred to me for response. We appreciate your bringing this to our attention.

While I cannot say the tape (or its jacket) is tecnically a trademark infringement as it does not display our registered wordmark Cohiba, we believe its advertisement in your catalogue at this time would lead to confusion on the part of your subscribers, many of whom are our consumers. As you may know, General Cigar is currently extensively advertising and promoting its reformulated Cohiba cigar previously available in limited quantities. We are making every effort to distance our cigar from Cuban Cohibas which violate the U.S. trade embargo and counterfeit Cohibas which violate our trademark. Any advertisement which promotes Cuban Cohibas at this time would be most unfortunate and harmful to our effort.

Moreover, we would ask you to consider whether you should promote in your catalogue, even if indirectly, a product which is illegal for your subscribers to purchase in, or from, the United States.

For all of the above reasons, we would request that you do not advertise or promote the tape in any way.

We thank you for asking for our opinion and appreciate your sensitivity to our concerns.

My regards to Gary Blumenthal.

Sincerely yours,

A Ross Wollen

cf: Dickson Farrington

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D 174

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 175 (D0175), GC 007651

GENERAL CIGAR HOLDINGS • INC
387 PARK AVENUE SOUTH NEW YORK, NY 10016-8899

A. Ross Wollen
SENIOR VICE PRESIDENT
GENERAL COUNSEL & SECRETARY
PHONE 212-448-3820 FAX 212-561-8791

December 22, 1997

Via Fax (954) 252-9391

Mr. Sanford G. Lechner
Atlanta Smoker
1701 W. Hillsboro Blvd.
Suite 305
Deerfield Beach, Florida 33442

Dear Mr. Lechner:

I understand your publication is running an advertisement for COHIBA cigars from Global Direct Marketing ("GDM"). I am sending herewith the Order just issued by Judge Robert Sweet of the U.S. District Court prohibiting GDM from selling cigars using our COHIBA® brand name.

We hereby demand that you cease and desist all such advertising and notify your subscribers of this Order. Please consult your attorney as to the seriousness of this matter and the steps you should take. To my knowledge your publication is the only one to accept this advertising.

Very truly yours,

A Ross Wollen

A. Ross Wollen

DEFENDANT'S EXHIBIT
D 175
Blumberg No. 5114

w/ Enclosure

ARW:df
(MSW)\i:User\Hansen\Lechner

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

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In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
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EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 177 (D0177), Plfs Ex 12

COHIBA®

SANTIAGO, LA REPUBLICA DOMINICANA

PLAINTIFF'S EXHIBIT
PX12

DEFENDANT'S EXHIBIT
D177

LONSDALE GRANDE

TWENTY-FIVE CIGARS

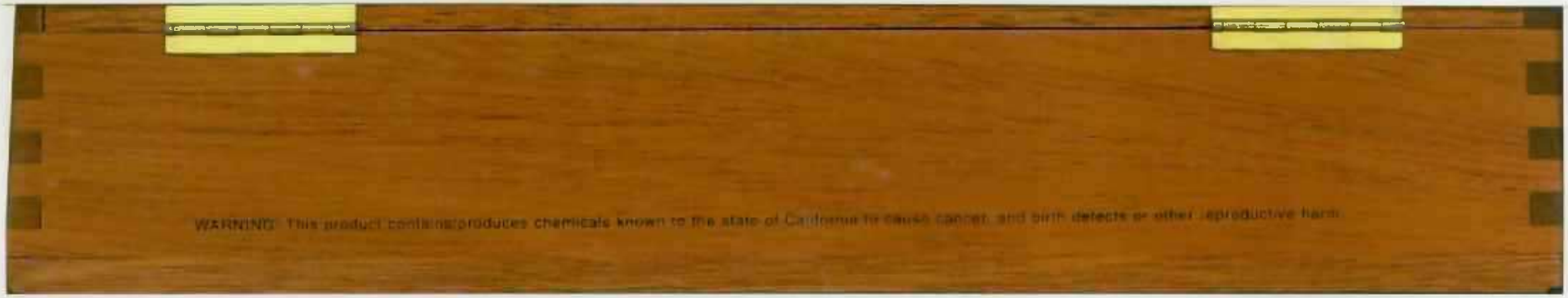
COHIBA®

WARNING: This product contains/produces chemicals known to the state of California to cause cancer and birth defects or other reproductive harm.

COHIBA
LONSDALE GRANDE
TWENTY-FIVE CIGARS

COHIBA
LONSDALE GRANDE
TWENTY-FIVE CIGARS

LONSDALE GRANDE
TWENTY-FIVE CIGARS


WARNING: This product contains/produces chemicals known to the state of California to cause cancer, and birth defects or other reproductive harm.

25 CIGARS

HAND MADE IN SANTIAGO, REPUBLICA DOMINICANA

SU8

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
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EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 178 (D0178)

D178

CONFIDENTIAL UNDER PROTECTIVE ORDER

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

EMPRESA CUBANA DEL TABACO d.b.a. CUBATABACO, Plaintiff, v. CULBRO CORPORATION and GENERAL CIGAR CO., INC., Defendants.	Civil Action No. 97 Civ. 8399 (RWS)

REPORT OF DR. ITAMAR SIMONSON

Date: November 7, 2002

EXPERT REPORT OF DR. ITAMAR SIMONSON

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BACKGROUND AND QUALIFICATIONS

1. I am the Sebastian S. Kresge Professor of Marketing at the Graduate School of Business, Stanford University. From November 1994 through August 2000 I served as the Head of the Stanford Marketing Group. A copy of my curriculum vitae, which includes a complete list of my publications, is attached as Exhibit A.

2. I hold a Ph.D. in Marketing from Duke University, Fuqua School of Business, a Master's degree in business administration (MBA) from the UCLA Graduate School of Management, and a Bachelor's degree from The Hebrew University with majors in Economics and Political Science.

3. My field of expertise is consumer behavior, marketing management, trademark infringement, survey methods, and human judgment and decision making. Most of my research has focused on buyers' purchase behavior, the effect of product characteristics (such as brand name, price, features), the competitive context, and marketing activities (such as promotions, advertising) on buying decisions, and trademark infringement.

4. I have received several awards, including (a) the award for the Best Article published in the Journal of Consumer Research (the major journal on consumer behavior) between 1987 and 1989, (b) the "Ferber Award" from the Association for Consumer Research, which is the largest association of consumer researchers in the world, (c) the 1997 O'Dell Award, given to the Journal of Marketing Research (the major journal on marketing research issues) article that has had the greatest impact on the marketing field in the previous five years, (d) the 2001 O'Dell award, (e) the award for the Best Article published in the Journal of Public Policy & Marketing (the major journal on public policy and legal aspects of marketing) between 1993 and 1995, (f) the 2002 American Marketing Association award for the Best Article in the area of services marketing, and (g) I was a winner in a competition dealing with research on the effectiveness of direct

marketing programs, which was organized by the Direct Marketing Association and the Marketing Science Institute.

5. I have published three articles relating to trademark surveys and trademark infringement from the customer's perspective, including two in the Trademark Reporter and one in the Journal of Public Policy & Marketing. The two articles published in the Trademark Reporter were: "The Effect of Survey Method on Likelihood of Confusion Estimates: Conceptual Analysis and Empirical Test,"[1] and "An Empirical Investigation of the Meaning and Measurement of Genericness".[2] The Journal of Public Policy & Marketing article, titled "Trademark Infringement from the Buyer Perspective: Conceptual Analysis and Measurement Implications",[3] was selected (in 1997) as the Best Article published in that journal between 1993 and 1995.

6. At Stanford University I have taught MBA and executive courses on Marketing Management, covering such topics as buyer behavior, developing marketing strategies, building brand equity, advertising, sales promotions, and retailing. I also taught an MBA course on High Technology Marketing. In addition to teaching MBA Marketing Management and Technology Marketing courses, I have guided and supervised numerous MBA student teams in their work on company and industry projects dealing with a variety of markets.

7. I have taught several doctoral courses. One doctoral course examines methods for conducting buyer research. It focuses on the various stages involved in a research project, including defining the problem to be investigated, selecting and developing the research approach, data collection and analysis, and deriving conclusions.

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[1] Itamar Simonson (1993), "The Effect of Survey Method on Likelihood of Confusion Estimates: Conceptual Analysis and Empirical Test," Trademark Reporter, 83 (3), 364-393.

[2] Itamar Simonson (1994), "An Empirical Investigation of the Meaning and Measurement of Genericness," Trademark Reporter, 84 (2), 199-223.

[3] Itamar Simonson (1994), "Trademark Infringement from the Buyer Perspective: Conceptual Analysis and Measurement Implications," Journal of Public Policy and Marketing, 13(2), 181-199.

A second doctoral course that I have taught deals with buyer behavior, covering such topics as buyer decision making processes, influences on purchase decisions, and persuasion. A third doctoral course that I have taught deals with buyer decision making. Prior to joining Stanford University, during the six years that I was on the faculty of the University of California at Berkeley, I taught an MBA Marketing Management course, a Ph.D. course on buyer behavior, and a Ph.D. course on buyer decision making. I also taught in various executive education programs, including a program for marketing managers in high technology companies.

8. After completing my MBA studies and before starting the Ph.D. program, I worked for five years in a marketing capacity in a subsidiary of Motorola Inc., serving in the last two years as the product marketing manager for two-way communications products. My work included (a) defining new products and designing marketing plans for new product introductions, (b) customer and competitor analysis, and (c) sales forecasting.

9. I have conducted, supervised, or evaluated well over 1,000 marketing research studies, including many related to trademark, branding, marketing strategies, and advertising-related issues. I have also worked as a consultant for companies and organizations on a variety of marketing and buyer behavior topics. A list of cases in which I provided sworn testimony during the past four years is included in Exhibit B. I am being compensated at my standard rate of $550 an hour.

INTRODUCTION

10. I was asked by counsel for Culbro Corporation and General Cigar ("General Cigar") to evaluate the two reports of Mr. Ossip and the report of Mr. Siegel submitted on behalf of Empresa Cubana Del Tabaco d.b.a. Cubatabaco ("Cubatabaco"). My evaluation included an analysis of:

(a) whether the Cubatabaco Cohiba brand was well-known in 1992;

(b) whether there is a significant likelihood of confusion between the General Cigar Cohiba and the Cuban (Cubatabaco) Cohiba; and

(c) whether, as the plaintiff's experts suggest, the sales and market acceptance of the General Cigar Cohiba were determined by its association with the Cuban brand and with Cuba, as opposed to other factors such as the company's marketing efforts.

11. To perform these analyses, I relied upon well-established principles of consumer behavior and marketing as well as on numerous documents produced in this litigation, including many consumer studies and analyses performed by General Cigar and by various research and consulting firms for the primary purpose of assisting the company in making business decisions. A list of the materials that I reviewed in connection with preparation of this report appears in Exhibit C.

SUMMARY OF FINDINGS AND CONCLUSIONS

12. The findings of the 1992 (Shanken) survey and subsequent surveys of premium cigar smokers, combined with a standard marketing analysis, allow us to derive a rather accurate estimate of unaided awareness among the 1992 survey participants. Specifically, it is estimated that the level of unaided awareness among survey participants was approximately 3.5%, which is very low and indicates that the Cohiba brand was unknown to the overwhelming majority of premium cigar smokers (by comparison, a level of unaided awareness for Macanudo of 33% was referred to in an internal General Cigar document as "very low in absolute terms"). The awareness estimate is even lower if one takes into consideration the relevant prospective premium smokers who entered the market after 1992 and the fact that the 1992 survey participants were unrepresentative in terms of their exceptionally high average income and familiarity with Cuban cigars (even in this respondent group, Cohiba ranked 16th among Cuban brands with respect to "brands of cigars normally smoked").

13. It is impossible to estimate (absolute level) awareness based on aided-awareness measures, because aided-awareness measures suffer from "spurious awareness" that often inflates estimates by as much as 50%. Furthermore, even where aided-awareness measures are relevant (e.g., to evaluate changes over time), it is impossible to derive aided-awareness measures from unaided awareness based on other brands, because the relation between aided and unaided-awareness measures varies greatly from one brand to another. Indeed, the method that Mr. Ossip invented for deriving aided-awareness (and assuming that aided-awareness means "total awareness") has not been used before by him or by anyone else.

14. Although it is also impossible to determine the absolute brand awareness level on the basis of 50 media mentions of that brand over a 10-year period, one can obtain a rough estimate based on a careful analysis of the likelihood that a premium cigar smoker was exposed to any particular article, paid attention to it, and remembered a

particular name mentioned in that article. This analysis, based on basic principles of consumer behavior, indicates that the effect of 50 mentions over a 10-year period was likely to be very limited.

15. As testified by Mr. Siegel, it takes a great deal of time for a new magazine to gain credibility and establish itself in the target market. The first issue of *Cigar Aficionado* reached a very small portion of prospective premium cigar smokers. Thus, the favorable article about the Cuban Cohiba that appeared in that first issue, which was one of about 18 articles and was not prominently featured on the magazine's (U.S. edition) cover, was unlikely to have a substantial effect on brand awareness among prospective premium cigar smokers.

16. The evidence from numerous studies and research reports and an analysis of cigar smokers' purchase decisions leads to the following conclusions:

(a) The millions of premium cigar smokers who entered the market in the 1990s tended to rely primarily on tobacconists and friends as sources of information about cigars. Tobacconists were particularly important for the purchasers of the General Cigar Cohiba.

(b) *Cigar Aficionado* was a much less significant source of information, particularly among the "light users" who were the primary purchasers of the General Cigar Cohiba.

(c) The significance of a cigar's country of origin in consumers' purchase decisions declined during the 1990s. Furthermore, the relative standing of Cuba as the country that produces the best cigars declined, and the Dominican Republic and other locations, where many of the premium cigars consumed by U.S. smokers are produced, emerged as places that are perceived as producing cigars of the highest quality. Still, given the historic association between Cuba and cigars, it is quite possible that a cigar brand would benefit to some degree from a Cuban-sounding name, just as a spaghetti sauce may benefit from having an Italian name.

(d) Compared to cigar smokers in the 1980s, the millions of cigar smokers who started smoking cigars during the 1990s were less brand loyal, less likely to be aware of or consider the traditional brands, more likely to experiment with a variety of brands, and more likely to judge cigars based on their product characteristics than their brand name. These characteristics of premium cigar smokers were prevalent among General Cigar Cohiba smokers.

17. The evidence also indicates that, with a strong marketing support by General Cigar, the awareness of the Cohiba brand in the U.S. increased very significantly following the 1997 introduction, proportionally more than any other brand. Correspondingly, sales of the General Cigar Cohiba reached about one million units. This was a respectable market performance, considering the tough environment, with numerous brands and (since 1998) a declining market. This sales level, however, is inconsistent with the plaintiff experts' suggestion that the Cohiba brand name was famous and regarded by U.S. consumers as a "premier luxury cigar" and that many consumers confused the General Cigar product with the Cuban Cohiba. Instead, consistent with the analysis and the market research data, the market performance of the General Cigar Cohiba was based primarily on the company's marketing efforts and the endorsement of its product by the tobacconists.

18. The confusion survey conducted by Mr. Ossip was fatally flawed on several key dimensions:

(a) The reliance on an Internet survey, with panel members that were motivated by cash prizes, caused a complete loss of control over the respondent universe. As a result, it is impossible to know, for example, who actually participated in the study, the number of times each respondent participated, and whether they were qualified to participate. The problem was exacerbated by the use of ambiguous screening criteria.

(b) The Ossip Survey employed a side-by-side methodology that was leading and failed to reflect the marketplace conditions and artificially inflated the confusion estimate.

(c) The Ossip Survey suffered from strong demand and order effects and failed to warn respondents against guessing, which inflated the confusion estimate.

(d) The Ossip Survey failed to include a "control."

(e) Despite the lack of control over the respondent universe and the survey execution, the results of the Ossip Survey were not validated.

(f) Mr. Ossip excluded from his confusion analysis most of the qualified respondents, because they could not be confused.

19. The flaws of the Ossip Survey had the effect of artificially inflating the obtained estimate of likelihood of confusion. Even with these one-sided biases, the Ossip Survey produced a likelihood of confusion estimate of 14.5%. With a proper methodology and a control, there is little doubt that the derived confusion estimate would be insignificant. This further supports the conclusion, based on an analysis of the manner in which premium cigars are purchased, the information sources of premium cigar smokers, and their familiarity with the Cuban embargo, that the likelihood of confusion between the General Cigar Cohiba and the Cuban Cohiba is insignificant.

BRAND AWARENESS: BASIC PRINCIPLES

20. Awareness refers to the strength of a brand's presence in the consumer's mind.[4] Professor Aaker[5] provides the following metaphor to explain the meaning of brand awareness: "If consumers' minds were full of mental billboards – each one depicting a single brand – then a brand's awareness would be reflected in the size of its billboard." He goes on to describe the different levels of awareness: "Awareness is measured according to the different ways in which consumers remember a brand, ranging from recognition (Have you been exposed to this brand before?) to recall (What brands of this product can you recall?) to "top of mind" (the first brand recalled) to dominant (the only brand recalled)." Regardless of the level of awareness, being aware of a brand means that its name is stored in the consumer's memory. Accordingly, we can define brand awareness based on the proportion of consumers who remember that brand.

21. Brand recognition relates to measures of "aided awareness" whereas recall is typically measured based on "unaided awareness." Aided awareness is most relevant when a consumer makes the brand purchase decision at the point of sale (e.g., at the store). As Professor Keller points out,[6] "The relative importance of brand recall and recognition will depend on the extent to which consumers make product-related decisions with the brand present or not. For example, if product decisions are made in the store, brand recognition may be more important because the brand will actually be physically present. Outside the store or in any situation where the brand is not present, on the other hand, it is probably more important that the consumer be able to actually recall the brand from memory."

22. A major limitation of aided awareness measures, which is particularly relevant to the present case, is that such measures often greatly inflate the actual brand

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[4] David A. Aaker, *Building Strong Brands,* pages 10-16, Free Press, 1996.
[5] According to Mr. Siegel (deposition page 136), Professor Aaker wrote the best books in the area of branding.
[6] Kevin L. Keller, "*Strategic Brand Management,* Second Edition, page 456, Prentice Hall, 1998. According to Mr. Siegel (deposition page 136), this book is the best textbook in the area of branding.

awareness level. In other words, when survey respondents are asked whether they have heard about a particular brand with a name that seems plausible for the product category, many of them will say that they have heard of that brand even if they have not. As Professor Keller indicates,[7] "Any research must consider the issue of consumers making up responses or guessing. That problem is especially evident with certain types of aided awareness or recognition measures for the brand. *Spurious awareness* occurs when consumers erroneously claim that they recall something that they really don't and that maybe doesn't even exist." Indeed, the phenomenon of spurious awareness applies also to non-existing brands, which are referred to as "phantom brands." In some cases, the level of spurious awareness of phantom brands is higher than 50%. The spurious awareness problem has also been addressed in the literature on survey research. For example, "The Survey Research Handbook"[8] makes the following recommendation: "There are two ways to ask about awareness: *aided* and *unaided* recall. With aided recall, the respondents are asked, "Have you heard of ___?" The problem with this kind of question is that many people will say they've heard of it, even though they haven't. To avoid this problem, ask for more details concerning the characteristics of the object or use the unaided recall method." The Survey Research Handbook further recommends to "Use unaided recall to measure awareness, if possible, to avoid false reports of recognition." Indeed, companies usually rely primarily, though not exclusively, on unaided awareness measures and goals. For example, an objective of the General Cigar 1999 Marketing Plan (GC023957) was to "Achieve 10% increase in share of unaided brand awareness ..." Another General Cigar report, "Premium Cigar Market – Consumer Research Summary" indicates that "Cohiba's unaided awareness has increased dramatically since July 1997" (GC013849).

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[7] Ibid, page 456.

[8] Pamela L. Alreck and Robert B. Settle, *The Survey Research Handbook: Guidelines and Strategies for Conducting a Survey*, Second Edition, McGraw-Hill, 1995, page 12.

23. Spurious awareness reflects at least two factors. First, respondents may truly believe that they have heard about the brand, because it seems like a plausible and/or familiar name. Second, when a survey asks about particular brands, the respondent can reasonably assume that these brands exist, and he or she is expected to know that. Thus, consistent with the tendency for "yea-saying" and with survey "demand effects,"[9] respondents tend to say "yes" when asked if they have heard about provided brand names.

24. It is noteworthy that the spurious awareness problem of aided awareness measures is less severe if the sole purpose is to *compare* the awareness level of different brands or changes in awareness over time, as opposed to finding out the true awareness level for a particular brand at a certain point in time. That is, even though it is reasonable to assume that the degree of spurious awareness varies by brand (for example, it is likely to be much lower for a brand such as "Coca Cola" that has virtually universal recognition than for a lesser-known brand such as "RC Cola"), one might assume that the level of spurious awareness associated with each specific brand is rather stable over time. Therefore, one can use aided-awareness measures to assess the *relative* (to other brands and/or earlier periods) change in awareness. However, if one is interested in the absolute awareness level, then the spurious awareness problem must be addressed, because the raw measures can be inflated by as much as 50%. In particular, if the issue is whether a certain brand is well-known or famous, the absolute-level awareness is the relevant measure (e.g., a brand that is known to only 10% of the relevant market is not "well-known" even if the awareness level of all other brands is less than 10%), and the spurious awareness problem needs to be addressed.

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[9] "Yea-saying" refers to the tendency of survey respondents to say "yes" and agree with statements provided to them. "Demand effects" refer to the tendency of survey respondents to provide answers that they believe are expected of them.

25. There are two ways to address the spurious awareness problems. One commonly used approach is to include "controls," that is, to include fictitious but plausible names for the product category. For example, to find out the awareness level of a spaghetti sauce with an Italian name, a survey can include aided awareness measures of the brand at issue, other relevant (existing) brands, and two or more fictitious control brands, which also have Italian names and appear plausible for a spaghetti sauce. The reason for including two (or more), rather than just one, control name is that the awareness results for fictitious names depend to some degree on the particular name selected (e.g., how plausible it appears to be). The researcher can then take the average "awareness" level of the control brands and subtract it from the measured aided awareness level of the brand at issue, to obtain a net brand awareness estimate. The second way to address the spurious awareness problem, as recommended by "The Survey Research Handbook," is to use an unaided awareness measure (e.g., "What is the first cigar brands that comes to mind? What other cigar brands can you think of? Any others?").

26. Unaided awareness measures might often underestimate a brand's awareness level. However, unaided awareness is likely to provide a reasonable approximation for the awareness of a brand that is very well-known and popular (e.g., Coca Cola, McDonald's, IBM) or a brand that is considered by a high proportion of those who are aware of it to be the best brand. That is, when asked about brands in a certain category, the brand that consumers consider to be the best is likely to be among the first that come to mind. Mr. Ossip, the plaintiff's expert, apparently agrees with this straightforward principle (deposition page 100):

" Q. Are people likely to remember on an unaided basis the brand that they like the most?

A. Yes, they might.

Q. Are they likely to?

A. To some extent, yes, they are likely to."

Later in his deposition (page 115), Mr. Ossip further said in reference to the relation between mentions as the "best" brand and unaided awareness:

"... if they name it as the best, they are very likely to name it on an unaided basis."

27. To illustrate the principle, suppose that 30% of wine drinkers know about the "Opus One" brand of wine, and two-thirds of them consider it to be the best wine they have ever drank (even though they seldom drink it). If these wine drinkers were asked about all the wine brands they could think of, they would likely mention the "Opus One" name, because it is easy to recall the brand that one considers to be the best. Indeed, consistent with a great deal of research on memory and the so-called "associative network model,"[10] it is easy to retrieve from memory names that have strong mental associations and memory trace. As professor Keller indicates, "Brand awareness is related to the strength of the brand node or trace in memory, as reflected by consumers' ability to identify the brand under different conditions. ... Thus, establishing brand awareness and a positive brand image in consumer memory, in terms of strong favorable, and unique brand associations, produces the knowledge structures that can affect consumer response ..." Therefore, the degree to which unaided awareness underestimates true awareness is likely to be small for a brand that many of the consumers who know that brand consider it the best. This conclusion is relevant to the present case, because, as shown below, although the awareness level of Cohiba prior to 1997 was very low, a large proportion of those who knew about it considered it to be the best. Therefore, the unaided awareness of Cohiba in the 1992-7 period was likely to provide a reasonable approximation for its awareness level.

28. Truly well-known brand names usually have unaided awareness levels that exceed 50%, whereas unaided awareness levels around 30% indicate relatively low

[10] For a review, see, e.g., Kevin L. Keller, "*Strategic Brand Management,* pages 46-9, Prentice Hall, 1998.

awareness. For example, a comprehensive research report that was presented in June of 1998 to the General Cigar Board of Directors by the leading consulting firm, *Bain & Company*, included the following conclusion (GC020622): "Though Macanudo has the leading unaided brand awareness of current cigar smokers, it's still very low on an absolute level." As shown on the graph on the same page, the level of unaided awareness for Macanudo, referred to by Bain & Company as "very low," was approximately 33%. It is noteworthy that the consulting firm *Bain & Company*, which is one of the top three or so consulting firms in the world, has been studying numerous markets and can base an assessment of whether a particular unaided awareness level is "low" or "high" by comparing it across industries. Thus, this conclusion is indicative of the normal expectation regarding the unaided awareness level of well-known brands, which is typically significantly higher than 33%. According to Mr. Ossip (deposition page 122), he considers a brand to be well-known or famous if its awareness level is greater than 50%.

29. Another question that we must consider relates to the consumer population whose awareness is relevant. The standard assumption in marketing analysis is that the relevant group (or "universe") of consumers includes current *and* potential customers. For example, a marketer of high-definition TV (or a new cigar) is likely to consider both current owners of HDTV (or cigar smokers) and those who might enter the market and buy HDTV for the first time (or start smoking cigars). Consistent with the importance of potential users, companies try to identify and study consumers who might enter the product category. For example, a survey that was conducted by NFO Research for General Cigar in October 1998 focused exclusively on "cigar non-smokers" (CAM 000833), examining such aspects as the non-smokers' views about cigar smoking, prior cigar smoking experience, spending habits, demographic characteristics, and other issues. Furthermore, to the extent that the number of potential customers is larger than the number of existing users of the product, potential customers are more important than the

existing users. Since new users are more likely to purchase a brand that they are aware of, marketers must consider the awareness and preference for their brand among potential customers. Thus, the relevant awareness level of a brand relates to the awareness among both current and potential users.

30. The principle that the relevant awareness refers to both current and potential customers is important, because there are often significant differences between experienced and new users with respect to their awareness. In particular, in the typical case, current users are more knowledgeable about the product category and brands in the category than potential users, especially if the new users do not yet know that they will enter the market (e.g., they do not know that they will start smoking cigars a year or two later). Based on Mr. Ossip's deposition testimony, he apparently accepts the principle that brand awareness among potential customers is relevant (Ossip deposition, page 71):

" Q. What is the relevant population for measuring brand awareness?

Mr. Krinsky: Objection as to form.

A. What is the typical population for measuring brand awareness? Typically from the let's say advertiser or marketer's point of view, it is the audience they are going after, however they want to define it.

Q. And audience they are going after would include actual and potential consumers of the product?

Mr. Krinsky: Objection as to form.

A. Actual, yes. Potential, if they could identify it, yes."

Similarly, Mr. Siegel indicated that studies for clients involve interviews with both customers and prospective customers (deposition page 22). Thus, both Mr. Ossip and Mr. Siegel apparently agree that potential purchasers are relevant to the assessment of awareness (and other issues). In the present case we have a rather accurate estimate of the number of potential premium cigar smokers in 1992: almost 3.5 million new premium cigar smokers entered the market between 1992 and 1997, increasing the estimated

number of premium cigar smokers from less than half a million to almost 4 million users D33 (BAIN 00094). This dramatic change in market size is relevant to the assessment of awareness, because there is little doubt that brand awareness among *potential* users, particularly brands that were not available on the market, was typically much lower than brand awareness among experienced cigar smokers. This is simply because experienced users were much more likely than those who were not yet cigar smokers to encounter cigar brand names when shopping for cigars, discussing cigars with tobacconists and friends, and so on. Accordingly, if we consider the relevant population that included both existing and potential premium cigar smokers in 1992, the actual Cohiba brand awareness level was much lower than if we consider only the existing users (though, as shown below, the awareness level of Cohiba in 1992 was very low also among existing users).

31. It is also important to consider the relation between brand awareness, consumer preferences, and a brand's market share. In general, marketing and economic theory assume that consumers tend to choose the option (e.g., a cigar brand) that they most prefer, often referred to as "utility maximization." That is, among the brands that a consumer is aware of (assuming the brands are available), a consumer typically tries to select the brand that offers the best value (or utility), given that consumer's preferences. Furthermore, it is typically assumed that consumer preferences, particularly at the aggregate level, are rather stable over time. Thus, a company can measure consumers' preferences today and develop a new product to meet those preferences, even though the new product may be introduced two or more years later (this generalization may not apply to high technology markets). For example, the very popular marketing research technique referred to as "Conjoint Analysis"[11] involves measuring consumer preferences at a particular point in time and using the obtained measures to predict the market shares of new (and existing) products in the future.

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[11] See, e.g., Paul Green and V. Srinivasan, "Conjoint Analysis in Marketing: New Developments With Implications for Research and Practice," *Journal of Marketing*, October 1990.

32. Thus, the proportion of consumers who consider a particular brand to be the best relative to all those who are aware of the brand tends to be stable over time. This basic principle allows us to derive a rather accurate estimate of awareness at a particular year based on the "Best/Awareness" proportion in other years. As shown below, this principle allows us to derive a rather accurate estimate of the unaided awareness level of Cohiba in 1992 on the basis of the proportion of consumers who rated Cohiba as the best brand relative to unaided awareness of the brand in 1994, 1995, and 1996.

33. Finally, Mr. Siegel appears to suggest in his report that there are different rules with respect to the awareness and marketing of "luxury products." He proposes in his report (page 4) that demand for luxury products cannot be created by standard advertising and promotion techniques, and instead, it must be based on third party endorsement in influential media, recommendations, and word-of-mouth. He also listed some of the luxury products that he has been involved with (report page 2), such as the American Express Blue Card, Louis Vuitton, and Lexus cars. However, as his examples of luxury products illustrate, such products are as or more dependent on advertising as the average product, and media reports and recommendations are no more important for these luxury goods than they are for non-luxury products. For example, according to Mr. Siegel's deposition testimony (page 53-54), Lexus "spend[s] a fortune in advertising." Similarly, the American Express Card, Louis Vuitton luggage, and many other luxury products have been supported by a great deal of advertising and other promotional means. Of course, one has to adapt the types of ads, the advertising message, and media used to the target audience and the intended positioning of the product. And, an upscale "luxury" product is typically expensive and sold in outlets that cater to the upscale target market. However, the basic components of marketing strategy apply to luxury goods as they do to other products.

34. There is also no basis for the claim that luxury products must be hard to get to become successful. Lexus cars and American Express cards are easy to get for those

that have the financial resources and are willing to pay the price. On the other hand, Cabbage Patch Dolls, certain digital camera models, Nintendo games, and other popular products were hard to get and highly valued by their pursuers, but that did not make them luxury products. Furthermore, Cuban Cohiba cigars take the "hard to get" feature a bit farther than any of the products referred to by Mr. Siegel – they have never been legally sold in the U.S. Accordingly, the rules that might apply to products such as Louis Vuitton and Lexus, which consumers can usually purchase if they wish to pay the price, are not applicable to products such as Cuban cigars that are not sold in the U.S. and, if desired, need to be purchased abroad and smuggled into the country.

THE AWARENESS OF THE COHIBA BRAND IN 1992

35. A study with 1,848 cigar smokers was conducted in January 1992 for Mr. Shanken (later, the Publisher and Editor of *Cigar Aficionado*), titled, "Special Cigar Survey." Although one might wish to go back to 1992 and add a few questions, the existing results of the survey that was actually conducted provide us with the best available data for 1992. One significant limitation of that survey, which also applies to the later surveys, is that many prospective cigar smokers were not represented in the study, in particular those who started smoking cigars between 1992 and 1997. Indeed, as estimated in 1998 by *Bain & Company* (BAIN 00094), the number of premium cigar smokers increased from 483,100 in 1992 to 1,243,900 in 1995 and 3,952,700 in 1997. In other words, active cigar smokers in 1992 represented only about 12% of the actual potential market (and 39% of premium cigar smokers in 1995). As discussed below, the new entrants into the category were very different on several important dimensions from the active smokers in 1992. Despite this limitation, the 1992 survey does provide useful information regarding brand awareness among existing cigar smokers. Conversely, as explained below, it is impossible to derive any credible estimate of the awareness of a brand such as Cohiba by counting the number of mentions of that brand in articles.

36. First, based on the 1992 survey results, we can learn about the profile of cigar smokers who participated in the survey. The respondents were selected from cigar companies' mailing listings and from a list of Wine Spectator's subscribers. Among other findings, the survey results indicate that respondents had been smoking cigars for an average of nine years. Most of the survey respondents (about 85%) said that they traveled abroad, and over half of them said that they purchased Cuban cigars when traveling outside the U.S. Also, 67% of them purchased cigars by the box.

37. Furthermore, these 1992 respondents had well above-average income, with 44% earning over $100,000. By contrast, in the 1997 and 1998 surveys, the share of premium cigar smokers with an income of over $100,000 was between 14% and 16%

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(see GC 013888). In Mr. Ossip's confusion survey, conducted in the Fall of 2000, 17% of the respondents that he defined as premium cigar smokers had a household income of $100,000 or more (Ossip Report, Results Table 41). Furthermore, 24% of the 1992 survey respondents usually smoked cigars that cost more than $3.50, which was well-above the average price of "premium cigars." By contrast, as reported in the *Tobacco Reporter* and cited in a 1997 document titled "The Market for Cigars" (GC 014138), "only 6.3% of cigars sell at price points in excess of $1." In the April 1998 "Cigar Attitude and Usage Study -- Premium Brand User," approximately 50% of premium cigar smokers paid less than $3.5 per cigar.[12] Since cigar prices have increased substantially between 1992 and 1998, the fact that almost a quarter of the 1992 survey respondents usually smoked cigars that cost over $3.50 further demonstrates that these consumers were far wealthier and more upscale cigar smokers than the great majority of existing (in 1992) and potential premium cigar smokers. These characteristics of the 1992 survey respondents indicate that they were much more likely than the typical premium cigar smoker (in 1992 and later) to be aware of relatively expensive Cuban cigars such as Cohiba.

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38. Despite the very upscale profile of the 1992 survey respondents (acknowledged by Mr. Ossip on page 15 of his report), Mr. Ossip chose to base his Cohiba awareness estimate on the answers of only those 1992 respondents who indicated that they usually spent more than $3.50 per cigar. This is quite remarkable, considering that only 6.3% of all cigars sold in 1996 cost more than $1, and Mr. Ossip himself defined premium cigars in his survey, which was conducted in the fall of 2000, as those costing over $2.80 (cigar prices increased substantially between 1992 and 2000). Moreover, General Cigar documents from the 1990s clearly indicate that many of the so-

[12] Since most of the 1992 survey respondents purchased cigars by the box, the comparison is made based on the cost of a cigar box in April 1998, which contained an average of 27 cigars (INPD 011323). Accordingly, $3.5 per cigar corresponds to $94 per box. The survey results indicate that only 41.7% of the respondents paid $100 or more per box (INPD 011325).

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called "mass market users" later upgraded to premium cigars. For example, a 1997 General Cigar summary of consumer research findings concludes that, "The mass market segment continues to be a major doorway to premium cigars" (GC 013779). The fact that mass market users subsequently moved up to premium cigars was acknowledged by Mr. Ossip during his deposition (page 30). Thus, the Cohiba awareness level among "mass market users" in the 1992 survey was quite relevant to the potential market for premium cigars. These facts show that basing any awareness estimate on the respondent group that spent over $3.50 per cigar in 1992 was arbitrary and unrepresentative of the relevant market. In fact, considering the profile of the 1992 survey respondents, it would be highly conservative to assume that the Cohiba awareness level among all survey respondents was representative of all existing cigar smokers in 1992 (i.e., the 1992 sample was likely to overestimate the awareness level among relevant cigar smokers in 1992, even without considering the much lower awareness level among prospective cigar smokers).

39. The 1992 survey respondents were asked about the most preferred brand that they normally smoked. One-half of one percent (0.5%) mentioned Cohiba. When asked about "all brands of cigars they normally smoked," 1.0% mentioned Cohiba. Needless to say, in absolute (and relative) terms, these are very small numbers.

40. It is noteworthy that even among Cuban cigars, Cohiba was ranked relatively low. Considering that almost half of the 1992 survey respondents purchased Cuban cigars abroad, many of them likely had the opportunity to purchase Cohiba cigars. Yet, Cohiba was ranked 16th among Cuban brands with respect to "brands of cigars normally smoke." This finding is consistent with the fact that Cohiba was introduced into the international market only in the 1980s, starting in Spain around 1982/3 and entering other markets later in the 1980s.

41. Although the 1992 survey did not measure unaided awareness directly, it provided a good indicator of what the unaided awareness was at that time. As explained

above, the proportion of consumers who select a particular brand as the "best brand they have ever smoked" to the total number of consumers who have ever heard about that brand is likely to be rather stable over time. Of course, even if this proportion were constant over time in the population, surveys might produce somewhat different results due to sample characteristics and other factors (assuming the questions and measures do not significantly change across surveys). However, as long as any differences with respect to the sample, survey population, and other factors are relatively small, we would expect the ratio of "best brand" to "awareness" to be rather stable.

42. The 1992 survey included a question about the "finest cigar ever smoked," which was quite similar to the question included in the later surveys regarding the "best cigar ever smoked." The 1994-1996 surveys (GC 023537-023794; GC 014847-015082; GC 015492-015491), but not the 1992 survey (GC 014266-014360), included a measure of unaided awareness. Specifically, respondents in those surveys were asked about "the first brand of cigar that you can think of" and later about "the other brands of cigars you can think of," which together provided a measure of unaided awareness. Accordingly, we can examine the proportion (i.e., ratio) of the "best/finest brand" to unaided awareness and use that to estimate the unaided awareness of Cohiba in 1992. The survey results pertaining to both Cohiba and Macanudo for the period of 1992-1996[13] are presented in the following table:

[13] In the July 1997 and later surveys, the unaided awareness measure used in the 1994-1996 surveys was replaced with questions about the first, second, and third brand that comes to mind. In addition, as shown below, the General Cigar introduction in September 1997 had a significant effect on Cohiba's brand awareness, which might have also affected the proportion of smokers who were aware of Cohiba and rated it as the best brand.

Survey Month/Year	Cohiba			Macanudo		
	Best Cigar (%)	Unaided Awareness (%)	Ratio of "Best" to Unaided. A	Best Cigar (%)	Unaided Awareness (%)	Ratio of "Best" to Unaided. A
1/1992	2.2	?		8.7	?	
12/1994	8.5	14.5	59%	22.5	63	36%
2/1995[14]	10.9	17.1	64%	16.1	59.2	27%
5/1995	11.3	17.1	66%	14.6	59.3	25%
7/1996[15]	3.6	5.0	72%	11.8	37.9	31%

43. The table shows that, as expected, the ratio of "best cigar" to total unaided awareness remained rather stable over time, though in the case of Cohiba, the trend suggests a slight increase in the proportion of "best" to unaided awareness. However, as explained earlier, the 1992 survey respondents had well-above average income – 44% of the 1992 respondents had income of over $100,000, compared to 34% of the 1994 respondents, 35% of the 5/1995 respondents, and 11% of the 1996 respondents (and 14-16% of the 1997-8 survey respondents). Also, as Mr. Ossip points out in his report (page 15), the wealthy premium cigar smokers who participated in the 1992 survey "indicated a very high level of interest and involvement with Cuban cigars." Since the wealthiest consumers were most likely to prefer Cohiba (as the 1992 survey showed), it is reasonable to assume that the proportion of 1992 respondents who rated Cohiba as the

[14] Using data from Mr. Ossip's report, pages 10 and 16. (D37)

[15] Mr. Ossip suggested in his report (page 14) that the unaided awareness results in the 1994-1995 (NPD) surveys differed substantially from those obtained in the 1996 and later surveys due to changes in participation qualifications and the "considerably more affluent" respondents in the earlier surveys (Ossip report, page 9). While we do not know with any certainty what caused this very significant change (for example, the decline in the measured unaided awareness of Macanudo from 59.5% in the 1995 survey to 37.9% in the 1996 survey), I agree with Mr. Ossip that there must have been a very significant change in the survey methodology starting in 1996. Accordingly, when comparing the absolute levels of unaided awareness, we should separate the three 1994-1995 surveys from those conducted since 1996.

finest brand relative to those who were aware of the brand was higher among the 1992 respondents than among the 1994-6 respondents.

44. If we conservatively assume that that proportion in 1992 was similar to the proportion in 1994 (i.e., 59%), the estimate of unaided awareness for 1992 is **3.7%**. If we use the average of the four 1994-6 surveys, 65%, the estimate of unaided awareness for 1992 is **3.4%**. The conclusion from this analysis is that, while many of those who were aware of Cohiba liked it, the absolute level of unaided awareness in 1992 was extremely low. That is, the Cuban Cohiba evidently was known and appealed to a very small segment of cigar smokers, who tended to like it a great deal. However, almost all other cigar smokers did not know about it.

45. It is also important to point out that, as explained earlier, the 3.4-3.7% estimated level of unaided awareness was likely to be rather close to the actual awareness level. Specifically, because consumers were likely to remember the brand that they considered to be the best they had ever smoked, and considering that a high proportion of those who were aware of Cohiba rated it as the best cigar (as evident by the high ratio of best cigar to unaided awareness), it is expected that the great majority of those who were aware of Cohiba mentioned it when asked about all brands they could think of (i.e., unaided awareness). Even if we were to assume conservatively that the awareness of Cohiba was twice the level of unaided awareness (i.e., 6.8-7.4%), it would still indicate a very low awareness level, well below the "majority" criterion indicated by Mr. Ossip during his deposition (page 122).

46. As indicated above, the leading consulting firm *Bain & Company*, which has studied and compared numerous industries, characterized the 1997 unaided awareness level of Macanudo, which was about 33%, as "very low in absolute terms." Clearly, an unaided awareness level of 3.4-3.7% (or even 13.4-13.7%) was extremely low and shows that Cohiba was not "well-known" in 1992 (see also the discussion below of the *Cigar Aficionado* effect on awareness).

47. As noted above, it is well-established that the relevant population for assessing brand awareness refers to both existing and potential customers. Thus, as low as the 3.4-3.7% estimate of unaided awareness in 1992 is, it still greatly inflates the level of unaided awareness level in the relevant market, which included prospective cigar smokers who entered the market after 1992.

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48. As indicated, according to the 1998 estimate of *Bain & Company* (BAIN 00094), the number of premium cigar smokers increased from 483,100 in 1992 to 1,243,900 in 1995 and 3,952,700 in 1997. In other words, active cigar smokers in 1992 represented approximately 12% of the relevant market if we consider those who entered the market by 1997 and 39% if we limit the relevant customers to those who entered the market by 1995. Considering that these prospective premium cigar smokers were undoubtedly much less knowledgeable about cigar brands than existing smokers, it is highly unlikely that they were aware of Cohiba. Thus, if we include both existing and prospective premium cigar smokers in 1992, the actual awareness of the Cohiba brand among the relevant consumers was a fraction of the 3.5% estimate derived above. Moreover, the available data, which will be reviewed in detail below, further indicates that the new entrants to the cigar category were less knowledgeable about cigar brands, less brand sensitive, and relied to a large degree on (U.S.) tobacconists for deciding which brand to buy. In other words, as will be shown below, the Cohiba brand name was much less-known and less significant for those starting to smoke cigars between 1993 and 1997, compared to cigar smokers in the pre-1993 era.

49. Mr. Ossip suggested that the level of awareness among the 1992 survey respondents was "fairly high," based on two factors: (a) he invented a new methodology for deriving the awareness level of Cohiba based on the aided awareness level of selected other brands (Ossip report, pages 8-14), and (b) because the respondents in the 1992 survey tended to be wealthy and "highly involved with Cuban cigars," the Cohiba awareness level among premium cigar smokers in 1992 must have been high (apparently

assuming that the 1992 survey respondents were representative of all prospective premium cigar smokers). Mr. Siegel also suggested that the awareness level of Cohiba was high based on his review of articles that mentioned Cohiba. I will evaluate these arguments, starting with Mr. Ossip's aided awareness calculations.

50. As indicated, it is well-established that aided awareness measures ("Have you heard about brand X?") tend to greatly inflate the true awareness level, and it is not unusual to encounter cases where close to or more than 50% of the survey respondents say that they are aware of fictitious ("phantom") brands . The degree to which such estimates inflate the true awareness level depends primarily on (a) how plausible the name is, and (b) the true awareness level of that name. First, spurious awareness tends to be much higher for plausible names, such as an Italian name for a spaghetti sauce, a French name for a wine, or a Cuban name for a cigar (but much less so for a spaghetti sauce with a Spanish-sounding name, which would be more plausible for salsa, for example). Second, if the awareness level is close to 100%, then aided awareness levels are likely to be more accurate. For example, if 100% of the survey respondents say that they have heard about Coca Cola or IBM, in all likelihood, 100% or very close to 100% are indeed aware of these brands. Thus, spurious awareness is likely to be particularly pronounced for brand names that both sound plausible and are associated with relatively low awareness.

51. Mr. Ossip completely ignores the well-established fact that aided awareness measures tend to greatly inflate the true awareness. He writes on page 9 of his report that "Total awareness is used to gauge the extent to which a brand is known." While this statement seems like a tautology, the implication, as reflected in his later calculations, is that aided awareness measures total awareness (as he confirmed during his deposition, page 138).

52. To calculate aided awareness, Mr. Ossip (pages 10-11) finds out the difference between aided and unaided awareness measures for a subset of the cigar

brands and uses that to infer what the aided awareness of Cohiba would have been. He excludes from these calculations the two brands that happened to produce the smallest difference between aided and unaided awareness measures, because their high unaided awareness "limits the gain that can occur in aided awareness." Thus, for example, Partagas was excluded from the calculations because its 39% unaided awareness level limited the potential gain to 61%, which was deemed too restrictive for Mr. Ossip's calculations.

53. Mr. Ossip indicated during his deposition (page 98-99) that he had never before used this technique of estimating total awareness based on the difference between aided- and unaided awareness of other brands, nor was he aware of anyone else who had ever employed or supported such a technique:

" Q. Have you ever used that technique before?

A. Have I ever used it before? It is rare if you're going to ask aided that you don't ask aided for a brand that you have an interest in. So I don't specifically recall doing that. At least it is not in my memory at the moment.

Q. Have you ever seen support for that technique in the academic literature?

Mr. Krinsky: Objection as to form.

A. No, I don't recall seeing it.

Q. Have you ever heard of someone else using that technique?

A. Not that I recall.

Q. Have you ever seen any support for that technique in textbooks?

A. Not that I recall."

54. None of the surveys on which Mr. Ossip relied corrected for spurious awareness (which, as explained earlier, would be consistent with the purpose of comparing the awareness level across brands and/or over time). However, since the issue in this case is absolute-level awareness (e.g., a brand with 10% awareness is not well-known even if it has the highest awareness level in its product category), aided-awareness

measures that are not corrected for spurious awareness cannot be relied upon since they might be inflated by as much as 50% or more.

55. Based on Mr. Ossip's deposition testimony (page 82), he is aware of the spurious awareness problem:

" Q. I will read you a sentence and I would like to know if you agree with it.

"Spurious awareness occurs when consumers erroneously claim that they recall something that they really don't and that maybe doesn't even exist."

Do you agree with that sentence?

A. Yes."

56. Despite being aware of the spurious awareness problem, Mr. Ossip completely ignored it in his calculations. Furthermore, Mr. Ossip acknowledged (deposition page 69) that the difference between measured aided and unaided awareness depends on the particular brand. These problems – spurious awareness and the fact that the gap between aided and unaided awareness depends on the particular brand – might explain why Mr. Ossip's technique for deriving an estimate of awareness based on the gap between aided and unaided awareness of other brands has apparently never been used before.

57. Based on his calculations, Mr. Ossip proposed that the aided awareness of Cohiba would have been between 68% in 1994 and 72% in 1995. For 1996 Mr. Ossip relied on a survey that he considered less representative, which produced (using his methodology) an aided awareness estimate of 58%. Aided awareness for Cohiba was measured for the first time in an October 1998 survey, indicating an aided-awareness level of 40.7% among those who smoked mostly premium cigars (GC 019355)[16], which is 31% lower than Mr. Ossip's estimate of aided-awareness for 1995.

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[16] Mr. Ossip suggests that the aided awareness level in that survey was 56%, based on his decision to consider only the aided awareness level among those who smoked certain cigar brands.

58. As indicated, Mr. Ossip suggested that any apparent increase in the Cohiba awareness level after the General Cigar introduction in 1997 could not be attributed to General Cigar's advertising and other marketing efforts. This argument is a bit strange, as if Mr. Ossip is proposing that the laws of marketing and the well-established impact of advertising on awareness do not apply to General Cigar. Indeed, Mr. Ossip indicated during his deposition (page 72) that, based on his experience, advertising tends to increase awareness:

"... I looked at spending from the lower to the higher spending levels and compared it with awareness levels that we obtained in a marketing study. And lo and behold there was a nice correlation. There was much greater awareness where there was much greater advertising."

Indeed, as shown below, there is a great deal of evidence that General Cigar's marketing efforts, including its advertising, had a major impact on Cohiba's awareness level.

Media Mentions of Cohiba as Determinants of Brand Awareness

59. An argument put forth by the plaintiff's expert, Mr. Siegel, is that, because Cohiba was mentioned in a certain number of articles, "Prior to November 1992, the Cuban Cohiba would have gained increasing visibility, brand awareness and mystique with upscale cigar smokers in the United States through frequent and high impact articles in the general media" (Siegel report, page 4). As shown above, the results of the surveys conducted during the relevant period indicate that this analysis of what "would have" happened is contradicted by the facts, considering that the unaided awareness level of Cohiba was in fact very low, approximately 3.5% (and Cohiba was ranked 16th among Cuban brands that the 1992 survey respondents normally smoked). This finding indicates that, whatever media mentions Cohiba had prior to 1992, they evidently did not have much impact.

60. The analysis below, using basic principles of marketing and consumer behavior, explains why the 50 or so media mentions of Cohiba from 1983 through 1992, which related to an unavailable product and were not accompanied by advertising (except for two ad placements) or other marketing activities in the U.S., were unlikely to have a large effect on brand awareness. However, it must be emphasized that it is impossible to estimate brand awareness with any precision on the basis of the number of media mentions during a ten-year period, whereas, as shown above, the available survey data allow us to derive a rather accurate awareness estimate. Indeed, while I have been exposed to a wide range of marketing research techniques and experts, I have never before encountered a claim by any marketing professional or academic that he or she could determine that a certain brand must have been famous because it was mentioned a certain number of times in newspaper or magazine articles. The reason that this cannot be done is simply that the awareness produced by media mentions depends on many factors. If, for example, a brand is mentioned every year during the Super Bowl broadcast, then these mentions are likely to have great effect on brand awareness among many consumers. If, on the other hand, there are three brand mentions in 1983 (e.g., one in a particular article in the Miami Herald, one in the San Francisco Chronicle, and one in Forbes magazine), and four mentions in certain magazines and/or newspapers in 1984, and so on, then, as explained below, the cumulative effect is likely to be minimal.

61. Although Mr. Siegel suggests that Cohiba "would have" gained awareness based on the 50 articles he reviewed, he did not base this conclusion on any data, any systematic analysis, or any well-established principles of consumer behavior and marketing. As he testified in his deposition (page 87-8):

" Q. Did you tell them that you needed marketing research?

A. I asked them if they had any and when we started the assignment they had a little bit of it. And then I think around December or November/December, a whole pile of research came in and they told me that there was so much research and there is no way

that I could go through it. It was too time consuming and expensive and voluminous that they thought that I should ignore all research.

Q. Would the research have been relevant to your study?

A. I don't know what it showed. It could have been.

A. Certainly any research that had insights into it would be valuable. But once again, my assignment as structured by the firm was to comment using my personal experience. What I thought the situation was. My opinion on the various issues that I was asked to deal with.

A. ... My assignment was to basically give my point of view on this ..."

62. It appears that Mr. Siegel was a bit frustrated about not having any data or research to base his opinions on, because as he testified (page 178): "As a professional marketing person I'm used to giving precise numbers." Specifically (deposition page 232):

" Q. Now, would you look on page 314, halfway down in brackets in the bold section there is a notation "MK: what is the basis for these statements?"

A. This was my problem I was having with, you know, in not being able to use the research and I made a notation that I want to speak to Krinsky, because I was a little frustrated."

63. Evidently, despite this frustration, Mr. Siegel adopted the task assigned to him and expressed a wide range of views based on his point of view and personal experience. For example, he relied on his impression of Mr. Shanken (the *Cigar Aficionado* publisher), who sat next to him in two NY Knicks games and with whom he once spent an evening, to judge the likelihood that *Cigar Aficionado*'s ratings favor advertisers in the magazine (deposition pages 281-2). In some cases, Mr. Siegel refused to commit to any numbers, for example, he indicated that he had "no idea" if the

awareness of Cohiba in 1997 was below 10% (deposition page 94). At other times, he provided surprisingly precise estimates, such as that the likelihood of confusion was 90% (page 184), based solely on his point of view and "thirty years of experience." He also opined, for example, that dealers in 1991 discussed the Cuban Cohiba with their customers. When asked about the basis for this opinion, he indicated that he had "no factual basis" (pages 100-1). Furthermore, even though he had not seen the data, he was rather confident that, whatever the evidence might be, it would not change his mind, and if it were inconsistent with his views, it is probably wrong (pages 89-90):

" Q. If you saw research showing low awareness levels for Cohiba, would that change your opinions?

Mr. Goldstein: Objection to the form.

A. Not necessarily.

Q. Why not?

A. First of all, I would question it and I would have to find out how valid the research was and who the awareness levels was measured against. Secondly, my point of view on this case, as you know, it's very strong point of view and I think that wouldn't necessarily change my point of view."

A great deal of research in psychology about the perseverance of prior beliefs and about so-called "confirmation bias" has demonstrated the difficulty of people to modify their beliefs based on evidence,[17] but Mr. Siegel's approach provides an extreme example of this phenomenon.

64. Unfortunately, it is impossible to derive an awareness estimate based on the number of media mentions, and even a rough estimate requires a good familiarity with the scientific literature regarding consumer behavior.[18] Neither 30 years of experience

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[17] See, e.g., R. Nisbett and L. Ross, *Human Inference Strategies and Shortcomings of Social Judgments*, 1980, Prentice Hall.

[18] Based on Mr. Siegel deposition testimony (pages 9-10), with the exception of two programs on branding (such programs typically last a couple of days or so), he never took a marketing course or a consumer behavior course.

nor 300 years of experience would enable anyone to determine that 50 media mentions in a wide selection of local newspapers, magazines, and so on, over a ten-year period, would make a brand well-known. However, although Mr. Siegel indicated that he did not have the expertise to state what "well-known" means (deposition page 38), he explained how he determined that 50 articles made Cohiba well-known in 1992 (page 147):

" Q. On the basis of those 50 articles, is it your opinion that the Cuban Cohiba was well-known in the United States?

A. I would say on the basis of my opinion it was. It had more visibility, more favorable press and it's logical to presume among interested parties, people that would or might smoke, that it enhanced the brand image and helped make it better known."

This response reflects Mr. Siegel's "methodology" for deciding whether or not the 50 media mentions made Cohiba well-known. While such arguments and repeated references to "30 years of experience" might be sometimes effective when used as a sales pitch to unsophisticated potential clients, to my knowledge they are not relied upon by experts in the field (and, of course, would be ridiculed if used in an academic setting or manuscript).

65. As indicated earlier, brand awareness means that the brand name is stored in the consumer's memory, or as stated by Professor Aaker,[19] awareness refers to the strength of a brand's presence in the consumer's mind. To be aware of a brand, consumers must (a) have the opportunity to be exposed to the source/s of information that mention that brand (e.g., subscribe to the magazine that mentions the brand or visit a store that carries the brand), (b) pay attention to the name when encountering it (e.g., actually read the article and notice the brand name), and (c) remember the name, that is, have a "memory trace" for the brand as a result of the prior exposure. These conditions can be represented using the following simple model:

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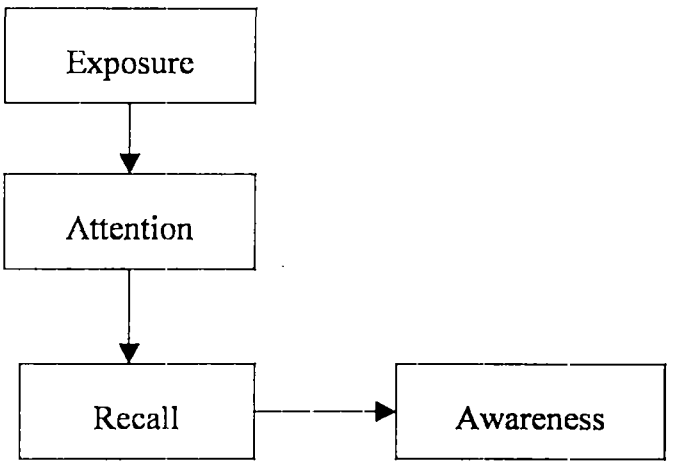
[19] David A. Aaker, *Building Strong Brands,* pages 10-16, Free Press, 1996.



Consistent with this simple model, to assess whether Cohiba was likely to be well-known in 1992 and the effect of media mentions of the brand, we can rely on existing knowledge regarding the determinants of exposure to information, attention, and memory.

66. In her 1997 declaration, Ms. Heyman listed the number of articles mentioning the Cuban Cohiba cigar by year, such as one in 1983, three in 1984, two in 1985, four in 1986, and so on. Mr. Siegel reports that he reviewed a total of 50 articles that appeared between 1983 through November 1992 and which mentioned the Cuban Cohiba cigar (Siegel report, pages 4-6).

67. The first question that we must examine relates to the likelihood that a consumer was exposed to any of the articles or other media reports that mentioned the Cuban Cohiba cigar. Answering this question would require us to estimate the number of information items that are produced (e.g., articles, TV and radio programs, published books, etc.) relative to the number of information items that a typical premium cigar smoker is exposed to. While a precise estimate is difficult to derive, it is suffices to say that the total number of information items produced in a year (or a month) adds up to many millions of "stimuli" that consumers could potentially be exposed to.

68. It is thus safe to assume that consumers are exposed to a very tiny fraction of all available items of information. Therefore, the three articles that mentioned the

Cuban Cohiba in 1984 or the nine articles that mentioned it in 1991, and so on, were like a drop in the sea (of information items) – the likelihood that any consumer was exposed to any of these articles was extremely small. For example, although it is not possible to calculate the exact probability that any prospective premium cigar smoker was exposed to both the 1989 San Francisco article and the 1992 Miami Herald article that mentioned Cohiba, there is little doubt that it was extremely low. Hence, even without considering the likelihood that a consumer would actually pay attention to any article or other information stimuli and the likelihood of remembering a particular brand name mentioned in an article (as discussed below), the mere fact that consumers are exposed to such an insignificant fraction of all information stimuli suggests that the cumulative effect of media mentions before 1992 on the awareness level of Cohiba was likely to be very small.

69. During his deposition (pages 144-5), Mr. Siegel offered his assessment of the degree to which the readers of certain publications were likely to smoke cigars "based on my experience in the business community and watching how these readers behave." Unfortunately, such personal experiences tend to be misleading. Existing research regarding people's judgments, which was conducted by Professors Kahneman (who received this year's Nobel Prize in economics) and Tversky, documented the so-called "availability bias," whereby people assess the probability of events based on the ease with which instances can be brought to mind.[20] For example, suppose one group of respondents is asked to estimate the number of seven-letter words in a typical book page that end with "ing," and a second group estimates the number of seven-letter words that have "n" in the sixth position. Research has shown that the former group provides a significantly higher estimate, because it is easier to think of seven-letter words that end with "ing." The availability bias often leads people to make highly inaccurate judgments.

[20] See, e.g., A. Tversky and D. Kahneman, "Judgment Under Uncertainty: Heuristics and Biases," *Science*, 1974, 185, 1124-1131.

Research has also shown that experts (e.g., doctors) are as susceptible to such judgmental biases as lay persons. In the present context, the availability heuristic means, for example, that if Mr. Siegel happens to know a couple of people who read the Economist and smoke cigars, he is likely to assume that many Economist readers smoke cigars. This further illustrates the fatal flaws of Mr. Siegel's "methodology" and indicates that one cannot rely on subjective judgments that are not based on data and/or on systematic analyses that build on well-established knowledge and principles.

70. Even though consumers are exposed to only a tiny fraction of all available information stimuli, relative to our ability to absorb information and our time constraints, we are exposed to a tremendous amount of information. That is, even if we spent 24-hours a day doing nothing but reading all the newspapers and magazines available to us, watching the advertisements directed at us, and so on, we would be unable to absorb most of the information that we have the opportunity to attend to. Because we cannot possibly attend to all of these information stimuli, we screen most of them out, which is referred to in the scientific literature as "selective attention." Even when reading a particular article, consumers often exercise "perceptual blocking" – they block stimuli from conscious awareness, which in some ways is like "zapping" TV commercials with remote controls. The difficulty of getting consumers' attention presents a significant challenge to advertisers, who spend many millions of dollars trying to get potential purchasers to notice their brands.

71. There are three primary factors that determine the stimuli to which consumers pay attention. First, selective attention favors stimuli that meet our current needs. Thus, for example, a consumer is more likely to pay attention to information about a particular new computer when he or she is thinking of buying a computer. Similarly, compared to non-smokers, a consumer who wants to purchase cigars is more likely to pay attention to an article describing a cigar brand that is available for purchase.

72. A second factor influencing the likelihood of paying attention to information stimuli is the salience or prominence of these stimuli within the context in which they are encountered. For example, people are more likely to attend to large and prominent stimuli than to small and less noticeable stimuli. A third determinant of selective attention relates to whether the stimulus at issue (e.g., a brand mention) fits the context in which it is embedded. For example, other things equal, consumers are more likely to pay attention to a cigar brand when it is mentioned in an article about cigars as opposed to a mention in an article about an unrelated topic.

73. Selective attention indicates that consumers are unlikely to pay attention to the great majority of information that they are potentially exposed to. For example, while there might be a few consumers who read every article and report in their daily newspaper, most people do not have the time or desire to do so. Accordingly, even among those consumers who happened to read the newspapers or magazines in which the articles mentioning Cohiba appeared, the likelihood of actually reading those articles was rather low. Moreover, when reading an article we often skip sentences or sections, particularly those that seem less interesting or less relevant to the topic of the article. Mr. Siegel admitted that he could not judge how many people actually read an article (deposition page 152):

" Q. Page 5 you cite a Newsweek article. Do you know how many people actually read that article?

A. No. I don't think anybody in the world does."

74. As indicated, consumers are more likely to pay attention to a brand name if it can fulfill a need they currently have (e.g., reading about a car they are thinking of buying). This factor is relevant to our analysis for two main reasons. First, as discussed below, most Cohiba mentions appeared in articles that did not deal with cigars and focused on other topics. In other words, people who read most of these articles were not more likely to have an interest in cigars than the average (literate) consumer. Since the

share of prospective premium cigar smokers in the population, particularly prior to the boom of 1993-7, was very small (around 0.2%), it is safe to assume that the overwhelming majority of those who read the non-cigar related articles that mentioned Cohiba had no interest in cigars. Accordingly, we can conclude that the overwhelming majority of those who read most of those articles mentioning Cohiba were unlikely to pay attention to that name.

75. Furthermore, even for cigar smokers, the relevance of the Cuban Cohiba was limited, because it was unavailable for purchase in U.S. stores. Thus, while the tiny minority of cigar smokers who happened to read a particular article mentioning the Cuban Cohiba were more likely (than non-smokers) to notice the name, they too had no reason to pay a great deal of attention to it or make a "mental note" to look for it.

76. As indicated, a second determinant of attention is the salience and prominence of the stimulus in the context in which it is encountered by the consumer, and a third determinant of attention is whether the stimulus fits (or directly relates to) the context in which it is embedded. It is noteworthy that, even when companies actively advertise and employ other marketing means to promote a brand, creating wide brand awareness and getting consumers to associate the brands with the ads used to promote them is a challenging task (which makes the effect of the General Cigar advertising on Cohiba's awareness, as discussed below, all the more impressive). For example, one study found that 60% of consumers recognized the slogan, "Never let them see you sweat," but only 4% knew that this slogan was associated with a brand called Dry Idea (deodorant).[21]

77. Although I did not review all the articles that mentioned Cohiba, an examination of the articles considered and highlighted by the plaintiff's expert, Mr. Siegel, indicates that, in the great majority of cases, Cohiba was mentioned once or twice

[21] Ronald Alsop, "Marketing: The Slogan's Familiar, But What's the Brand?" *The Wall Street Journal*, January 8, 1988, p. B1.

in those articles, most of which contained over 1,000 words.[22] Furthermore, although some of the articles that Mr. Siegel considered dealt with cigars, the majority of the articles focused on different topics, such as the music business, Chrysler Corporation, and a Parisian restaurant.

78. Thus, consistent with the selective attention phenomenon, even among those who were potentially exposed to media mentions of Cohiba through 1992, the likelihood of actually noticing the Cohiba name was small. Specifically,

(a) Since people have limited time and too much information to which they could potentially attend, they tend to pay attention to only a tiny fraction of the information available to them.

(b) For the overwhelming majority of consumers, Cohiba was irrelevant and did not address any need. Even for premium cigar smokers in the U.S., the relevance of information about a Cuban cigar was limited, compared to information about a cigar that they could purchase without having to travel abroad.

(c) Even those who happened to read an article mentioning Cohiba, it was often easy to miss the Cohiba name, especially in the articles that dealt with unrelated topics.

79. In addition to exposure and attention, memory is another key determinant of awareness. Suppose, for example, that a consumer is exposed to an article, pays attention to (i.e., reads) its content, and notices the name Cohiba mentioned in the article. If that consumer remembers the Cohiba name, then we can say that the consumer is aware of it. If, however, the consumer completely forgets the name, then s/he is no longer aware of it, even though the consumer might have recognized the name immediately after reading the article. Thus, an important question is what factors influence consumer memory.

[22] It is reasonable to assume that the sample of articles considered by Mr. Siegel was not biased against the plaintiff's position regarding the prominence of the Cohiba name.

80. Memory has been one of the most researched topics in psychology and other fields. One important finding is that information is first processed and temporarily stored in so-called *short-term memory,* which can hold only a limited amount of information. As anyone who looked up a telephone number but then forgot it before dialing would know, if information in short-term memory is not rehearsed, it is often lost. On the other hand, information that is processed in short-term memory is then transferred to *long-term memory.* Unlike short-term memory, long-term memory tends to retain information for relatively extended periods. However, even information in long-term memory is likely to fade over time unless it is activated and rehearsed. For example, suppose a consumer learns about a new brand of shoes. If that consumer subsequently encounters that brand at stores or obtains more information about it from other sources such as a salesperson or a friend, the additional information activates the name, creates a stronger memory trace, and introduces new associations for that name that are also stored in memory. Of course, marketers want potential customers to remember the names of their brands, which will increase the likelihood that the consumer will purchase them. Indeed, a primary goal of advertising is to enhance consumers' recall for the advertised brands.

81. The Cuban Cohiba has been in a unique situation due to the embargo. In particular, there has been virtually no advertising for the Cuban Cohiba in the U.S., consumers have not encountered it in U.S. stores, and tobacconists and friends were unlikely to recommend an unavailable product. Thus, with the exception of a small minority of cigar smokers, who might have actively looked for information about unavailable Cuban brands such as Cohiba, the overwhelming majority of those who might have seen the name once or twice in an article were unlikely to encounter it again. Furthermore, consistent with the phenomenon of "(memory) interference," consumers' memory and ability to think of (or retrieve) a name is significantly diminished when they are exposed to other brand names in the same product category. Cigar smokers encounter

many brands and cigar ads, most of which relate to brands that are available for them to purchase and are thus more relevant than mentions of Cuban brand names that are not available in the U.S. The exposure to many other brands further interfered with recall of the unavailable Cuban Cohiba.

82. The conclusion from this analysis is that, although one can prepare a list of quotes from articles that have mentioned the Cuban Cohiba over the years, the impact of those mentions on actual brand awareness among prospective cigar purchasers in the U.S. was likely to be very limited. Specifically:

(a) Given the many millions of information stimuli in the consumer environment (e.g., newspaper and magazine articles and reports, TV and radio programs, advertisements, Internet web sites, and so on), the likelihood that any consumer was exposed to the relatively few articles that happened to mention Cohiba was very small.

(b) Even if a consumer had the opportunity to read an article (or some other information source) mentioning Cohiba, the likelihood of actually reading the article and paying attention to the "Cohiba" name was also low.

(c) And even those consumers who were exposed to an information source containing the name "Cohiba" and paid attention to it, the likelihood of remembering the name was low. In particular, because the Cuban Cohiba brand was not available for purchase in the U.S. and was not advertised, most consumers had limited opportunity to encounter it again and rehearse the name.

83. This analysis, of course, does not mean that there were no consumers who were aware of the Cuban Cohiba brand. However, consistent with the evidence that actual unaided awareness was very low, this analysis does indicate that mentions of a brand in the media, such as the few Cohiba mentions per year (through 1992) in newspapers and magazines, were likely to have a small effect on brand awareness among prospective cigar smokers and certainly could not make it "well-known."

The Effect of the First Issue of *Cigar Aficionado* on the Awareness of Cohiba Among Prospective Cigar Smokers

84. The plaintiff's experts, Mr. Ossip and Mr. Siegel, discuss at great length the impact of a very favorable article about Cohiba in the first issue of *Cigar Aficionado*, suggesting that this article by itself "would have positioned Cohiba as the premier luxury cigar in the world" (Siegel report, page 7). To evaluate this argument, we need to try to assess the impact this article was likely to have on awareness of Cohiba among prospective premium cigar smokers.

85. First, it should be emphasized that this article appeared in the first issue of *Cigar Aficionado*. When discussing this article in their reports, Mr. Siegel and Mr. Ossip rely to a large degree on the impact of the magazine in later years to suggest that the article about Cohiba in the first issue also had great impact. However, they present no evidence to support this claim (see discussion of the first issue's circulation below). In general, new magazines need time, often a very long time, to build their reputation and credibility in the target market. For example, Mr. Siegel was asked during his deposition about the process through which Vogue magazine became credible among purchasers of luxury goods (deposition page 63):

" Q. How did Vogue come to be credible among buyers of luxury goods?

Mr. Goldstein: Objection.

A. I'm not – this is my opinion. I think they have over a significant period of time been real style setters and have managing editors who are perceived to be people who set style and are very influential in affecting attitudes about products and services." Similarly, Mr. Siegel indicated that the Wall Street Journal over many years became a reliable source of information through "superior reporting, accurate reporting, timely reporting, integrity, comprehensiveness" (deposition page 145). Indeed, it takes a long time for a new magazine to acquire credibility among its target customers. However, in

the case of *Cigar Aficionado*, Mr. Siegel suggests that an article in the very first issue of the magazine, "would have, on its own, instantly positioned the Cuban Cohiba as the premier luxury cigar ..." (Siegel report, page 6). That is, while companies need to invest millions of dollars in product quality, advertising, publicity, and so on, over many years, to build brand equity,[23] Mr. Siegel suggests that one article in the very first issue of a magazine was sufficient to create the premier luxury cigar brand. Furthermore, although Mr. Siegel did not have evidence to support his opinion, he said that from '92 to '97, *Cigar Aficionado* was viewed by cigar smokers as the most reliable source of information (deposition page 113). However, the research presented below shows that *Cigar Aficionado* was perceived as much less reliable than both friends and tobacconists, and only 1% of Cohiba and other premium cigar smokers said that magazine recommendations were the most important factor influencing their purchase decisions.

86. To assess qualitatively the impact of the article about Cohiba in the first issue of *Cigar Aficionado*, we must focus on that first issue and not be influenced by the growing circulation of the magazine in later years (as an aside, as shown below, the available evidence regarding the perceived credibility of the magazine's cigar ratings in later years does not support the implied claim that the magazine was perceived as a particularly reliable source of information). Consistent with the earlier analysis, I will examine the likely impact of the article at issue based on (a) the portion of the relevant consumers who were likely to have been exposed to this article, (b) of those who were exposed to this issue of the magazine, the portion who were likely to have paid attention to (i.e., read) the article, and (c) of those who read the article, the portion of consumers who were likely to recall the article.

87. As indicated earlier, based on a well-established principle regarding the population that is relevant to the assessment of brand awareness, both current and

[23] For a discussion of the long term nature of brand building strategies, see, for example, David Aaker, *Managing Brand Equity*, 1991, The Free Press; David Aaker, *Building Strong Brands*, 1996, The Free Press.

prospective users of the product must be considered. Indeed, marketing strategies, including promotional activities (e.g., advertising), are typically designed to reach both existing customers and potential customers who might enter the market at issue (e.g., those who might decide to buy a digital camera for the first time or start drinking certain types of wine). Prospective purchasers are particularly relevant when considering brand awareness (as opposed to market share in the current year), because awareness can significantly impact the brand that the new users try first. As indicated, according to the 1998 estimate of *Bain & Company* (BAIN 00094), the number of premium cigar smokers increased dramatically after 1992.

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88. According to the Siegel report (page 7), the circulation of the first issue of *Cigar Aficionado* was 115,000 copies, including 73,000 paid subscriptions, 32,000 to cigar retail stores, street newsstands and bookstores, and 10,000 to promotions. It is impossible to know what percentage of the 115,000 copies actually reached premium cigar smokers. Also, it is unclear what the term "promotions" means here and whether these copies reached premium cigar smokers, and it is unknown what portion of the copies delivered to newsstands and bookstores were actually sold. However, to be very conservative, I will assume that all 115,000 copies reached premium cigar smokers. Considering that the potential market included 3.95 million existing and prospective premium cigar smokers, under the most conservative assumption, the first issue reached approximately 2.9% of the relevant consumers. If one were to consider only those who entered the market by 1995, the first issue of the magazine reached 9.2% (=115,000/1,243,900) of the prospective customers; and if only those who entered the market by 1994 are considered to be prospective customers, the first issue of the magazine reached 14.7% (= 115,000/784,000) of the relevant market. Regardless of the specific assumption, the conclusion is that only a small fraction of the relevant consumers were exposed to the first issue of *Cigar Aficionado*.

89. The article about Cohiba was one of about 18 articles in the first (156-page) issue of *Cigar Aficionado*, which covered topics such as "An exclusive research report on cigar smokers across America," Robustos – the "hot cigar of the 90s," Why premium cigars from the Dominican Republic "won the hearts of U.S. cigar lovers," a report on the problems of finding a place to smoke, gambling on Backgammon, and a variety of other topics. Four articles were highlighted on the cover of the U.S. edition of the magazine, with additional five topics listed in small letters (the article about Cohiba was the last of those five, without mentioning Cohiba by name).

90. Although it is not possible to estimate with any accuracy the percentage of magazine readers who actually read any particular article, there is little doubt that many of those who receive a magazine read only a subset, possibly a small subset, of the articles. Thus, in all likelihood, a significant number of those who received the first issue of *Cigar Aficionado* did not read the article about Cohiba.

91. Moreover, consistent with the earlier discussion and the notion that consumers are likely to pay more attention to articles that address topics that are most relevant to them, the mentioned Cuban cigar brands were likely to receive less attention and were less likely to be recalled because they were unavailable for purchase in the U.S. market. Indeed, next to its ratings of Cuban cigars (for instance, in its first issue), *Cigar Aficionado* explicitly indicated that these brands were unavailable in the U.S. Mr. Siegel (page 8) quotes retailers who testified that there were cases of consumers who came to the store with a copy of *Cigar Aficionado* and wanted to buy cigar brands that received high ratings. Such behavior is consistent with the principle that consumers who relied on the magazine ratings were likely to focus primarily on brands that they could actually purchase at local stores, as opposed to brands that were unavailable in the U.S. market. In summary, those who read the 1992 *Cigar Aficionado* article about Cohiba and paid attention to it represented a small fraction of prospective cigar smokers in 1992.

Accordingly, the impact of that article in the magazine's first issue was likely to be quite limited.

The Awareness of the Cohiba Brand in 1992: Conclusions

92. The findings of the 1992 (Shanken) survey and subsequent surveys of premium cigar smokers, combined with a standard marketing analysis, allow us to derive a rather accurate estimate of unaided awareness among the 1992 survey participants. Specifically, it is estimated that the level of unaided awareness among survey participants was approximately 3.5%, which is very low and indicates that the Cohiba brand was unknown to the overwhelming majority of premium cigar smokers (by comparison, an unaided awareness level for Macanudo of 33% was referred to in an internal General Cigar document as "very low in absolute terms"). The awareness estimate is even lower if one takes into consideration the relevant prospective premium smokers who entered the market after 1992 and the fact that the 1992 survey participants were unrepresentative in terms of their exceptionally high average income and familiarity with Cuban cigars (even among these respondents Cohiba ranked 16th among Cuban brands with respect to "brands of cigars normally smoked").

93. It is impossible to estimate (absolute level) awareness based on aided-awareness measures, because aided-awareness measures suffer from "spurious awareness" that often inflates estimates by as much as 50%. Furthermore, even where aided-awareness measures are relevant (e.g., to evaluate changes over time), it is impossible to derive aided-awareness measures from unaided awareness based on other brands, because the relation between aided and unaided-awareness measures varies greatly from one brand to another. Indeed, the method that Mr. Ossip invented for deriving aided-awareness (and assuming that aided-awareness means "total awareness") has not been used before by him or by anyone else.

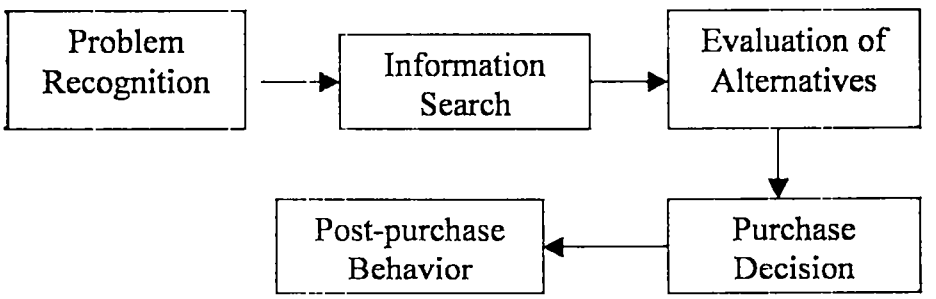
94. Although it is also impossible to determine the absolute brand awareness level on the basis of 50 media mentions of that brand over a 10-year period, one can obtain a rough estimate based on a careful analysis of the likelihood that a premium cigar smoker was exposed to any particular article, paid attention to it, and remembered a particular name mentioned in that article. This analysis, based on basic principles of consumer behavior, indicates that the effect of 50 mentions over a 10-year period was likely to be very limited.

95. As testified by Mr. Siegel, it takes a great deal of time for a new magazine to gain credibility and establish itself in the target market. The first issue of *Cigar Aficionado* reached a very small portion of prospective premium cigar smokers. Thus, the favorable article about the Cuban Cohiba that appeared in that first issue, which was one of about 18 articles and was not prominently featured on the magazine's (U.S. edition) cover, was unlikely to have a substantial effect on brand awareness among prospective premium cigar smokers.

THE IMPACT OF BRAND NAME, TOBACCONISTS, MAGAZINES, AND COUNTRY-OF-ORIGIN ON CIGAR SMOKERS' PURCHASE DECISIONS AND CONSUMER ACCEPTANCE OF THE GENERAL CIGAR COHIBA

96. Mr. Ossip discussed in his report the characteristics of consumers who entered the premium cigar market after 1992. He also suggested that the General Cigar introduction of the Dominican Republic Cohiba had no effect on the Cohiba brand's awareness and perception. The impact of *Cigar Aficionado* on the position of the Cohiba brand in the U.S. was discussed by both Mr. Ossip and Mr. Siegel. To evaluate the claims made by the plaintiff's experts, it is necessary to examine the sources of information that cigar smokers relied upon and the factors that influenced their purchase decisions, and to investigate the characteristics of smokers who purchased the General Cigar Cohiba brand after it was introduced in 1997. This analysis will be based on the available data contained in the many studies and reports considered by General Cigar during the 1990s in the process of making business decisions (many of which were relied upon by Mr. Ossip in preparation of his report). The findings of this analysis also have significant implications for the issue of likelihood of confusion, which was emphasized in the reports of both Mr. Ossip and Mr. Siegel and will be addressed in detail later.

97. To analyze the purchase behavior of premium cigar smokers and the factors that influenced the sales of the General Cigar Cohiba, it is useful to rely on the standard model of the consumer buying process, which can be summarized as follows:



98. In the context of cigar purchases, the model indicates that prospective purchasers often first "identify a problem," that is, they consider the possibility that smoking cigars will offer them benefits, such as pleasure, status, and social value. They might then search for information about cigar smoking, cigar brands, good places to purchase cigars, and so on. Next, they evaluate alternatives, considering the fit of various cigars with their preferences and the information and recommendations provided by the available sources of information. The consumer might then decide to purchase/try a particular cigar. Based on the satisfaction with that cigar, variety seeking (i.e., a preference for variety), and other factors, the consumer might decide to repeat purchase the same cigar or try a different cigar. I will examine below the evidence regarding the information sources used by premium cigar smokers and their purchase criteria.

99. Before examining the purchase process and influences relating to cigar smokers in the 1990s, it is important to consider briefly the broader context. The market for premium cigars in the 1990s was quite unique – I am not aware of any other market, which had been in existence for a long time, that increased eightfold within a period of about five years. In other words, almost 90% of the premium cigar smokers in 1997 were not in that market in 1992. Furthermore, as described in great detail in the surveys and reports considered by General Cigar during the 1990s, the new entrants to the cigar category were very different from the existing smokers in 1992. Another important factor, which is particularly relevant to the present case, is the fact that the Cuban Cohiba could not be legally sold and has not been marketed or advertised (except for two ad placements) in the U.S. market.

100. Regarding the "problem recognition" phase, we know that cigar smoking became fashionable in the 1990s and offered consumers a variety of psychological and social benefits.[24] Regarding the information search phase and the sources of information

[24] For a discussion of the psychological benefits consumers derived from cigar smoking, see, for example, "General Cigar – Recap of Key Findings To-Date," prepared by The Cambridge Group, July 23, 1998 (CAM 000270).

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that consumers relied upon most, we can learn a great deal from the findings of the many studies conducted for General Cigar during the 1990s. In particular, a key finding that had a significant effect on General Cigar's marketing strategy relates to the crucial role of tobacconists as a source of information and influence on premium cigar smokers' purchase decisions. The evidence also indicates that tobacconists played a particularly important role in the purchase decisions of the new cigar smokers – the millions of premium cigar smokers who entered the market since 1992.

101. The finding that tobacconists are a major source of influence on premium cigar purchasers is reflected, among others, in the summaries of consumer research findings that were considered by General Cigar's management and guided its marketing strategy. For example, a document titled, "Premium Cigar Market – Consumer Research Summary," dated May 1998, states that "Tobacconists continue to be crucial to newer smokers" (GC 013827). Another summary, dated January 1999, states "The tobacconist continues to be the dominant channel among premium consumers. About 70% of premium smokers indicate they shop at tobacconists most often" (GC013837). Another report ("NPD Consumer Behavior Tracking Study") concludes that, "Tobacconist consumers rate their supplier's cigar knowledge higher than all others. ... A cigar supplier's knowledge level is most important to those that shop at the tobacconist" (GC 021349-50). Yet another summary of findings, titled "Premium Cigar Market: Attitudes and Usage Summary, May 1999" concluded that "The primary sources of information for premium smokers continues to be peers and tobacconists with about 2/3 of all consumers" (GC 015722). This report further points out that, "The majority of premium consumers continue to indicate the tobacconist is their favorite place to purchase cigars, a primary place to receive cigar information or recommendations, and a passionate part of their cigar smoking" (GC 015724). The findings also indicate that point-of-purchase (i.e., in-store) promotions were noticed by consumers when making purchase decisions (GC015738).

102. Research conducted by General Cigar further shows that men view shopping for cigars as fun (CAM 000350): "Shopping for cigars is an enjoyable event for cigar smokers, especially at the tobacco shop. ... The tobacco shop was most often cited as the place where cigars are purchased, mainly because it's a fun place to go. ... At the tobacconist, these consumers find a place to learn about cigars and a place to bond with other smokers." The same report concludes that, "Newer smokers are more likely to look for recommendations when choosing a cigar."

103. A segmentation study, which was conducted for General Cigar in 1998 by NFO Research (dated October 1998; GC 018398), provides additional information regarding the significance of tobacconists for consumers who were regular users of Cohiba cigars (Mr. Ossip relied on this study extensively in his report, pages 23-6). The findings indicate that 64% of regular Cohiba purchasers bought their cigars most often from tobacconists (GC 018547), with 68% of them buying their cigars from one particular store (GC 018558). Moreover, regular Cohiba users who purchased their cigars from one particular tobacconist had been buying their cigars at that store for an average of almost five years (GC 018559). Considering that Cohiba had been sold by tobacconists only since around the end of 1997, these results suggest that the tobacconists likely influenced the decision of these regular Cohiba smokers to switch to Cohiba from whatever other cigar/s they used to smoke. Indeed, 65% of regular Cohiba smokers indicated that they received information about cigars from tobacconists, and 74% received information from friends (GC 018674). Furthermore, 51% of the regular Cohiba smokers indicated that Cohiba was recommended by tobacconists, whereas only 27% said that it was recommended by magazines (GC 018692-3). As shown below, there is also evidence that most Cohiba smokers tended to be "light" cigar smokers, who were the most likely to rely on tobacconists and the least likely to use *Cigar Aficionado* as an information source. These findings are consistent with the conclusion that tobacconists

tended to recommend (the General Cigar) Cohiba and played a key role in the decision of regular Cohiba smokers to switch from whatever other brand/s they had smoked before.

104. Cigar experts have also emphasized the importance of tobacconists as an information source and a partner. For example, Mr. Shanken, the publisher of *Cigar Aficionado*, urged cigar smokers in his book "Shanken's Cigar Handbook" (pages 33-4) "to spend some time in a fine tobacco shop. Keep your eyes, ears, and nostrils open. Listen to the conversation and ask a few questions. ... In no time you'll develop your own point of view. ... Ideally, your tobacconist will become one of the most important professionals in your life -- right up there with your lawyer, accountant, and tailor. Not only will you be spending a lot of time in his or her establishment, you will want to be among the first to hear about new products, new brands, and events such as cigar dinners."

105. The finding that tobacconists play such a crucial role in the purchase decisions of premium cigar smokers guided the marketing strategy of General Cigar to a significant degree. For example, a 1997 document titled, "General Cigar Market and Consumer Research – Key Observations and Conclusions – Premium Cigars" (GC D1 013744), recommended that the company focus on the retailers (GC D1 013750), and "capture greater allegiance of key retail accounts to influence trial and experimentation ..." (GC D1 013756). Similarly, the June 1998 report of *Bain & Company* to the General Cigar Board of Directors (GC D16 020594) and the 1999 Marketing Plan (dated June, 1998; GC D23 023958) recommended that the company focus more on the retailers.

106. The fact that tobacconists played such an important role in premium cigar purchases is significant, because it indicates that (a) premium cigar smokers were most likely to be aware of, consider, and try those cigar brands that were available at the tobacconists, and (b) tobacconists had a clear incentive to recommend and promote brands they offered for sale, as opposed to Cuban brands that they could not sell.

107. Of course, not all cigar purchase decisions were made at the store, and purchasers might have come into the store with the intention to purchase a specific cigar. In particular, friends or peers were another very important source of information, and based on their recommendations, smokers might ask the tobacconist (or, more generally, the seller) for the cigar suggested by their friend. Although sellers can often change the purchaser's mind, there is little doubt that peer recommendation was another key information source. For example, the Cigar Usage and Attitude survey, conducted in the summer of 1994 (GC 023606-7) D18 found that 32% of the respondents rated recommendations by friends as important and 35% rated recommendations by tobacconists as important. As an aside, the survey did not include magazine recommendations among the purchase factors, and brand image was rated as important by only 15% of the respondents. Five years later, a Consumer Behavior Tracking Study (9/1999; GC 021370) D20 found that 56% of the respondents rated peer recommendations as an important factor in influencing trial, compared to 46% for tobacconists. Peer recommendations, and word-of-mouth more generally, typically relate to products that the receivers of the recommendations can act on, that is, can actually purchase. That is, assuming that a prospective smoker is asking a friend for advice regarding cigars, the friend is unlikely to recommend a cigar that one would have to go abroad to purchase. Instead, the friend will likely recommend cigars that are available locally, particularly cigars that that friend has had experience with.

108. The evidence regarding the significance of *Cigar Aficionado* in influencing cigar purchase decisions is mixed. On the one hand, the magazine's circulation and visibility have significantly increased between 1993 and 1998, and the magazine's cigar ratings were likely to influence the purchase decisions of at least some consumers. On the other hand, the available survey evidence indicates that most premium cigar smokers did not read *Cigar Aficionado*, did not consider it a reliable source of information, and did not rely on it when making purchase decisions. Specifically, a document titled,

"General Cigar Co., Inc. Market and Consumer Research: Key Observations and Conclusions – Premium Cigars" (GC D1 013744), dated August 27, 1997, presented the following summary and recommendations (GC D1 013750; emphasis appeared in the original document):

" Consumers are receiving their information from a broader variety of resources. They are most influenced by peer advice, information from their tobacconists, and advertising.

- 69% of premium smokers rely on friends and/or relatives.
- 58% rely on tobacconists.
- 50% of premium smokers recall recent cigar advertising.
- 12% state that they read *Cigar Aficionado* regularly.
- 17% receive information from the Internet (24% of those listed *Cigar Aficionado* web site).

Key Indicated Action:

- Strengthen our focus on retailer relations to favorably influence first time trial and repeat purchase.
- Build on leadership position in advertising for superior visibility and brand awareness.
- Make inroads into new information sources, and continue to develop our presence in vehicles such as the Internet."

109. According to this summary of the findings of studies conducted prior to August 1997, 12% of premium cigar smokers regularly read *Cigar Aficionado*, and an additional 4% (= 24% of 17%) received information from the *Cigar Aficionado* web site. By contrast, friends and tobacconists were much more important sources of information. Furthermore, the fact that 50% recalled cigar ads suggests that advertising was another important source of information, consistent with a great deal of research regarding the value of advertising as an information source, particularly for new users. Consistent with the above findings, the recommendations made to General Cigar's management focused

on the tobacconists, advertising, and the Internet. Thus, although prior to 1997 *Cigar Aficionado* was not an insignificant source of information, the evidence from the relevant period shows that, if one considers the entire premium cigar market, the magazine was far less important than other information sources. As an aside, the finding that advertising was recalled by 50% of premium cigar smokers (and only 12% read *Cigar Aficionado*) was inconsistent with Mr. Siegel's theory, as he admitted during his deposition (page 276), stating: "I am surprised that cigar advertising would have that high an influence factor. That surprises me. ... I just didn't think for a premium cigar product, I said before I thought the primary influencers were tobacconists, friends and relatives who smoke, and the media. ..."

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110. In the Attitude and Usage Study, dated October 1998 (GC 016109), 35% of the respondents (premium cigar smokers) rated friends as the most reliable source of information, 30% rated tobacconists as the most reliable information source, and 20% rated *Cigar Aficionado* as the most reliable source. In that survey, only 6.7% of the respondents indicated that they personally subscribed to *Cigar Aficionado* (GC 016132), suggesting that some of the respondents either bought the magazine occasionally or visited the *Cigar Aficionado* web site. As an aside, considering the demographic characteristics of premium cigar smokers, they could easily afford to purchase *Cigar Aficionado* magazine if they wanted to read it.

D10

111. In the Segmentation Study of October 1998 (which was relied upon extensively by Mr. Ossip in his report, pages 23-6), approximately 1,500 respondents were asked about the importance of different factors in determining which cigar to purchase (GC 018677-89). Of the 30 factors considered by the respondents, the least important factor was "magazine recommendation" (1.9% of the respondents rated it as most important).[25] Magazine recommendation was also the least important factor among

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[25] Unfortunately, respondents were not asked about the importance of tobacconist recommendation and were asked instead about "salesperson recommendation," which might include a variety of sales people in different store types.

regular Cohiba smokers (only 1.0% rated it as the most important factor). Correspondingly, magazine recommendation was the item that was most often rated as the least important factor in determining cigar purchase decisions (91%), including Cohiba smokers (86%). Although "magazine recommendation" might refer to one or more other magazines (e.g., *Smoke*), the prominence of *Cigar Aficionado* among cigar magazines suggests that it was the main magazine to which the respondents' importance ratings referred.

112. In summary, there is a great deal of evidence in the studies conducted for General Cigar during the 1990s that the most important sources of information for premium cigar smokers were the tobacconists and friends/relatives. *Cigar Aficionado* magazine was a significantly less important information source, though its importance as an information source appears to have increased somewhat in the second half of the 1990s.

113. Consistent with the above model of the consumer's buying process, before making a purchase decision, consumers typically evaluate different alternatives. Accordingly, an important question that marketers routinely consider relates to the relative importance of different factors in the purchase decision, that is, the factors that determine the choice of a particular product over others. Indeed, many of the surveys conducted for General Cigar measured the importance of different factors. As might be expected, respondents in these surveys typically rated product characteristics, such as taste, freshness, and aroma, as the most important. In addition to such product characteristics, the studies have examined other factors, including brand reputation, country-of-origin, as well as recommendations, which are particularly relevant to the issues in this case and to claims made by Mr. Ossip and Mr. Siegel.

114. In the 1994 Attitude and Usage Survey, 53% of the respondents rated "Country of Origin, Excluding Cuba" as an important factor (GC 023607). On the other hand, in later surveys, country of origin tended to be rated as important by significantly

fewer respondents. For example, in the 1998 segmentation study cited earlier, country of origin was rated as the most important factor by only 10% of the respondents and as an important factor by 27% of the respondents (GC 018678-81).

115. A significant trend that occurred during the 1990s was the rise of countries other than Cuba, the Dominican Republic in particular, as places that produce high quality cigars, and the decline in the relative standing of Cuban cigars. *Cigar Aficionado* readers responded in 1999 to the following question: "At this moment, which country is producing the best premium cigars?" (GC 021222). The poll results showed that 43% of the respondents thought that the Dominican Republic produced the best cigars, compared to 32% who selected Cuba as the country producing the best cigar.

116. General Cigar conducted four focus groups[26] and additional eight one-on-one in-depth interviews in January 1999 in Tampa Florida and Washington DC (GC 024153). The following were some of the conclusions from this research (GC 024156): "There seems to be an overriding sense that any of the "islands" generate good tobacco/cigars. A smoker's choice of country of origin seems to depend on what he has had that he likes. ... Country of origin means the place that the tobacco is grown and/or the cigar is rolled. ... While there appears to be a continuing halo surrounding Cuban cigars, more smokers claimed that they suspected the appeal was due more to the mystique created by the embargo than by the actual quality of the cigars. They felt that inconsistency could be a problem. They claimed that if the embargo were lifted, they would probably try Cubans, but they think that a Cuban might become just one more cigar in their portfolio, rather than their primary cigar. Their loyalties appear to be to the cigars that they are currently smoking."

117. Various other cigar experts have commented on the decline of Cuba relative to the Dominican Republic and other countries. Although books about cigars may be

[26] Focus groups typically involve group discussions, moderated by a discussion leader, with ten or so participants from the relevant market (e.g., premium cigar smokers).

relied upon by only a small percentage of all prospective premium cigar smokers, they can illustrate the trends in the relative positions of different countries of (cigar) origin. For example, in his book titled, "A Passion for Cigars," Nat Sherman wrote in 1997 (page 59):

"Though the mystique of the Cuban cigar powered the U.S. cigar industry as a whole for most of the twentieth century, and many cigar enthusiasts still genuflect when they hear the name "Cuba," I maintain that the cigars coming out of Honduras, Mexico, and the Dominican Republic are superior to the Cuban. ... The Cubans have always been well-known for rushing their product to market, so most Cuban cigars aren't cured long enough. ... Thanks to the Communist takeover of Cuba and the subsequent U.S. trade embargo against Cuban cigars, the Dominican Republic has become the world's leader in the manufacture of premium-quality cigars. ... The brands that emanate from the Dominican Republic are a Who's Who of the cream of the premium-cigar trade."

118. These observations regarding cigar countries of origin are consistent with the *Cigar Aficionado* poll results. Furthermore, considering that the Dominican Republic has been "by far the leading source of large cigars imported into the Unites States" (GC D4 014138), it is not at all surprising that U.S. cigar smokers have developed a preference for Dominican-made cigars, where many of their favorite cigars are produced. Still, at least through the mid-1990s, Cuba continued to enjoy a favorable reputation for producing good cigars. In summary, the evidence suggests two trends that occurred during the 1990s: (a) cigars' country of origin has become less important in consumers' purchase decisions, and (b) while Cuban cigars continued to have a favorable reputation, the perception of Cuba as the country that produced the best cigars become less prevalent among U.S. cigar smokers, while the image of Dominican Republic cigars improved, with many consumers perceiving cigars made in the Dominican Republic as the best.

119. Another major trend in the 1990s was the <u>proliferation of brands</u>, the growing tendency of consumers to experiment with different brands, and relatedly, the

decline in brand loyalty. The various studies and research summaries considered by General Cigar provide a great deal of evidence to support these conclusions, as described next.

120. The August 1997 consumer research summary ("Key Observations and Conclusions – Premium Cigars") concluded (in reference to research results regarding "brands that come to mind") that "The proliferation of brands is dissipating the awareness for the strong traditional brands (note: only two mentions for Davidoff out of 325 premium smokers)" (GC 013780). In other words, as smokers in the mid-1990s experimented with different brands, using tobacconist, friends, and other recommendations, they were much less likely to think or be aware of the traditional brands, such as Davidoff, and, in all likelihood, the Cuban Cohiba, which was not available for purchase in the U.S. Another conclusion in the 1997 research summary was that "There is a significant amount of brand switching and experimentation" (GC 013781). The same report also made observations regarding the number of brands that premium users regularly smoked: "Premium smokers are smoking an average of 4 different brands on a regular basis. ... Newer smokers are smoking 5 different brands on a regular basis" (GC 013785).

121. Another indication of the decline in the significance of traditional dominant brands that most consumers considered to be the best was the number of different brands that premium smokers mentioned when asked about the first brand that came to mind (i.e., top-of-mind awareness). The evidence indicates that there was a sharp increase in the number of different brands mentioned by consumers (GC 020793). Specifically, the number of different top-of-mind brands increased from 28 in the July 1996 survey, to 42 in July 1997, 77 in March 1998, and 84 in October 1998; the number declined in 1999 to 73 different top-of-mind brands. These findings reflect the brand proliferation in the 1990s and the diminished significance of the traditional brands, such as Davidoff and the Cuban Cohiba.

122. Brand switching occurred also between mass and premium brands, with many consumers starting as primarily mass cigar smokers and switching to primarily premium cigar smokers. As the 1997 report indicates, "Over 53% of premium cigar smokers had their first experience with domestic/machine made cigars" (GC 013779); a related conclusion was that, "The mass market segment continues to be a major doorway to premium cigars."

123. Respondents in some of the surveys were asked what they would do if, the next time they purchase cigars, their regular brand would not be available. The responses further indicated low brand loyalty. For example, in the September 1996 Usage and Attitude survey (GC 016938), 43% indicated that they would purchase a different brand but the same cigar size, 23% said they would purchase the same brand but a different size, 10% said they would go to another store, and the remaining respondents provided various other answers. Similar results were obtained in later surveys, such as the October 1998 Attitude and Usage Survey (GC 016017). Overall, these findings suggest that smokers' brand loyalty was rather low, and they were about as loyal to their favorite brand as they were to their favorite cigar size.

124. The decline in brand loyalty and the significance of brand names in purchase decisions was most pronounced among "light" cigar users (as opposed to moderate/heavy users) and among "less-knowledgeable" consumers. For example, a May 1999 document, titled "Premium Cigar Market: Segmenting Consumers by Consumption" (GC 015868) summarizes evidence showing that "Moderate/heavy smokers are more brand loyal than light smokers" (GC 015877). Another document, titled "Premium Market Assessment: Qualitative Research" (GC 021323) presented the following analysis (GC 021326):

"Consumers do not appear to be becoming any more brand loyal in light of the shakeout in the market. Most consumers are still experimenting with different cigars. However, it appears that knowledgeable consumers are doing so with extensions of current brands

and/or new products from reputable manufacturers. Less knowledgeable consumers appear to be doing so based on beneficial product attributes (wrapper color, etc.) with no loyalties to brand or manufacturer. Consumers do not appear to be experimenting with different cigars to find something better ("cigar nirvana"), but merely for the desire for variety or to find something different. It seems that today's consumer does not want complacency in his smoking patterns."

125. In summary, the evidence shows that the millions of premium cigar smokers, who entered the market since 1993, were quite different from the traditional cigar smoker in terms of their purchase habits and criteria and, in particular, their brand loyalty. These consumers tended to experiment with a variety of cigars and were not particularly loyal to any brand. Furthermore, light and less-knowledgeable consumers tended to be even less loyal and placed less emphasis on brand names and greater emphasis on product characteristics.

The General Cigar Cohiba: Positioning, Market Performance, and Buyer Characteristics

126. In his report, Mr. Ossip goes to great length to argue that the 1997 introduction of the General Cigar Cohiba and the subsequent marketing efforts to promote the product did not significantly affect the Cohiba brand perception and awareness in the U.S. Although Mr. Ossip does not claim to be a marketing expert (deposition page 22), this argument is surprising because he is well aware that advertising has a very significant effect on awareness (deposition pages 27, 72). Furthermore, as the documents reviewed by Mr. Ossip show, General Cigar invested great efforts in marketing its Cohiba brand. For example, the June 1998 report of *Bain & Company* shows that the advertising spending on the Cohiba brand was greater than any other cigar brand sold in the U.S. market (GC 020618). In other words, the suggestion that General Cigar's efforts had no effect on the awareness of the Cohiba brand means that Mr. Ossip believes that, for some unknown reason, the general laws of marketing (for example, the

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principle that advertising tends to increase brand awareness) do not apply to General Cigar.

127. The marketing activities of General Cigar in connection with the 1997 introduction of the Cohiba brand included (in addition to product development) advertising, a merchandising and a retail program, public relations, and other activities. Although the initial 1997 plan mentions an objective of leveraging the mystique of the Cuban name (GC 022846), the press releases (e.g., D50 RA 0006) and the ads used tended to feature claims such as that it took six years to develop the cigar and that it was hand-made in the Dominican Republic. For example, the text of the flyleaf included in General Cigar Cohiba boxes stated (Plaintiff's exhibit D34 103):

"As early as 1496, the word Cohiba® was used by the natives of Hispaniola (now Santo Domingo) to describe the cured leaves of tobacco they smoked for pleasure. ... The fertile soil and ideal climate of the Dominican Republic, where Cohiba® was first smoked, over 500 years ago, makes it an ideal source for fine tobaccos. Among all the hand-rolled premium cigars from the Dominican Republic, our Cohiba® cigars have been the most exquisite since we introduced them in 1978. The exclusive Cohiba® blend of rich Dominican filler tobaccos that we use today took over six painstaking years to develop. In addition, the full bodied flavor and distinctive character of the cigar are uniquely enhanced by the complex complementary flavors of a superior Cameroon wrapper leaf from West Africa and the darkest, supplest jember binder from Indonesia. The result is the cigar that fulfills the journal of Romanus Pane with the incomparable taste and aroma worthy of the centuries-old heritage that belongs only to Cohiba® and the Dominican Republic."

128. This message positions the General Cigar Cohiba as an upscale, "exquisite," full-body cigar, made with the best ingredients. These characteristics (e.g., the full-body flavor) might be associated with some consumers' perception of Cuban cigars. Furthermore, it is possible that the name "Cohiba" brings "Cuba" to mind, given

the shared "C" and "ba." As discussed above, Cuba has been historically associated with fine cigars, though during the 1990s, the Dominican Republic has emerged as the country perceived by many U.S. cigar smokers to produce as good or even better cigars. In any case, given Cuba's cigar tradition, it would not at all be surprising if General Cigar and other companies tried to associate their cigars with Cuba. Such an approach would be quite similar, for example, to the common practice of U.S. spaghetti sauce manufacturers who try to associate their products with Italy and the secret recipes of Italian mothers.

129. The evidence shows that the General Cigar September 1997 introduction had a significant effect on (unaided) brand awareness. With respect to the "first brand that comes to mind" (referred to as "top-of-mind awareness"), the survey results pertaining to the Cohiba name were as follows (GC 020792): D258

July 1996: 1.4%

July 1997: 1.6%

March 1998: 6.1%

October 1998: 5.8%

March 1999: 5.3%

130. With respect to the percentage of consumers who mentioned Cohiba among the first, second, or third brand that comes to mind,[27] the results were as follows (GC 020794):

July 1997: 6.9%

March 1998: 13.4%

October 1998: 17.6%

March 1999: 14.9%

It is noteworthy that, among those studied, no other brand on the U.S. market came even close to doubling its share of mentions from 1997 to 1998 among the first/second/third

[27] Note that the percentage of mentions as the first, second, or third brand that comes to mind is likely to be significantly lower than unaided awareness, which is based on *all* brands that come to mind.

brand mentions. Not surprisingly, these results indicate that the September 1997 introduction by General Cigar had the significant effect on awareness that one would expect.

131. The available evidence provides a great deal of information about the characteristics of the General Cigar Cohiba smokers. One finding is that, compared to other premium brands, Cohiba smokers tended to be light smokers (i.e., those smoking fewer cigars) and were likely to be more recent entrants to the category (GC 017344; INPD 011238). In particular, the Cohiba awareness and usage levels were higher among light users (GC 015874-5; GC 015878). Furthermore, light users, including Cohiba smokers, tended to be less brand loyal and brand sensitive (GC015877, GC 015879). The evidence further indicates that light users were significantly more likely to rely on tobacconists and less likely to rely on *Cigar Aficionado*. Specifically, 76% of light users purchased their cigars from tobacconists, compared to 57% of moderate/heavy users (GC 015883). And as Mr. Ossip shows in his report (page 19, based on the 9/1998 NFO study), 48% of "heavy users" used *Cigar Aficionado* as an information source, compared to 33% of the "medium users" and only 16% of "light users." Relatedly, Cohiba smokers, who tended to be more recent entrants to the cigar category (INPD 011238), were twice as likely to rate tobacconists as the most reliable source of information (29%) than to rate *Cigar Aficionado* as the most reliable source (14%; INPD 011508). Thus, General Cigar Cohiba smokers were much more likely to rely on tobacconists than on *Cigar Aficionado* when deciding which cigar brand to purchase. Furthermore, as shown above, Cohiba smokers, who were primarily light users and newer to the category, tended to be more concerned with observable product characteristics than with brand names and more likely to experiment with different brands.

132. These findings regarding the (General Cigar) Cohiba smokers and the finding cited above that "The proliferation of brands is dissipating the awareness for the strong traditional brands (note: only two mentions for Davidoff out of 325 premium

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smokers)" (GC 013780) suggest that many of the General Cigar smokers were unaware and/or did not consider the Cuban Cohiba. Suppose, however, that a particular prospective Cohiba smoker was aware of the Cuban Cohiba and believed that it was a very good cigar. Assume further that this particular smoker believed that Cuban cigars were superior to Dominican cigars. For such a smoker, my research[28] (and other published research) indicates that the familiarity with the Cuban Cohiba cigar would have actually diminished the likelihood that this smoker would choose the General Cigar Dominican Cohiba. Briefly, consumers are averse to choosing a product that is perceived as dominated by another option, even though they might have chosen that product if they were unaware of the dominating option. In other words, a consumer who compares the General Cigar Cohiba to the Cuban Cohiba and believes that the latter is superior would be unlikely to select the "dominated" General Cigar Cohiba. This, however, did not appear to be a significant problem for the General Cigar Cohiba, due to the strong marketing support for its Cohiba brand, the characteristics of General Cigar Cohiba smokers, the growing acceptance of Dominican cigars, and the fact that tobacconists, where most General Cigar Cohibas were sold, were highly unlikely to promote or mention a product that they could not sell (i.e., the Cuban Cohiba).

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[28] See, Itamar Simonson (1989), "Choice Based on Reasons: The Case of Attraction and Compromise Effects," Journal of Consumer Research, 16 (September), 158-174 (this article received the award for the Best Article published in the *Journal of Consumer Research*, and the Ferber Award for the best consumer behavior article that was based on a doctoral dissertation). See also, Itamar Simonson and Amos Tversky (1992), "Choice in Context: Tradeoff Contrast and Extremeness Aversion," Journal of Marketing Research, 29 (August), 281-295 (this article received the 1997 O'Dell Award for the *Journal of Marketing Research* article that had the greatest impact on the marketing field in the previous five years).

The Influence of the Cohiba Brand, Tobacconists, *Cigar Aficionado*, and Country of Origin on the Market Position and Sales of the General Cigar Cohiba: Conclusions

133. The above analysis, based on a great deal of evidence from studies and research reports and an analysis of cigar smokers' purchase decisions, leads to the following conclusions:

(a) The millions of premium cigar smokers who entered the market in the 1990s tended to rely primarily on tobacconists and friends as sources of information about cigars. Tobacconists were particularly important for the purchasers of the General Cigar Cohiba.

(b) *Cigar Aficionado* was a much less significant source of information, particularly among the "light users" who were the primary purchasers of the General Cigar Cohiba.

(c) The significance of a cigar's country of origin in consumers' purchase decisions declined during the 1990s. Furthermore, the relative standing of Cuba as the country that produces the best cigars declined, and the Dominican Republic and other locations, where many of the premium cigars consumed by U.S. smokers are produced, emerged as places that are perceived as producing cigars of the highest quality. However, given the historic association between Cuba and cigars, it is quite possible that a cigar brand would benefit to some degree from a Cuban-sounding name, just as a spaghetti sauce may benefit from having an Italian name.

(d) Compared to cigar smokers in the 1980s, the millions of cigar smokers who started smoking cigars during the 1990s were less brand loyal, less likely to be aware of or consider the traditional brands, more likely to experiment with a variety of brands, and more likely to judge cigars based on their product characteristics than their brand name. These characteristics of premium cigar smokers were prevalent among General Cigar Cohiba smokers.

134. The evidence also indicates that, with a strong marketing support by General Cigar, the awareness of the Cohiba brand in the U.S. increased very significantly following the 1997 introduction, proportionally more than any other brand. Correspondingly, sales of the General Cigar Cohiba reached about one million units. This was a respectable market performance, considering the tough environment, with numerous brands and (since 1998) a declining market. This sales level, however, is inconsistent with the plaintiff experts' suggestion that the Cohiba brand name was famous and regarded by U.S. consumers as a "premier luxury cigar" and that many consumers confused the General Cigar product with the Cuban Cohiba. Instead, consistent with the analysis and the research reviewed above, the market performance of the General Cigar Cohiba was based primarily on the company's marketing efforts and the endorsement of its product by the tobacconists.

AN ASSESSMENT OF THE LIKELIHOOD OF CONFUSION BETWEEN THE CUBAN COHIBA AND THE GENERAL CIGAR COHIBA IN THE U.S. MARKET

135. The plaintiff's experts suggest that there is a likelihood of confusion between the Cuban Cohiba and the General Cigar Cohiba. Mr. Ossip quotes sentences from some research reports that he suggests indicate consumer confusion. He also conducted a survey, which, according to his interpretation of the results, shows a significant likelihood of confusion. Mr. Siegel also suggests that consumers were likely to confuse the two products and, based on his "30 years of experience," estimated during his deposition that 90% of the consumers were likely to confuse the two brands. I will evaluate these claims and the evidence used to support them. First, however, I will use basic principles of marketing and consumer behavior and the criteria often relied upon when evaluating the likelihood of confusion to explore whether consumers were likely to confuse the two brands.

136. A distinction commonly made in the consumer behavior literature is between high involvement and low involvement purchases. An example of a low involvement purchase is the selection of a carton of milk or a snack, where the consumer may habitually select a particular type (e.g., skim milk, a Snickers bar) without much deliberation. On the other hand, purchases of items that have greater social, financial, and/or personal significance are characterized by high involvement. Highly involved consumers tend to consider their choices very carefully and are unlikely to make mistakes, such as confusing one brand for another.

137. Premium cigar purchases fall in the category of high involvement purchases, because:

(a) whether one smokes premium cigars on a regular basis or on a special occasion, cigars provide important sensory, emotional, social, and ego-expressive benefits to smokers. For example, a July 1998 document, titled "General Cigar: Recap of Key Findings to-Date" (CAM 000270) describes the sensory gratification,

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relaxation, "mental escape," masculinity, aspirational, sense of achievement, and other benefits that smokers derive from cigars. D25

(b) As described in the same document (CAM 000277), "Enjoyment is found not only in the smoking of the cigar, but also in the events leading up to it – A multi-step ritual."

(c) Premium cigars, including the General Cigar Cohiba, are quite expensive.

(d) Cigar smokers who socialize with other smokers might be ridiculed if they make "mistakes" in their cigar selections.

138. The Cambridge Group consulting firm that supervised the segmentation study cited above divided cigar smokers to different (psychographic) segments. Although such segmentation schemes have certain limitations that will not be discussed here, we can gain some useful insights from the results of that study. The findings indicated that a significant number of Cohiba smokers belonged to the so-called "Relationship-driven Connoisseurs" (GC 017310) D12, though Cohiba was also represented in other segments such as "Special Occasion" (GC 019619) D15. In its summary report, The Cambridge Group consulting firm described "Relationship-driven Connoisseurs" as follows (GC 019595) D15:

"Relationship-Driven Connoisseurs are extremely involved in the category. ... Cigars are their passion ... They also receive strong emotional benefits from cigars. ... Relationship-driven Connoisseurs show a strong preference for shopping at the tobacconist – They have formed a relationship with their tobacconist and enjoy chatting with them about cigar recommendations and experiences. ... They enjoy smoking with friends and appreciate the camaraderie which cigars can help foster."

Again, this description illustrates the personal significance and level of involvement of premium cigar smokers with their cigars and the manner in which they purchase cigars. Furthermore, even those who are less knowledgeable about cigars and cigar brands, such as the "Special Occasion" group, are likely to take cigar selection seriously. As detailed

above, the evidence indicates that such less-knowledgeable smokers tend to rely primarily on product characteristics rather than on brand names.

139. Thus, considering the premium cigar purchase process and criteria and the level of involvement with the purchase, it is highly unlikely that a consumer will select one premium brand under the mistaken belief that it is put out or affiliated with another brand. If such a consumer has any doubt about a possible affiliation of one brand with another, he is likely to consult experts to avoid making a mistake with potentially significant financial, social, and psychological consequences. In particular, considering that most purchasers of the General Cigar Cohiba buy their cigars from tobacconists, a shopper can very easily consult the tobacconist if any questions about cigar brands arise. In other words, the tobacconist acts as a gatekeeper that helps and consults cigar buyers and further diminishes any conceivable misperceptions about brands.

140. Another major factor that further decreases the possibility of confusion between the General Cigar Cohiba and the Cuban Cohiba is the existence of the Cuban embargo, which is widely known among the general adult population and particularly among cigar smokers. Students learn about the Cuban embargo in school, and the general media has discussed the Cuban embargo and its advantages and limitations numerous times. For example, as described recently (on October 13, 2002) on the CBS popular program "60 Minutes,", there is a growing debate in Congress and elsewhere regarding the advantages and limitations of the Cuban embargo and whether it has been a failure or a success.

141. Importantly, one does not need to be a cigar connoisseur to know about the Cuban embargo, and therefore, even consumers who are less-knowledgeable cigar smokers are likely to know about the embargo. Still, considering the historic association of Cuba with cigars and the fact that, still today, Cuba is a major producer of cigars, it is highly unlikely that a premium cigar smoker will not know about the Cuban embargo and its implications. For example, although the plaintiff's declaration of Ms. Heyman was

not designed to highlight the Cuban embargo, many of the articles that she cited (for example, Heyman Declarations pages 13-16, 19, 25-7) refer to the Cuban embargo and its implications. More generally, the Cuban embargo has been routinely mentioned in articles about cigars and about Cuba, including those appearing in *Cigar Aficionado*. For example, when rating the Cuban Cohiba cigar in 1992, *Cigar Aficionado* pointed out that the cigar was unavailable in the U.S. Quite a few articles (e.g., the April 4, 1997 article in *U.S. News & World Report*) have discussed the issue of the illegal smuggling of Cuban cigars. And those who read books about cigars have also been exposed repeatedly to information about the Cuban embargo. For example, "Rudman's Complete Guide to Cigars" (page 175) outlines the US Treasury specific guidelines regarding the importation of Cuban cigars and the fines for violating them, including "It is illegal to buy, sell, donate or trade in any illegally imported Cuban cigars, the penalty for infringement being a fine of up to $50,000 and/or criminal prosecution leading to imprisonment."

142. We can therefore conclude that widespread knowledge about the Cuban embargo, particularly among premium cigar smokers, is yet another effective safeguard against confusion. It is thus highly unlikely that a significant number of premium cigar smokers would mistakenly believe that a marketer of cigars in the U.S. was somehow exempted from the Cuban embargo and allowed to have a business connection or to represent a Cuban company (or the Cuban government).

143. It is also noteworthy that many articles, such as quite a few of those reviewed in the Heyman declaration (e.g., on pages 26-29), made a point of distinguishing between the Cuban Cohiba and the Dominican Cohiba, often highlighting the differences between the two. Such references were further likely to prevent any conceivable confusion between the two.

144. In addition, as a consequence of the Cuban embargo, the General Cigar Cohiba and the Cuban Cohiba are not sold in the same channels of distribution. That is,

since the Cuban Cohiba is not sold in the U.S. whereas the General Cigar Cohiba is sold only in the U.S., they are not both sold in the same stores. I will address this point further when discussing the Ossip Survey.

145. Finally, the fact that the General Cigar Cohiba was positioned as having a full-body /strong taste, which some smokers might associate with certain Cuban cigar brands, is irrelevant to the issue of confusion. Similarly, ads showing an Italian family enjoying a Ragu spaghetti sauce do not cause consumers to believe that Ragu is made in Italy.

146. In summary, the following factors make it highly unlikely that premium cigar purchasers would confuse the General Cigar Cohiba with the Cuban Cohiba:

(a) The high involvement and the personal, emotional, social, and financial significance of premium cigar purchases.

(b) The purchase process and the availability of expert advice from tobacconists and/or friends.

(c) The widespread knowledge regarding the Cuban embargo and its implications among the general public and, particularly, among premium cigar smokers.

Next, I will evaluate the "evidence" of confusion presented by Mr. Ossip and Mr. Siegel. As shown below, although the survey conducted by Mr. Ossip suffered from fatal flaws, its results were consistent with the conclusion that there is an insignificant likelihood of confusion between the General Cigar Cohiba and the Cuban Cohiba. First, however, I briefly consider the other "evidence" of confusion presented by the plaintiff's experts.

<u>An Evaluation of Mr. Siegel's and Mr. Ossip's Arguments About Confusion</u>

147. Mr. Ossip quotes a few sentences from various documents that contain the word "confusion" or "counterfeit" and suggest that these quotes indicate that there was likelihood of confusion. As he correctly points out in his report, none of the General Cigar studies were designed to assess likelihood of confusion. Indeed, consumer and

market research studies are typically designed to assist companies in making business decisions, and companies do not usually conduct confusion studies in the normal course of business.

148. A likelihood of confusion between the General Cigar Cohiba and the Cuban Cohiba means that purchasers of the former mistakenly believe that it comes from the same source as the latter, the two have a business affiliation or connection, or one needed to get approval from the other. None of the quotes listed by Mr. Ossip provided evidence that any of these conditions occurred, and they were not based on any likelihood of confusion studies (see discussion below regarding the requirements from likelihood of confusion studies).

149. It should be emphasized that consumer studies may sometimes produce findings that are confusing and difficult to interpret, particularly if the researchers do not carefully design the questions so as to prevent any ambiguities and respondent confusion. Such problems are particularly prevalent in focus group and other qualitative consumer studies, which tend to be less structured and often evolve in unpredictable ways. The difficulty of interpreting research findings may apply to virtually any brand and depends primarily on the nature of the questions and data. For example, a document titled, "Premium Cigar Market: Attitudes & Usage Study Summary" reports on research findings relating to the awareness of Macanudo Robust and Don Sebastian (INPD Same as D3 at GC013853 000195): "More than half of premium consumers claim to have heard of Macanudo Robust by October '98. ... More than half of premium consumers claim to have heard of Don Sebastian by October '98. ... it is clear that at least some consumers have confused Macanudo Robust and Don Sebastian with other products." As this quote illustrates, survey respondents' confusion can make it difficult to interpret research findings. However, the fact that respondents have difficulty answering survey questions accurately or that questions are ambiguous is not an indicator of consumer confusion in the marketplace.

150. Mr. Ossip also relied on a *Cigar Aficionado* weekly poll in which 39-40% of the participants indicated that they had purchased a cigar which they believed was genuine but was later discovered to be counterfeit. His implication was that premium cigar smokers are susceptible to confusion. However, there is a big difference between confusion involving a Cuban cigar and a General Cigar Dominican cigar and the inability of cigar smokers to detect that a particular cigar is a counterfeit. Furthermore, to the extent that premium cigar smokers are concerned about counterfeit cigars and making mistakes in cigar purchases, that would only make them even more vigilant and careful when choosing a cigar. For example, if consumers have any doubt about the origin or affiliation of a cigar brand they consider buying, they would likely consult their tobacconist and/or a friend to make sure that they do not make the wrong decision.

151. Mr. Siegel's analysis of confusion is as "rigorous" as his other analyses, as illustrated earlier. In his report he explains why, in his view, the trade dress of the two products is similar, which would cause confusion. He also dismissed the red dot in the O (report page 13), because it was adopted in the last minute and because, in his view, it could be seen as signifying an authorized Dominican version of the brand. Mr. Siegel explained during his deposition (page 177) how he determined that there was likelihood of confusion:

" Q. Page 12, the bottom, you say, "Given the vast universe of potential designs, the choice of a similar design indicates to the public that there is an association between the General Cigar and the Cuban Cohiba." How do you know what is in the mind of the public?"

A. I don't know what is in the mind of the public other than to use my experience to anticipate how people would perceive these two products. That's what I have done."

Thus, while Mr. Siegel has never studied psychology or consumer behavior, he had no trouble anticipating how people would perceive these two products. And although Mr.

Siegel did not suggest that he was confused between the two products, he expected other consumers, who are regular premium cigar smokers, to be confused.

Later in the deposition Mr. Siegel was more specific about the level of confusion (page 184):

" Q. Is it your opinion that American consumers perceive the General Cigar Cohiba as an authorized version of the Cuban Cohiba?

A. I say that there is very high probability that they do.

Q. How high a probability?

A. I would say 90 percent."

152. Mr. Siegel's method for estimating likelihood of confusion is extremely unusual, perhaps because he has apparently never before been involved in a case that required him to estimate the likelihood of confusion (deposition page 76). He does not need a likelihood of confusion survey, and he does not need to conduct any systematic customer analysis based on existing knowledge regarding the determinants of confusion. He can simply eyeball the products and come up with a confusion estimate. Indeed, this is a very economical way to determine confusion. Unfortunately, as explained in the articles that I published on the assessment on likelihood of confusion, such as the article (cited above) about "Trademark infringement from the customer perspective," determining the likelihood of confusion is a very complicated task.

153. Mr. Siegel's personal views about similarity and confusion and what he believes goes in the minds of consumers are based on incorrect assumptions and provide no useful information for assessing the likelihood of confusion in this case. For example, the speculation that the red dot in the General Cigar Cohiba mark makes no difference is inconsistent with the research that I conducted and published in 1993,[29] which showed that seemingly minor differences in otherwise similar marks often lead to an insignificant

[29] Itamar Simonson (1993), "The Effect of Survey Method on Likelihood of Confusion Estimates: Conceptual Analysis and Empirical Test," Trademark Reporter, 83 (3), 364-393.

level of confusion. Specifically, the findings of that research suggested that there was an insignificant likelihood of confusion between a "Rolex" watch and a "Ronex" watch and between a "Panasonic" VCR and a "Wanasonic" VCR. Evidently, consumers recognize that a company is highly unlikely to make a small modification to its well-known mark.

AN EVALUATION OF THE LIKELIHOOD OF CONFUSION SURVEY CONDUCTED BY MR. OSSIP

154. Mr. Ossip conducted in the Fall of 2000 a survey titled, "A Study to Measure Awareness of Cuban Cohiba Cigars and Source Confusion Between These Cigars and General Cigar Co. Cohiba Cigars" (hereafter the "Ossip Survey"). As indicated earlier, I published two articles in which I contrasted alternative survey methods used for estimating likelihood of confusion,[30] one of which received the award for the Best Article published in the Journal of Public Policy & Marketing (the major journal on public policy and legal aspects of marketing) between 1993 and 1995. I have also evaluated and conducted many likelihood of confusion surveys. I will evaluate the Ossip Survey, starting with basic principles of likelihood of confusion surveys.

Likelihood of Confusion Surveys: Basic Principles

155. As McCarthy points out,[31] "The first step in designing a survey is to determine the "universe" to be studied. The universe is that segment of the population whose perceptions and state of mind are relevant to the issues in the case. Selection of the proper universe is a crucial step, for even if the proper questions are asked in a proper manner, if the wrong persons are asked, the results are likely to be irrelevant." In particular, the survey universe should not be either under-inclusive (i.e., exclude relevant segments of the customer population) or over-inclusive (i.e., include the opinions of irrelevant customer segments). Using an over-inclusive universe skews the results by introducing irrelevant data. For example, in a case where WEIGHT WATCHERS sued

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[30] Itamar Simonson (1993), "The Effect of Survey Method on Likelihood of Confusion Estimates: Conceptual Analysis and Empirical Test," Trademark Reporter, 83 (3), 364-393. Itamar Simonson (1994), "Trademark Infringement from the Buyer Perspective: Conceptual Analysis and Measurement Implications," Journal of Public Policy and Marketing, 13(2), 181-199.

[31] McCarthy at §32:159. While I am not an attorney or an expert on legal matters, I find it useful to refer to legal authorities and prior court decisions to illustrate the types of issues and principles that have come up in connection with the evaluation of likelihood of confusion surveys.

for use of its mark on LEAN CUISINE frozen diet entrees, the court found over-inclusive a survey of women between the ages of eighteen and fifty-five, who had purchased frozen food entrees in the past six months and who tried to lose weight through diet and/or exercise in the previous year. The court said that the universe should have been limited to women who had purchased a diet frozen entree.[32]

156. As I emphasized in the articles that I published about likelihood of confusion surveys, the results of such surveys are contingent on the method used, with different methods potentially producing drastically different results.[33] Consequently, it is critical that the expert conducting the surveys select the method that fits the particular case at issue. Probably the first and most obvious criterion is that, although a survey usually cannot replicate the exact marketplace conditions, the survey should be designed such that it mirrors the essential characteristics of the marketplace as closely as possible. Indeed, courts have given little or no weight to likelihood of confusion surveys that failed to capture essential characteristics of the marketplace.[34]

157. As explained below, a key question regarding the similarity between a likelihood of confusion survey and the marketplace relates to whether consumers in the marketplace are typically exposed to the two marks at issue at about the same time. If they are, then in a similar fashion, survey respondents can be shown both marks sequentially. However, if in the large majority of real world situations consumers see just one of the two marks at any particular time, rather than both at the same time, then the survey respondents should similarly be shown only the "junior" (allegedly infringing) mark (assuming it is a forward confusion case, where the issue is whether consumers

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[32] Weight Watchers Int'l, Inc. v. Stouffer Corp., 744 F. Supp. 1259, 19 U.S.P.Q.2d 1321, 1331 (S.D.N.Y. 1990) ("[S]ome of the respondents may not have been in the market for diet food of any kind and the study universe therefore was too broad.").

[33] See, for example, "Trademark Infringement from the Buyer Perspective: Conceptual Analysis and Measurement Implications," Journal of Public Policy & Marketing, (Fall 1994, volume 13, 181-199).

[34] See, for example, Nat'l Distillers Prods. Co. v. Refreshments Brands, Inc., 198 F. Supp. 2d 474, 484 (S.D.N.Y. 2002; a survey was given no weight because it, "simply did not sufficiently replicate marketplace conditions to make it a reliable indicator of actual confusion in the marketplace."

mistakenly believe that the junior user's goods are from the same source as or are connected with the senior user's goods). That is, if consumers typically do not see the two marks at about the same time, then showing both to respondents in the survey is likely to produce "evidence of confusion" that is a simple artifact of the methodology used and has little to do with marketplace confusion.

158. Consistent with the principle that a survey should mirror the marketplace reality as closely as possible, courts have been particularly critical of so-called "side-by-side comparisons," whereby survey respondents are presented, either orally or visually, with the two marks at issue at the same time.[35] For example, a side-by-side comparison of jeans was criticized as bearing "little resemblance to the actual workings of the marketplace."[36] That is, using side-by-side comparisons can only be justified if the typical marketplace purchase situation involves such comparisons (e.g., two brands of ketchup that are usually seen by consumers on the store's shelf side-by-side). Aside from the issue of realism, another significant concern with side-by-side comparisons is that the trademarks at issue are overemphasized in such surveys.[37]

159. Although there are different survey methods for assessing likelihood of confusion, the methods employed most often can be divided into two general categories. The first category includes methods in which respondents are shown just one of the marks and asked to identify the company that puts it out or is affiliated with it. As discussed in my articles, the most common method in this category is referred to as the *Eveready format*, named after a case in which the issue involved source confusion

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[35] See, for example, Berkshire Fashions, Inc. v. Sara Lee Corp., 725 F. Supp. 790, 797-98, 14 U.S.P.Q.2d 1124, 1130 (S.D.N.Y. 1989).
[36] Jordache Enters, Inc., v. Hogg Wyld, Ltd., 828 F.2d 1482, 1488, 4 U.S.P.Q.2d 1216, 1221 (10th Cir. 1987).
[37] AHP Subsidiary Holding Co. v. Stuart Hale Co., 1 F.3d 611, 27 U.S.P.Q.2d 1758 (7th Cir. 1993).

between EVER-READY lamps and EVEREADY batteries.[38] McCarthy describes the sequence of questions with this method as follows:[39]

" 1. [Screening question to eliminate persons in the bulb or lamp industries.]

2. Who do you think puts out the lamp shown here? (A picture of defendant's EVER-READY lamp with its mark is shown).

3. What makes you think so?

4. Please name any other products put out by the same concern which puts out the lamp shown here."[40]

The second category of likelihood of confusion methodologies includes surveys in which respondents are shown both the junior and senior marks. One method, referred to by McCarthy as the "line-up survey"[41], involves showing respondents one mark followed by the second mark; then, while the respondents observe the second mark, they are asked whether the two are put out by the same company or by different companies. As indicated, such a method is appropriate only when consumers in the marketplace are likely to be exposed to both marks at approximately the same time.

160. A survey designed to estimate likelihood of confusion must include a (proper) "control."[42] A control is designed to estimate the degree of "noise" or "error" in the survey. Indeed, without a proper control, there is no benchmark for determining whether a likelihood of confusion estimate is significant or merely reflects guessing and the flaws of the survey methodology. For example, McCarthy[43] cites a case in which the "Seventh Circuit affirmed a finding of no infringement where a survey found that a 25%

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[38] Union Carbide Corp. v. Ever-Ready, Inc., 531 F.2d 366, 188 U.S.P.Q. 623 (7th Cir. 1976), cert. denied, 429 U.S. 830, 50 L. Ed. 2d 94, 97 S. Ct. 91, 191 U.S.P.Q. 416 (1976).

[39] McCarthy at §32:174.

[40] In many applications, the Eveready format also includes questions as to whether the company that puts out the presented mark has a business connection with or needed to get permission from another company.

[41] McCarthy at §32:177.

[42] See, for example, S. Diamond, *Reference Guide on Survey Research*, in *Reference Manual on Scientific Evidence* 221, 226 n.8 (Federal Judicial Center ed., 1994).

[43] McCarthy at §32:187.

rate of confusion between the contesting products but the control survey using a radically different named and dressed product found "noise" of 20 percent. To fulfill its function, a control must be equivalent to the junior mark at issue, without infringing on the senior mark. For example, in a case involving Simon Property Group and mySimon, Inc., the court determined that any likelihood of confusion survey with a control that does not include the "Simon" name component "amounts to little more than a meaningless word association or memory exercise."[44] Thus, to obtain an estimate of the net likelihood of confusion (after accounting for "noise"), the researcher subtracts the measured confusion level in the control from the measured confusion level in the "Test" version.

161. As Professor McCarthy points out,[45] survey questions must not be slanted or leading, and it is improper to suggest a business relationship when the respondent might previously have had no thought on such a connection. For example, the question: "Do you think that there may or may not be a business connection between Beneficial Corp. and the Beneficial Finance System Companies?" was rejected as a leading question.[46]

162. As I teach my doctoral students in courses that deal with consumer research, it is often impossible to test more than one hypothesis with a single group of survey respondents, and if one tries to do that, the more important hypothesis should come first. The reason for this rule is the well-known phenomenon of survey "order effects," whereby the answer to one question might affect the answers to subsequent

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[44] SIMON PROPERTY GROUP L.P. v. MY SIMON, INC., 104 F.Supp.2d 1033, 1045 (S.D. Ind. 2000).
[45] See McCarthy at §32:172.
[46] Beneficial Corp. v. Beneficial Capital Corp., 529 F. Supp. 445, 213 U.S.P.Q. 1091 (S.D.N.Y. 1982).

questions, thereby making the latter answers invalid.[47] The issue of order effects is perhaps the most studied topic in the general domain of survey research.[48]

163. Demand effects[49] (also referred to as demand characteristics) relate to the phenomenon whereby survey respondents use cues provided by the survey procedure and questions to figure out the purpose of the study and the "correct" answers to the questions they are asked. The respondents then tend to provide (what they perceive as) the "correct" answers, to make sure that the results "come out right." In the doctoral course on consumer research methods that I teach at Stanford, I spend a great deal of time on the conditions that produce such demand effects. Courts have also recognized the significance of demand effects, and such problems have contributed to the rejection of surveys.[50]

164. It is well-established that survey respondents often provide answers even when they do not know the answer, based on their best guesses. Accordingly, it is a standard survey procedure to explicitly instruct respondents not to guess, and such an instruction decreases, though does not eliminate, the tendency to guess. For example, in likelihood of confusion surveys that I conduct, I typically include the following instruction at the beginning of the survey: "For each of my questions, if you don't know or don't have an answer, please don't guess. Just tell me you "don't know" or "don't have an answer" and we'll go on to the next question."

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[47] If a survey expert attempts to test two separate issues (e.g., confusion and fame) with the same respondents, a common practice is to divide the sample into two groups and rotate the order of the two tests in the questionnaire between the two groups, such that one can later test whether question order had a significant effect on the results.

[48] Various illustrations of order effects and the psychological factors underlying such effects are discussed, for example, in the book, Context Effects in Social and Psychological Research, by N. Schwarz and S. Sudman, (1992), Springer-Verlag.

[49] See, for example, W. Darley and J. Lim, "Demand Artifacts in Consumer Research: An Alternative Perspective," Journal of Consumer Research, 20 (December), 489-95 (1993). See, also, "On the Social Psychology of the Psychological Experiment," M. Orne, American Psychologist, 17, 776-783.

[50] See, for example, "Entry on Plaintiff's Motion in Limine," page 12, in the matter of SIMON PROPERTY GROUP L.P. v. MYSIMON, INC. (No. IP 99-1195-C H/G), June 7, 2000 (USDC S.D. Indiana).

165. The results of surveys conducted in the context of litigation must be validated, to confirm that the interviews were indeed conducted and, often, to confirm also whether the respondents were qualified to participate in the survey. This validation must be made by an independent research firm, not the one conducting the survey, for the obvious reason that a firm cannot be expected to objectively evaluate its own work. In mall intercept studies, I typically require that the research firm conducting the validation attempt to contact all of the survey respondents; typically, they are able to reach about 70% or so of the respondents.

166. I will next examine whether the Ossip Survey complied with these basic survey principles. As will be shown, (a) Mr. Ossip's Internet survey had no control over the respondent universe and effectively provided respondents incentives to cheat in order to participate, (b) the survey involved side-by-side comparisons, even though the General Cigar Cohiba and the Cuban Cohiba are virtually never sold side-by-side, (c) the survey suffered from strong order and demand effects and included leading questions, (d) the survey failed to include any control, (e) respondents were not told not to guess, and (f) no validation was conducted. Importantly, these biases had the effect of grossly overestimating the likelihood of confusion. Still, the obtained likelihood of confusion estimate was only 14.5% (out of all those identified by Mr. Ossip as premium cigar smokers), which indicates that, with a proper methodology and a control, the estimate would have been far below the "noise" level.

The Ossip Survey Universe

167. The Ossip Survey participants were members of the Greenfield Online panel, who had agreed to participate in surveys in exchange for certain prizes. As the Greenfield Online web site (www.greenfieldonline.com) currently states, people are invited to "Join now and be entered to win our $2,000 Cash Giveaway and hundreds of other cash and merchandise prizes for participating in our online surveys." While

surveys that rely on the Greenfield panel might provide useful information in some cases, one cannot rely exclusively on such surveys for deriving a likelihood of confusion estimate, because it is virtually impossible to control the universe of respondents. That is, Greenfield panel members, who likely joined the panel to a large degree in order to receive prizes, may very well claim to have the qualifications for a survey in order to have the opportunity to earn rewards for their participation in the survey. This could be a very significant problem and, unfortunately, the survey designer has no way of knowing its magnitude.

168. Thus, there is no way to know how many of the Ossip Survey respondents actually belonged to the relevant universe of prospective premium cigar smokers and how many claimed to be cigar smokers in order to have a chance to "win a **grand prize of $150, 1 of 20 $15 cash prizes or 1 of 210 $5 prizes**" (emphasis appeared in the actual questionnaire) The problem was particularly severe in the present case, because the incidence of cigar smoking in the population is low and, therefore, the number of respondents who misrepresented themselves in order to qualify in the survey might have been larger than the number of qualified respondents. It is noteworthy that, previously, Mr. Ossip was quite concerned about the ability to control the survey population. In *The Teaching Company Limited v. Unapix Entertainment, Inc.*, he evaluated the plaintiff's survey. Under the section titled, "Execution controls and validation were weak or lacking in a difficult, low incidence population study conducted in a very short time frame," Mr. Ossip wrote (page 5 of that report): "The quality of the execution of a study is important in assessing the reliance one can place on the data generated. Obviously, the opinions of non-qualified respondents are not relevant and a person experienced in participating in surveys may react differently than the average qualified respondent, perhaps being more likely to find links between ads."

169. The Ossip Survey illustrates why total reliance on an Internet survey among panel members is associated with a complete loss of control over the universe and over the execution of the study. The following are selected examples:

(a) There was no way to know who actually completed the survey – it could have been a household member who was a prospective premium cigar buyer, or someone who smoked in the past but quit, or a child who wanted to have the opportunity to make some money, or some other person.

(b) Unlike a face-to-face interview, it was impossible to know whether the respondent consulted other people while answering questions.

(c) Almost by definition, the Greenfield Online panel members are "professional respondents." As Mr. Ossip indicated in the quote above and as he explained during his (first) deposition, respondents who have ulterior motives can bias the survey results. He was asked about that issue during his deposition (page 113[51]):

"Q. ... why wouldn't you want to get the people that want to participate in the study?

A. Well, it's not that they want to participate, they're being asked to and maybe they're being given money just to do that and play the game. You don't want people to play the game. You want the people to qualify for whatever the qualifications are and then to participate in the study."

Indeed, it is a standard procedure to exclude potential respondents who have participated in another survey in the previous three (in some cases, six) months. In addition, most consumer likelihood of confusion surveys do not offer respondents any compensation, and if they do, the prospective respondents are informed of the compensation only after they qualified for participation.

(d) It was not possible to know the true age of the actual respondents.

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[51] All quotes from Mr. Ossip's deposition mentioned in this section refer to his first deposition (August 27, 2001).

(e) As Mr. Ossip described during his deposition (page 189), of its own initiative and without consulting him first, Greenfield Online decided to send an email to 10,000 additional panel members to invite them to participate in the survey:

"Q. Then on page 35 you say that "Greenfield Online, of its own initiative, sent an e-mail to 10,000 additional persons." How did that come about?

A. That's kind of mysterious. They thought they would be helpful to me in case I didn't wind up with a thousand, so unbeknownst to me, somebody sent out 10,000."

This further illustrates how little control Mr. Ossip had over the universe of respondents and the execution of the survey.

(f) Motivated respondents, who wanted to maximize their chances of winning, could have easily completed the survey multiple times using different email accounts.

170. Mr. Ossip tried to justify the reliance on an Internet survey based on the low incidence of premium cigar smokers (deposition page 148-9). However, many surveys are routinely conducted where the incidence rate is much lower, such as a survey of cotton farmers or of a specific type of information technology professionals. One commonly used methodology, referred to as "phone-mail-phone," involves calling the prospective respondents first (using, for example, a relevant magazine subscriber list), mailing the materials that the respondents should look at while answering the questions, and then calling them again to conduct the interview. Alternatively, prospective respondents can be invited to a central location where the interviews are conducted.

171. In addition to the inherent problems with an Internet survey, the respondent qualifications in the Ossip Survey universe were highly ambiguous, which further limited our ability to know who the respondents were. One screening question was, "Do you smoke cigars?" This question is ambiguous, because different consumers were likely to interpret it differently. Does it mean that a person is a regular smoker, or is it sufficient to have smoked cigars a couple of times?

172. Respondents were next asked, "Within the next 12 months, are you very likely to buy cigars for yourself?" This question left little doubt as to what the "correct" answer was. Respondents were not asked whether *or not* they were likely to buy cigars. They were also not asked about any other products, so as to disguise the purpose of the study (which would have also required him not to call the survey "Cigar Study").

173. The Ossip Survey defined premium cigar smokers on the basis of the price they would pay for cigars. Respondents, who presumably knew approximately how much they would pay for a box of cigars or per cigar, were not given the opportunity to state that price. Instead, the Ossip Survey presented them with seven price ranges and asked them to choose the one that applied. Subsequently, Mr. Ossip defined five of the seven price ranges as "premium." Prior research on consumer price perception suggests that respondents are strongly influenced by the price ranges shown to them, which serve as reference points and suggest to them that the price ranges are representative of the marketplace. Thus, if, for example, Mr. Ossip had presented respondents with five price ranges that fell below $65 per box and only two above $65, the actual "qualified" respondent universe would have been quite different.

174. Beyond all of these problems with the survey universe, an extremely unusual feature of the Ossip Survey was the fact that Mr. Ossip decided to ignore those respondents who did not say that Cohiba was made in Cuba, because these respondents could not be confused (see Ossip Survey report, page 18). The logic underlying this method of analysis is incomprehensible, and I have never encountered it in any other survey. If non-confused respondents are excluded from the calculations, it would have been simpler to limit the "applicable universe" to respondents who provided answers indicating confusion, which would guarantee 100% confusion. Fortunately, as shown below, we can correct this strange method of analysis and derive the actual estimate produced by the Ossip Survey.

175. In summary, it is very likely that a significant number of the Ossip Survey respondents were unqualified to participate in the study. Unfortunately, there is no way to know with any certainty who actually participated in the survey and whether the participants were prospective cigar smokers. Furthermore, those respondents who participated in the survey solely for the purpose of receiving the promised prizes were most likely to provide the answers that would satisfy the researchers conducting the survey. As explained below, such demand effects were likely to inflate the obtained likelihood of confusion estimate.

The Ossip Survey's Side-by-Side Methodology and Demand Effects

176. As explained above, likelihood of confusion surveys should not use side-by-side comparisons whereby the respondents are presented (either orally or visually) with the two marks at issue and asked if they are related, unless prospective purchasers typically see the two marks side-by-side in the marketplace. Considering that the Cuban Cohiba brand is not sold in the U.S., the typical purchase situation at issue (assuming the plaintiff claims forward confusion) relates to prospective purchasers of the General Cigar Cohiba cigar, who are exposed to the product and/or marketing materials promoting that product (e.g., an ad for the General Cigar Cohiba). Under these typical conditions, the consumer is not told to consider the Cuban Cohiba before purchasing or evaluating the General Cigar brand and is not asked to consider the possibility that the product is related to the Cuban Cohiba. Accordingly, the proper survey procedure should have involved presenting only the General Cigar Cohiba and asking non-leading questions (e.g., using a variant of the standard Eveready format discussed above) to find out if respondents believe that that brand is associated with *any* other brand (without suggesting to the respondent a particular confusion candidate).

177. The Ossip Survey respondents were asked if they had heard about different brands, including Cohiba, and were also asked where each brand was made. Those who

did not say that Cohiba was made in Cuba were not asked the subsequent questions. Those who said that Cohiba was made in Cuba, which represented 26.7% of the total sample (i.e., 256 out of 960 premium cigar smokers), next received the following (written) instruction:

"You said that COHIBA cigars were made in **Cuba**. Please check this name (names) below so that the computer can tally your answers. Do not check any others. (Select as many as apply.)"

Assuming respondents could understand what this instruction meant, they checked "Cuba" and possibly other countries (depending on how they interpreted the instruction "Do not check any others."). Next, those remaining respondents were shown two images of a General Cigar Cohiba cigar box and cigars, with the name "COHIBA" very prominently displayed in the center of each image. Next, with the General Cigar cigars/box in view, they were asked:

"Do you think that COHIBA cigars from Cuba and the cigars shown above are made by the same company, are made by different companies, or don't you know?"

Those who said that the two were made by the same company were asked to provide an explanation. Those who failed to say that the two products were made by the same company were then asked:

"Do you think that the company that makes COHIBA cigars from Cuba and the company that makes the cigars shown above do or do not have an affiliation, an association, or business connections with each other or don't you know."

Those who still did not provide the expected answer (i.e., that they two have an affiliation, etc.) were next asked:

"Thinking again about the company that makes COHIBA cigars from Cuba and the company that makes the cigars shown above, do you think that one of these companies …

- Got authorization or approval from the other company to use the name Cohiba

- Did not get authorization or approval from the other company to use the name Cohiba
- Don't know

Those respondents who chose the first option were asked to identify the company that gave approval.

178. The first observation is that the Ossip Survey employed a side-by-side methodology. Specifically, respondents were asked about the Cuban COHIBA, shown a second product (the General Cigar Cohiba) with the name "COHIBA prominently displayed, and then told explicitly to consider the possibility that the presented COHIBA product was related to the Cuban Cohiba. While such a methodology would be considered leading even if the two products were sold in the same store, it has no relevance to possible marketplace confusion considering that these two products are virtually never sold in the same store or advertised in the same publication. In other words, the Ossip Survey's side-by-side methodology focused the respondents' attention on the two marks and forced respondents to make comparisons that, in all likelihood, they would not have considered in a normal purchase situation. This fatal flaw, by itself, was likely to greatly inflate the obtained likelihood of confusion estimate.

179. Furthermore, this methodology suffers from strong demand and order effects – the fact that, after being tested on their familiarity with the Cohiba brand, respondents were shown two products with the name COHIBA and told to consider the possibility that they were related was likely to leave little doubt as to what the "correct" answer was. And if they did not "get it" the first time, they were given another chance (the question about affiliation, association, connection), and if they still refused to comply, they were given one last chance (the question about approval and authorization). Such demand effects were particularly effective in this Internet survey among participants who were likely hoping to be rewarded for their effort. Just as many consumers believed that their chances of winning the Publishers' Clearinghouse prizes

improved if they subscribed to magazines, the Ossip Survey respondents were likely to believe that their chances of winning were greater if they answered the questions "correctly."

180. The problems associated with the leading methodology and demand effects were exacerbated in the Ossip Survey because he failed to follow the standard survey procedure and instruct respondents not to guess. Indeed, considering that many of the respondents might not have known a great deal about cigars (see discussion of the survey universe above), and given the leading survey procedure, respondents were likely to follow the provided leads based on their best guesses. Furthermore, given the surface similarity between the names "Cohiba" and "Cuba," when asked about the country in which Cohiba was made, respondents who were unfamiliar with Cohiba or did not know its country of origin were most likely to guess that the cigar was made in Cuba.

The Failure to Include a Control

181. As indicated, a likelihood of confusion survey must include a proper control. It appears that Mr. Ossip shares this view. In a declaration that he filed in the case of TELEMAC CELLULAR CORPORATION v. TOPP TELECOM, Inc., he evaluated a survey conducted by Mr. Bunge. In that declaration, Mr. Ossip reached the following conclusions regarding Mr. Bunge's failure to include a control and about the effect of showing respondents two products and asking them about a possible association:

"Failure to use a Control

9. The third major flaw is that the study used a market research technique which, I believe, encourages respondents to find source association. Specifically, respondents may believe they are being asked to find that the two respective products or companies are related because they are shown two stimuli and asked a series of association questions. Without employing a control group to try to

account for this potential bias, I believe, the technique overstates likelihood of confusion.

10. The technique used involved exposing the respondents to both the plaintiff and defendant products, in turn, and asking what company puts out the product shown. If the same name was not mentioned for both stimuli, two additional question series were asked relating to source association. Each question was closed ended, offering three response options. If an affirmative answer was given, the respondent was asked why they said that and apparently considerable probing was then done to elicit reasons for their response.

11. To my knowledge, this technique has often been employed by Mr. Bunge and apparently usually without the use of a control group. A control group typically is employed to measure, and later subtract "noise' (i.e., positive answers were based on reasons irrelevant to the issues being studied). Other experts, including this writer, have used similar approaches, but with a control group (i.e., one of the test marks being shown with a control mark, either real or contrived) and found that often a substantial degree of source association also occurs in the control group. (I believe such happened in a recent case in which the court suggested that Mr. Bunge use a control group, which he subsequently did).

12. The use of the follow up question to an affirmative answer, ("What makes you think that?") does not obviate the need for a control group, since the general similarity of the names shown provides a convenient rationale for some respondents who are encouraged by the technique to give a positive association response to one of the several queries.

13. I believe that the findings from the study illustrate the tendency for the technique to encourage respondents to find an association . For example, 58% of all respondents indicated a source association between the two products they were

shown although only one in three of these respondents (19% of all respondents) attributed that to the similarity of the names after probing questions.

14. Ignoring my previously cited issues with the universe and stimuli used in the study, a meaningful control might have been to place a third mark with some superficial similarity to TRAC (such as TRACE) on either the TRAC or TRACFONE stimulus (in lieu of the TRAC or TRACFONE mark) and then subtract the association percents obtained with this control group from the numbers cited above. This would reduce the estimates produced by the Bunge study, although to an unknown degree.

15. Because the Bunge study failed to use a control group, it is not possible to determine to what extent the 19.3% that he alleges signifies confusion merely signifies "noise." Without the use of a control, his study does not provide any relevant results with respect to a likelihood of confusion."

182. Despite reprimanding Mr. Bunge for not including a control, in the present case, Mr. Ossip evidently chose to follow Mr. Bunge's lead and not include a control. He was asked about that during his deposition (pages 275-6):

" Q. ... Did you use a control for your source confusion aspect of this study?

A. What would I use as a control when I have two products with the same name? What am I going to use as a control; products with different names and then assume that I can subtract that when the product names are the same? It doesn't make sense to me. This is not a trade dress with some similarities. Here the names are the same. I don't see where the control is relevant. What's relevant is that you ask the reason why, okay? ..."

183. First, a control must be included in every likelihood of confusion survey, whether it involves trade dress, a word mark, or both. Second, the fact that the two brands share the word "Cohiba" has absolutely nothing to do with the need for a control.

Without a control, it is impossible to estimate the degree of "noise" and, most importantly, the biases created by the particular (e.g., side-by-side) methodology, demand effects, and guessing that characterized the Ossip Survey. Third, the fact that it might be difficult to identify a proper control does not change the fact that, without a control, the obtained confusion survey is likely to significantly inflate the true likelihood of confusion, particularly in a leading and fatally flawed survey like the one conducted by Mr. Ossip in this case. It is also a bit surprising that, after explaining to Mr. Bunge that the reasons provided by respondents for their answers were not a substitute for a control, Mr. Ossip suggested in his deposition in this case that such reasons were actually sufficient.

184. In fact, identifying proper controls was rather straightforward in the present case. In the part in which respondents were asked if they had heard about various brands, Mr. Ossip could simply include two fictitious brands, with names that are plausible for the cigar category and bear some similarity to the names "Cuba" and Cohiba (without infringing on the Cohiba brand). Next, to estimate the level of "noise" and guessing regarding the country of origin, respondents in the control group could be asked where the fictitious brands are made. Finally, in the part designed to assess the likelihood of confusion, respondents in the control group might be asked if the General Cigar Cohiba box and cigars (the same images used in the Test group of the survey) are made by the same company that makes the fictitious brand, and so on (regarding association, affiliation, and approval).

The Failure to Conduct Survey Validation

185. As indicated, the results of a survey conducted in the context of litigation must be validated. Mr. Ossip evidently agrees with this principle. In his critique of the plaintiff survey in the case of "The Teaching Company v. Unapix Entertainment," the expert performing the survey (Dr. Jacoby) conducted a validation survey to confirm that

respondents had indeed participated in the survey but failed to confirm that respondents were qualified to participate in the survey. Mr. Ossip wrote in his critique:
"In the validation, where respondents are recontacted by phone, no attempt was made to verify their qualification in regard to past or future purchase of the product category – a procedure which contrary to what Dr. Jacoby says, I believe is commonly followed by most experts. ... This procedure is important because sometimes respondents admit that they did not qualify, but were encouraged to do so by the interviewer."

186. Surprisingly, in the present case, there was no validation at all – respondents were not even contacted to make sure that they indeed participated in the survey, not to mention to check their qualifications. As explained above in the discussion of the survey universe, such validation was particularly essential in the present survey, for example, to make sure that the survey was not filled out by children without the knowledge of the adult who was presumably the cigar smoker in the family.

The Ossip Survey Results

187. As the data reviewed above indicate, a significant portion of premium cigar smokers, including Cohiba users, often smoke less expensive premium brands (or even "mass brands"). Accordingly, all Ossip Survey respondents defined as "premium cigar smokers" should be considered when deriving a likelihood of confusion estimate. As shown in the Ossip Survey report, there were 960 respondents who were classified as prospective premium cigar smokers. The survey results also indicate that there were 139 respondents that Mr. Ossip counted as confused as to source, affiliation, association, connection, or approval. Therefore, the likelihood of confusion produced by the Ossip Survey was equal to 14.5% (= 139/960).

188. Inexplicably, Mr. Ossip reported a likelihood of confusion estimate of 54.3%, not 14.5% (see Ossip Survey report, page 13). This figure was produced by eliminating from consideration all those respondents who had not heard about the Cohiba

brand or had heard about Cohiba but did not say that it was made in Cuba. The justification for this method of analysis appears on page 18 of his report: "Only those who had previously heard of Cohiba cigars could potentially be affected by prior associations with this name if they were to be exposed to a box of General Cigar's Cohiba cigars. For the purpose of this study, only those who volunteered that Cohiba cigars were made in Cuba (regardless of where else they thought the cigars were made) could potentially be confused to think that the General Cigar Cohiba cigars are related to the same source as the Cohibas from Cuba."

189. This very strange justification as to why Mr. Ossip decided to exclude most of the relevant respondents from his analysis requires us to reiterate a basic principle of likelihood of confusion surveys. The purpose of such surveys is to estimate the likelihood that prospective purchasers in the marketplace would confuse one mark with another. If, for example, there are 1,000 respondents who are prospective purchasers of a particular good, and 150 of them confuse the two marks at issue, then 15% is the relevant likelihood of confusion estimate. The 850 prospective purchasers who do not confuse the two marks cannot be ignored, regardless of the reason for their lack of confusion. That is, one cannot exclude 500 (or any other number) of those 850 respondents because, for some reason, it is obvious that they could not be confused. If they are prospective purchasers of the product, they are relevant to the estimate derived from the survey.

190. In his criticism (cited above) of the Bunge survey, Mr. Ossip concluded that, "Without the use of a control, his study does not provide any relevant results with respect to a likelihood of confusion." However, in the present case, the obtained confusion estimate (14.5%) combined with the one-sided flaws of the Ossip Survey allow us to conclude that the likelihood of confusion is insignificant. That is, despite the fatal flaws of the Ossip Survey, which biased the results in the direction of inflating the likelihood of confusion estimate (for example, the lack of control and the leading and suggestive side-by-side methodology), the obtained estimate was 14.5%. If Mr. Ossip

were to use a proper methodology and include a control, there is little doubt that the obtained estimate would have been much lower and clearly insignificant. As it is, without a control and a proper methodology, the obtained estimate of 14.5% barely reached the 15% level that Mr. Ossip considers to be the minimum needed for a meaningful confusion estimate (Mr. Ossip's second deposition, page 136):

" Q. At what point does the number become meaningful?

A. I would say 15 or 20 percent or higher."

In summary, despite the one-sided biases of the Ossip Survey, its results show that the likelihood of confusion between the General Cigar Cohiba and the Cuban Cohiba is insignificant.

The Ossip Survey: Conclusions

191. The Ossip Survey was fatally flawed on several key dimensions:

(a) The reliance on an Internet survey, with panel members that were motivated by cash prizes, caused a complete loss of control over the respondent universe. As a result, it is impossible to know, for example, who actually participated in the study, the number of times each respondent participated, and whether they were qualified to participate. The problem was exacerbated by the use of ambiguous screening criteria.

(b) The Ossip Survey employed a side-by-side methodology that was leading and failed to reflect the marketplace conditions and artificially inflated the confusion estimate.

(c) The Ossip Survey suffered from strong demand and order effects and failed to warn respondents against guessing, which inflated the confusion estimate.

(d) The Ossip Survey failed to include a control.

(e) Despite the lack of control over the respondent universe and the survey execution, the results of the Ossip Survey were not validated.

(f) Mr. Ossip excluded from his confusion analysis most of the qualified respondents, because they could not be confused.

192. The flaws of the Ossip Survey had the effect of artificially inflating the obtained estimate of likelihood of confusion. Even with these one-sided biases, the Ossip Survey produced a likelihood of confusion estimate of 14.5%. With a proper methodology and a control, there is little doubt that the derived confusion estimate would be insignificant. This further supports the conclusion, based on an analysis of the manner in which premium cigars are purchased, the information sources of premium cigar smokers, and their familiarity with the Cuban embargo, that the likelihood of confusion between the General Cigar Cohiba and the Cuban Cohiba is insignificant.

11/6/2002
Date

I. Simonson
Itamar Simonson, Ph.D.

Exhibit A

Itamar Simonson

ADDRESSES

September 2002

Home:
1044 Vernier Place
Stanford, CA 94305
(650) 857-9038
Cell: (650) 387-7677
Fax: (650) 857-9090

Office:
Graduate School of Business
Stanford University
Stanford, CA 94305-5015
(650) 725-8981
itamars@stanford.edu

EDUCATION

Ph.D.	Duke University, Fuqua School of Business Major: Marketing; May 1987
M.B.A.	UCLA, Graduate School of Management Major: Marketing; March 1978
B.A.	Hebrew University, Jerusalem, Israel Major: Economics, Political Science; August 1976

ACADEMIC POSITIONS

July 1987 - June 1993	University of California, Berkeley Haas School of Business Assistant Professor
July 1993 – Aug. 1996	Stanford Graduate School of Business Associate Professor of Marketing
Sept. 1996 – Aug. 1999	Stanford Graduate School of Business Professor of Marketing
Sept. 1999 –	Stanford Graduate School of Business Sebastian S. Kresge Professor of Marketing
1994 – 2000	Stanford Graduate School of Business Marketing Group Head
Fall 2000	MIT Sloan School of Management Visiting Professor of Marketing

AWARDS

- Best Article in the *Journal of Consumer Research* during the period 1987-1989.
- The 1997 O'Dell Award (for the *Journal of Marketing Research* article that has had the greatest impact on the marketing field in the previous five years).
- The 2001 O'Dell Award.
- Best Article in the *Journal of Public Policy & Marketing* during the period 1993-1995.
- The 2002 American Marketing Association Award for the Best Article in the area of Services Marketing.
- The Association for Consumer Research 1990 "Ferber Award."
- Winner in the Marketing Science Institute and Direct Marketing Association competition on "Understanding and Measuring the Effect of Direct Marketing."
- Finalist for the 1995 O'Dell Award.
- Finalist for the 2002 O'Dell Award.
- Runner-up for the 1993 *California Management Review* Best Article Award.
- National Science Foundation Grant (for 1996-8).
- Honorable Mention for the Sloan Executive Program Teaching Award (Fall 1995).
- Five years in the Berkeley School of Business "6-Point Club" (instructors with teaching ratings of 6 or more on a 7-point scale).

TEACHING EXPERIENCE

Stanford University:

Marketing Management (for MBAs)
Marketing Management (the Sloan Executive Program)
Technology Marketing (for MBAs)
Research Methods for Studying Buyer Behavior (a Ph.D. Course)
Decision Making (a Ph.D. Course)
Buyer Behavior (a Ph.D. course)

University Of California, Berkeley, and Duke University:

Marketing Management (for MBAs - day and evening programs)
Consumer Behavior and Decision Making (a Ph.D. Course)
Principles of Marketing (for undergraduates)
Various Marketing Executive Education Programs (including High-Tech, Services, Telecommunications, and Strategy).

BUSINESS EXPERIENCE

October 1978-August 1983 Motorola, Inc.
Worked in an international subsidiary; responsibilities included marketing research and customer analysis, definition of new products, pricing, analysis of sales force performance, competitive intelligence, and forecasting. Conducted studies of markets for various communications products. Last two years served as Product Marketing Manager for communications products.

Consulting:

Consulted for clients from the communications, services, and manufacturing sectors. Expert witness assignments in the areas of trademark infringement, deceptive advertising, market surveys, buyer behavior, marketing strategy, brand equity, retailing and distribution, product warning labels, and other marketing issues.

PUBLICATIONS

Ravi Dhar and Itamar Simonson (2002), "The Effect of Forced Choice on Choice," Journal of Marketing Research, In press.

Dan Ariely and Itamar Simonson (2001), "Buying, Bidding, Playing, or Competing? Value Assessment and Decision Dynamics in Online Auctions," Journal of Consumer Psychology, In press.

Ran Kivetz and Itamar Simonson (2001), "Self Control for the Righteous: Toward a Theory of Luxury Pre-Commitment," Journal of Consumer Research, In press.

Ran Kivetz and Itamar Simonson (2002), "Earning the Right to Indulge: Effort as a Determinant of Customer Preferences Toward Frequency Program Rewards," Journal of Marketing Research, 39 (May), 155-70.

Chezy Ofir and Itamar Simonson (2001), "In Search of Negative Customer Feedback: The Effect of Expecting to Evaluate on Satisfaction Evaluations," Journal of Marketing Research, 38 (May), 170-82.

Itamar Simonson et al. (2001), "Consumer Research: In Search of Identity," Annual Review of Psychology, 52, 249-275.

Ran Kivetz and Itamar Simonson (2000), "The Effect of Incomplete Information on Consumer Choice," Journal of Marketing Research, 37(4), 427-48.

PUBLICATIONS (continued)

Donnel Briley, Michael Morris, and Itamar Simonson (2000), "Reasons as Carriers of Culture: Dynamic Vs. Dispositional Models of Cultural Influence on Decision Making," Journal of Consumer Research, 27 (September), 157-178.

Itamar Simonson and Stephen Nowlis (2000), "The Effect of Explaining and Need for Uniqueness on Consumer Decision Making: Unconventional Consumer Choices Based on Reasons," Journal of Consumer Research, 27 (June), 49-68.

Aimee Drolet, Itamar Simonson, and Amos Tversky (2000), "Indifference Curves that Travel with the Choice Set," Marketing Letters, 11(3), 199-209.

Stephen Nowlis and Itamar Simonson (2000), "Sales promotions and the Choice Context as Competing Influences on Consumer Decision Making," Journal of Consumer Psychology, 9(1), 1-17.

Itamar Simonson (1999), "The Effect of Product Assortment on Consumer Preferences," Journal of Retailing, 75(3), 347-70.

Ravi Dhar and Itamar Simonson (1999), "Making Complementary Choices in Consumption Episodes: Highlighting Versus Balancing" Journal of Marketing Research, 36 (February), 29-44.

Houghton, David, ..., and Itamar Simonson (1999), "Correction Processes in Consumer Choice," Marketing Letters, 10(2),107-112.

Ziv Carmon and Itamar Simonson (1998), "Price-Quality Tradeoffs in Choice Versus Matching: New Insights into the Prominence Effect," Journal of Consumer Psychology, 7(4), 323-343.

Joel Huber, ..., and Itamar Simonson (1997), "Thinking About Values in Prospect and Retrospect: Maximizing Experienced Utility," Marketing Letters, 7, 324-334.

Stephen Nowlis and Itamar Simonson (1997), "Attribute–Task Compatibility as a Determinant of Consumer Preference Reversals," Journal of Marketing Research, 34 (May), 205-218.

Stephen Nowlis and Itamar Simonson (1996), "The Impact of New Product Features on Brand Choice," Journal of Marketing Research, 33 (February), 36-46.

Itamar Simonson (1994), "Trademark Infringement from the Buyer Perspective: Conceptual Analysis and Measurement Implications," Journal of Public Policy and Marketing, 13(2), 181-199.

PUBLICATIONS (continued)

Itamar Simonson (1994), "An Empirical Investigation of the Meaning and Measurement of Genericness," Trademark Reporter, 84 (2), 199-223.

Itamar Simonson, Ziv Carmon, and Suzanne O'Curry (1994), "Experimental Evidence on the Negative Effect of Product Features and Sales Promotions on Brand Choice," Marketing Science, 13 (1), 23-40.

Itamar Simonson (1993), "Get Closer to Your Customers by Understanding How They Make Choices," California Management Review, 35 (4), 68-84.

Itamar Simonson, Stephen Nowlis, and Katherine Lemon (1993), "The Effect of Local Consideration Sets on Global Choice Between Lower Price and Higher Quality," Marketing Science, 12 (4), 357-377.

Itamar Simonson (1993), "The Effect of Survey Method on Likelihood of Confusion Estimates: Conceptual Analysis and Empirical Test," Trademark Reporter, 83 (3), 364-393.

Itamar Simonson, Stephen Nowlis, and Yael Simonson (1993), "The Effect of Irrelevant Preference Arguments on Consumer Choice," Journal of Consumer Psychology, 2 (3), 287-306.

Eldar Shafir, Itamar Simonson, and Amos Tversky (1993), "Reasons-Based Choice," Cognition, 49, 11-36.

Amos Tversky and Itamar Simonson (1993), "Context-Dependent Preferences," Management Science, 39 (10), 1179-1189.

Itamar Simonson (1992), "Influences of Anticipating Regret and Responsibility on Purchase Decisions," Journal of Consumer Research, 19 (June), 105-118.

Itamar Simonson and Peter Nye (1992), "The Effect of Accountability on Susceptibility to Decision Errors", Organizational Behavior and Human Decision Processes, 51 (3), 416-446.

Itamar Simonson and Barry Staw (1992), "De-Escalation Strategies: A Comparison of Techniques for Reducing Commitment to Losing Courses of Action," Journal of Applied Psychology, 77 (4), 419-426.

Itamar Simonson and Amos Tversky (1992), "Choice in Context: Tradeoff Contrast and Extremeness Aversion," Journal of Marketing Research, 29 (August), 281-295.

PUBLICATIONS (continued)

Itamar Simonson and Russell S. Winer (1992), "The Influence of Purchase Quantity and Display Format on Consumer Preference for Variety", Journal of Consumer Research, 19 (June), 133-138.

Ravi Dhar and Itamar Simonson (1992), "The Effect of the Focus of Comparison on Consumer Preferences," Journal of Marketing Research, 29 (November), 430-440.

Itamar Simonson (1991), "The Effect of Buying Decisions on Consumers' Assessments of Their Tastes", Marketing Letters, 2, 1, 5-14.

William T. Ross and Itamar Simonson (1991), "Evaluations of Pairs of Experiences: A Preference for Happy Endings," Journal of Behavioral Decision Making, 4(4), 273-282.

Itamar Simonson (1990), "The Effect of Purchase Quantity and Timing on Variety Seeking Behavior," Journal of Marketing Research, 27 (May), 150-162.

Itamar Simonson (1989), "Choice Based on Reasons: The Case of Attraction and Compromise Effects," Journal of Consumer Research, 16 (September), 158-174.

Itamar Simonson, Joel Huber, and John Payne (1988), "The Relationships Between Prior Brand Knowledge and Information Acquisition Order", Journal of Consumer Research, (March), 14,4, 566-78.

ARTICLES UNDER REVIEW

Ran Kivetz and Itamar Simonson, "The Role of Effort Advantage in Consumer Response to Loyalty Programs: The Idiosyncratic Fit Heuristic."

Aimee Drolet and Itamar Simonson, "Absolute and Ordinal Choice Processes: The Role of Cognitive Resources."

EDITORIAL ACTIVITIES

Editorial Board: *Journal of Consumer Research, Journal of Marketing Research, Journal of Consumer Psychology, Journal of Behavioral Decision Making,* and *Marketing Letters.*
Reviewer for *Marketing Science, Journal of Economic Behavior and Organization, Management Science, International Journal of Marketing Research, Journal of Retailing and Consumer Services, Journal of Marketing, Journal of Retailing, Organizational Behavior and Human Decision Processes, Journal of Experimental* Psychology, and *California Management Review.*

PROFESSIONAL AFFILIATIONS

American Marketing Association
Association for Consumer Research
Judgment and Decision Making Society

PERSONAL DATA

Birth Date:	December 25, 1951
Marital Status:	Married, 2 children

Exhibit B

EXHIBIT B

Cases in which Dr. Itamar Simonson Testified as an Expert at Trial (including written expert reports submitted to the court) or by Deposition in the Past Four Years

1. Acclaim Entertainment v. Acclaim Technology
2. Simon Property Group v. mySimon
3. SkyTel v. Electro Master (SkyOne)
4. Deceptive advertising arbitrations between AT&T and MCI
5. Kendall-Jackson Winery v. E.&J. Gallo Winery
6. Visa International v. American Express
7. Trovan, Ltd., et al. v. Pfizer Inc.
8. Johnson v. Circuit City et al.
9. Epson v. Nu-Kote
10. Oakland Raiders v. the National Football League Properties
11. Mattel Inc. v. MCA Records
12. Street Scene v. Wang International
13. Microware Systems v. Apple Computer
14. US West v. US/Web
15. Skechers v. B.U.M.
16. American Tool Company v. Wolfcraft
17. AutoZone v. Tandy (Radio Shack)
18. American Bookseller Association v. Barnes and Noble et al.
19. Solutech, Inc. v. Solutech Consulting, Inc.
20. South Cone, Inc. v. Timex Corp.
21. Visa International v. INTERCO
22. Morrison Entertainment Group v. Nintendo Inc. et al.
23. NBTY v. American Home Products

24. Qwest Communications v. Quest Networks
25. Qwest Communications v. TelQuest
26. State of California v. MCI WorldCom
27. Visa International v. JSL Corp.
28. M2 Software v. Madacy, Inc.
29. Alberto-Culver v. Trevive
30. Carroll Shelby et al. v. Superformance International
31. R.J. Reynolds Tobacco Company v. Cigarettes Cheaper
32. Big O Tires v. Bigfoot 4X4 and Vulcan Chain
33. Oracle v. Light Reading
34. Lectrolarm Custom Systems, Inc. v. Pelco Sales, Inc.

Exhibit C

EXHIBIT C

List of Materials Reviewed By Dr. Simonson

AG 0001 - A0084
AO 0001 - AO 0321
AO 00329 - AO 00484
AO2000001 - AO2000328
AS 00001 – 444
BAIN 1 – 385
BM 142 – 155
BM 190 – 193
BM 226 – 228
BM 264 – 273
BM 477 – 488
BM 563 – 579
CAM 000001 - CAM 2770
GC 000238 – 271
GC 001233 – 1250
GC 001375
GC 001384
GC 004584 – 4586
GC 004599 – 004613
GC 005501 – 5511
GC 006665 – 6688
GC 006713 – 6724
GC 006745 – 6764
GC 007593 – 7596
GC 007922 – 7966
GC 008341 – 8390
GC 013712 – 13715
GC 013744 – 13786
GC 013783
GC 013787 –13836
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GC 013894 – 14063
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GC 014847 – 15082
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GC 015868 – 15890
GC 015891 – 16335
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GC 016878 – 17096
GC 017632 – 18184
GC 018397 – 18917
GC 019063 – 19582
GC 019583 – 19738
GC 019740 – 19766
GC 019767 – 19832
GC 019833 – 19880
GC 019881 – 21412
GC 019968 – 20012
GC 020454 – 22940
GC 021431 – 21447
GC 021646 – 21712
GC 021713 – 21724
GC 022268 – 22304
GC 022438 – 22643
GC 022593
GC 022610
GC 022817 – 22852
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GC 023800 – 23833
GC 105282 – 15491
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GC 14266
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INPD 002462 - 2905
INPD 002907 - 2919
INPD 002990 - 2996
INPD 003475 - 3484
INPD 003485 - 3605
INPD 004616 - 4779
INPD 005732
INPD 005761 - 5763
INPD 006043 - 6337
INPD 006691 - 6781

INPD 008790 - 8794
INPD 009148 - 9198
INPD 009200 - 9429
INPD 010606 - 10610
INPD 010611 - 10618
INPD 010619 - 10627
INPD 010628 - 11168
INPD 011169 - 11692
INPD 011884
INPD 011941 - 12000
INPD 012001 - 12045
INPD 012046 - 12075
INPD 012076 - 12077
INPD 012078 - 12105
INPD 012106 - 12140
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INPD 012249 - 012251
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INPD 012343 - 12452
INPD 012453 - 12537
INPD 012538 - 12578
INPD 012579 - 12804
INPD 012805 - 13004
INPD 013005 - 13147
MAR 00011 – 14
MC 00002 – 12
MC 00044 – 48
MC 00059
MC 00088
MC 00099 – 102
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MC 00118
MC 00131
MC 00471 – 473
MC 00723 – 725
NFO 00720 – 721
NFO 01079
NFO 01097
NFO 1240 – 1241
NFO 01263
NFO 01265
NFO 01361 – 1367
NFO 03045 – 3235
NFO 03839 – 3924
P 2879 – 2889

P 4034 – 4040
P 5924 – 6142
P 8537 – 8563
P 8593 – 8613
P 10834 – 10872
P 10873 – 10876
P 10877 – 11044
P 11571 – 12764
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RA 0001 - 2
RA 0006 - 27
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RA 0092 - 97
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RA 0104 - 114
RA 0118 - 131
RA 0138 - 150
Documents produced by TAI-New Jersey and TAI-Tampa Bay, Inc.
Plaintiff's Deposition Exhibit 17
Plaintiff's Deposition Exhibit 19
Plaintiff's Deposition Exhibit 20
Plaintiff's Deposition Exhibit 27
Plaintiff's Deposition Exhibit 28
Plaintiff's Deposition Exhibit 31
Plaintiff's Deposition Exhibit 50
Plaintiff's Deposition Exhibit 55
Plaintiff's Deposition Exhibit 71
Plaintiff's Deposition Exhibit 72
Plaintiff's Deposition Exhibit 73
Plaintiff's Deposition Exhibit 103
Plaintiff's Deposition Exhibit 104
Plaintiff's Deposition Exhibit 109
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Plaintiff's Deposition Exhibit 111
Plaintiff's Deposition Exhibit 112
Plaintiff's Deposition Exhibit 113
Plaintiff's Deposition Exhibit 114
Plaintiff's Deposition Exhibit 115
Plaintiff's Deposition Exhibit 116

Plaintiff's Deposition Exhibit 117
Plaintiff's Deposition Exhibit 118
Plaintiff's Deposition Exhibit 119
Plaintiff's Deposition Exhibit 120
Plaintiff's Deposition Exhibit 121
Plaintiff's Deposition Exhibit 122
Plaintiff's Deposition Exhibit 123
Plaintiff's Deposition Exhibit 137
Plaintiff's Deposition Exhibit 142
Plaintiff's Deposition Exhibit 160
Plaintiff's Deposition Exhibit 161
Plaintiff's Deposition Exhibit 267
Plaintiff's Deposition Exhibit 269
Plaintiff's Deposition Exhibit 270
Plaintiff's Deposition Exhibit 271
Plaintiff's Deposition Ex. Shanken 5
Plaintiff's Deposition Ex. Shanken 6
Jessica Heyman Declaration dated November 21, 1997 & Exhibits
8/27/01 Deposition Transcript of Alvin Ossip and Deposition Exhibits 4, 13 – 23
10/22/02 Deposition Transcript of Alvin Ossip and Deposition Exhibits 24 - 49
A Study To Measure Awareness of Cuban Cohiba Cigars and Source Confusion between These Cigars and General Cigar Co. Inc. Cohiba Cigars prepared by Alvin Ossip, dated March 2001
Report of Alvin Ossip on Significance of Information in Market Research Related Files Furnished by General Cigar and Third Parties with respect to Certain Issues Concerning Cohiba, dated January 28, 2002 and Errata Sheets dated 7/19/02 and 10/17/02
The following issues of Cigar Aficionado magazine – U.S. Premiere issue of Cigar Aficionado magazine, European Premiere issue of Cigar Aficionado magazine, Winter 1992/93, Spring 1993, Summer 1993, Winter 1993/94, Spring 1994, Summer 1994, Autumn 1994, Winter 1994, spring 1995, Summer 1995,. Autumn 1995, Winter 1995/96, spring 1996, Summer 1996, Autumn 1996, Winter 1996/97, March/April 1997, August 1997, October 1997, and December 1997
Cigar Aficionado website
12/21/01 Shanken Communications Stipulation
Statement of Certain Assured Facts for Alan Siegel, Testifying Expert, Prepared by Rabinowitz, Boudin, Standard, Krinsky & Leiberman, P.C.
7/25/00 Deposition Transcript of Oscar Boruchin, pp. 85 – 96, 121 – 128 and 133 - 148
7/2/01 Deposition Transcript of Marc Perez , pp. 430 – 435, 444 - 456
10/31/00 Deposition Transcript of Lewis Rothman, pp. 34 –35, 66 – 73, 94 – 101 and Deposition Ex. 196
Complaint in this action, dated November 12, 1997
Answer and Counterclaim of Defendants General Cigar Holdings, Inc. and General Cigar Co., Inc., dated December 5, 1997
Stipulation of the parties dated September 15, 2000
Reply to Counterclaim, dated March 29, 2000

Court's Opinion in this action on the parties motions for summary judgment, dated June 26, 2002
Report of Alan Siegel, dated January 28, 2002
10/28/02 Deposition Transcript of Alan Siegel and Deposition Exhibits
JR Cigar Almanac (1989)
Lew Rothman's Cigar Almanac (1st ed. 1980)
Box of Red Dot Cohibas, including Red Dot Cohiba cigars
Theo Rudman, *Rudman's Complete Guide To Cigars: How to Find, Select and Smoke Them* (1995)
Richard Carleton Hacker, *The Ultimate Cigar Book*, 1st, 2nd and 3rd editions
Marvin Shanken, *Shanken's Cigar Handbook* (1997)
Ardargelio Garrido De La Grana, ... *lo llamaremos Cohiba: Leyenda de un Placer* (1997)
Joel Sherman, *Nat Sherman's A Passion For Cigars (1996)*
Anwer Bati & Simon Chase, *The Cigar Companion: A Connoisseur's Guide*, (1995)
Alan Siegel and Andrew Zolli, *Portal Envy, Viewpoint: Internet Portals Lack Strong Branding, Risking Audience and Ad Dollars*, Advertising Age (May 10, 1999)
Alan Siegel and Irene Etzkorn, "*How to Make Government Comprehensible*," N.Y. Times (June 13, 1998), Section A, Page 15, Col. 2
Alan Siegel, *Desperately Seeking Simplification*, Across The Board 69 (November/December 2001), Vol. 38, No. 6
Alan Siegel and Kenneth Morris, *Viewpoints: Form 1040? What's a Form 1040,?* The New York Times (April 11, 1993), Section 3, pg. 13, col. 2
Alan Siegel, *Digital Voice*, Design Management Journal (Winter 1996)
Alan Siegel, *Managing Organizational Perceptions: Identity as a Bridge Between Products and Public Image*, Design Management Journal (Winter 1994), Vol. 5, No. 1
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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 179 (D0179), IS0000001-IS0000030

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THE EFFECT OF SURVEY METHOD ON LIKELIHOOD OF CONFUSION ESTIMATES: CONCEPTUAL ANALYSIS AND EMPIRICAL TEST

*By Itamar Simonson**

I. INTRODUCTION

The test of likelihood of confusion is "the touchstone of trademark infringement."[1] Professor McCarthy suggests that, of the three main methods of proving likelihood of confusion—"survey evidence; evidence of actual confusion; and/or argument based on a clear inference arising from a comparison of the conflicting marks and the context of their use"—survey evidence is perhaps the best.[2] Indeed, surveys are now routinely employed to prove likelihood of confusion, and a failure to introduce a survey into evidence often leads to harsh criticism by the courts.[3]

Given their growing importance, the principles and techniques involved in conducting professional surveys have received much attention in the trademark literature.[4] The main purpose of many surveys is to examine confusion about source, that is, to test whether consumers form the mistaken belief that the junior user's goods or services originated from or are supported by the senior user.[5] Such confusion may arise if a consumer believes that the junior user's product is the senior user's product, or that the junior

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* Associate Professor of Marketing, Graduate School of Business, Stanford University, Stanford, California.

1. 2 J. Thomas McCarthy, Trademarks and Unfair Competition, 23:1 at 44 (2d ed 1984).

2. Id §23:1 at 45 and 54 (footnotes omitted).

3. Lawrence E. Evans, Jr. and David M. Gunn, Trademark Surveys, 79 TMR 1 (1989); see cases cited id at 2 fn 5; Peter Weiss, The Use of Survey Evidence in Trademark Litigation: Science, Art or Confidence Game?, 80 TMR 71 (1990); see cases cited id at 72-73 fn 4.

4. See, eg, Jacob Jacoby, Survey and Field Experimental Evidence, in Saul M. Kassin and Lawrence S. Wrightsman, The Psychology of Evidence and Trial Procedure (Sage Publications, Beverly Hills, California 1985); John Paul Reiner, The Universe and Sample: How Good Is Good Enough?, 73 TMR 366 (1983); Robert C. Sorensen, Survey Research Execution in Trademark Litigation: Does Practice Make Perfection?, 73 TMR 349 (1983); Evans and Gunn, supra note 3.

5. See McCarthy, supra note 1, §24:1 at 160; Michael J. Allen, Who Must Be Confused and When?: The Scope of Confusion Actionable Under Federal Trademark Law, 81 TMR 209 (1991).

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user's product is put out or approved by the maker of the senior product.[6]

Confusion is a complex psychological state, and while research in the psychological literature reviewed below provides some insights, there is much that we still do not know about the conditions that lead to confusion. Related to the conceptual questions, there is the practical problem of how to measure confusion. Asking consumers directly whether they (or others) are likely to confuse marks A and A' is an invalid measure, because of the likely inference that confused consumers are stupid[7] and because, in many cases, consumers are unlikely to have the self-insight necessary to answer such a question.[8] Alternatively, it might be possible to infer the existence of confusion from answers to questions that use more indirect tests.

Different techniques for ascertaining confusion have been accepted by the courts in specific cases, although no general standard has yet been established.[9] Examination of the survey techniques that have been used indicates that there are significant differences among them in terms of the respondent's task. Research on human judgment and decision making and on measurement errors in surveys suggests that consumers' responses are highly contingent on the specific task and context characteristics.[10] Often, a minor wording change can lead to very different findings. In one famous example,[11] respondents were asked, "Do you think the United States should forbid public speeches against democracy?," and 54 percent of them said yes. A second group of respondents were asked, "Do you think the United States should allow public speeches against democracy?," and 75 percent of them said no. Examination of the various techniques for surveying likelihood of confusion indicates that the differences among them are much less subtle than the wording manipulation in this example. For instance, the difference between "What is the first thing that comes to mind when you see this brand name?," and

6. R. Bradlee Boal, Techniques for Ascertaining Likelihood of Confusion and the Meaning of Advertising Communications, 73 TMR 405 (1983).

7. Id at 405.

8. See, eg, Richard E. Nisbett and Timothy D. Wilson, Telling More Than We Can Know: Verbal Reports on Mental Processes, Psychological Review 84, 231 (1977).

9. For reviews, see Boal, supra note 6, and Evans and Gunn, supra note 3.

10. See, eg, Paul P. Biemer, Robert M. Groves, Lars E. Lyberg, Nancy A. Mathiowetz and Seymour Sudman, Measurement Errors in Surveys (John Wiley & Sons, Inc., New York 1991); W. Payne, James R. Bettman and Eric J. Johnson, Behavioral Decision Research: A Constructive Processing Perspective, Annual Review of Psychology 43 (1992); Itamar Simonson, Get Closer to Your Customers by Understanding How They Make Choices, California Management Review (1993).

11. D. Rugg, Experiments in Wording Questions II, 5 Public Opinion Quarterly 91 (1941).

"Which company puts out this brand?," is not only in the wording; these techniques involve different tasks and might be expected to lead to different findings regarding the rate of confusion.

The main purpose of the present article is to analyze and contrast some of the commonly used techniques for assessing trademark confusion.[12] These techniques are referred to hereafter as the "Exxon Format,"[13] the "Eveready Format,"[14] and the "Squirt Format."[15] In addition to these techniques, a new procedure for assessing confusion in which respondents' main task is to choose between the junior brand and a competing brand, is proposed. Before (or after) making a choice, respondents are asked to evaluate each alternative, and these evaluations are used to infer whether they confused the junior brand with the senior brand. This technique is referred to below as "simulated choice."

When examining these techniques, it is important to remember that measuring confusion is a very difficult task and any specific estimation procedure is likely to have some flaws and is at best an approximation.[16] However, a technique with some limitations may still be the best available in a particular case. In the following section, the advantages and limitations of each technique are discussed. Then, an empirical study that directly contrasted these techniques is presented. The article concludes with a discussion of the findings and the implications for likelihood of confusion surveys.

II. TECHNIQUES FOR ESTIMATING LIKELIHOOD OF CONFUSION

The focus here is on four techniques, including: (1) The Exxon Format, in which respondents are asked to indicate what is the first thing that comes to mind when seeing the junior mark; (2) The Eveready Format, in which respondents are asked to name the company that they think puts out the junior mark; (3) The Squirt Format, in which respondents are asked whether the junior and senior marks are put out by the same or different companies; and (4) A procedure involving a simulated choice task, in which confusion between the junior and senior marks is determined

12. See also Boal, supra note 6.

13. "What comes to mind . . . ?" etc.; Exxon Corp. v. Texas Motor Exchange of Houston, Inc., 628 F2d 500, 504, 208 USPQ 384, 391 (CA 5 1980).

14. "Who puts out . . . ?" etc.; Union Carbide Corp. v. Ever-Ready, Inc., 531 F3d 366, 381-82, 188 USPQ 623, 640-41 (CA 7 1976), cert denied 429 US 830, 191 USPQ 416 (1976).

15. "Are [these brands] put out by the same or different companies?," etc.; Squirt Company v. Seven-Up Company, 207 USPQ 12, 20-21 (ED Mo 1979), affd 628 F2d 1086, 207 USPQ 897 (CA 8 1980).

16. McCarthy, supra note 1, §32:51 at 779.

based on the respondents' evaluations of the junior brand. Each of these techniques is discussed in more detail next.

A. What Comes to Mind? What Makes You Say That? —The Exxon Format

The courts had not been receptive to surveys involving word association tests[17] until the Fifth Circuit approved the survey used in the Exxon v. Texon case.[18] Briefly,[19] with the Exxon Format respondents are shown the junior mark and asked, "What is the first thing that comes to your mind when looking at [this name/sign]?" If respondents do not mention the name of a company, they are asked explicitly which company comes to mind. The differentiating feature of the Exxon Format compared to earlier word association surveys is the follow-up question asking for explanation: "What was there about the sign that made you [say that]?"

This test is based on the assumption that, if the senior mark comes to mind when seeing the junior mark, then the two marks are likely to be confused. An argument that might be used to support this assumption is that, when asked about what comes to mind, respondents are likely to answer with the most similar name. Indeed, the study reported below indicates that the similarity between the names is by far the most common response to the question, "What makes you say that?" At the same time, similarity between items is positively correlated with likelihood of confusion.[20] Studies have shown that confusion errors are well predicted by mathematical models that are based on similarity.[21] A typical study examining the effect of similarity on confusion involves showing respondents items such as characters or numbers for a very short duration and asking them to identify what they saw. Since similarity affects both what comes to mind and the likelihood of confusion, one might be able to estimate likelihood of confusion by asking what comes to mind.

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17. See Boal, supra note 6; Evans and Gunn, supra note 3.

18. Supra note 13.

19. Evans and Gunn, supra note 3 at 11-12, present the survey verbatim.

20. See McCarthy, supra note 1, §23 at 42.

21. See, eg, R. Duncan Luce, Detection and Recognition, in Handbook of Mathematical Psychology 103-89 (Editors: R. Duncan Luce, R.R. Bush and Eugene Galanter, John Wiley & Sons, Inc., New York 1963); G. Keren and S. Baggen, Recognition Models of Alphanumeric Characters, 29 Perception and Psychophysics 234-46 (1981); Robert M. Nosofsky, Attention, Similarity, and the Identification-Categorization Relationship, 115 Journal of Experimental Psychology: General 39-57 (1986).

A closer examination of this argument, however, suggests that what comes to mind is likely to be a poor predictor of confusion in the context of consumer purchase decisions. As Professor McCarthy notes, "'Confusion' means more than that the junior user's mark merely 'calls to mind' the senior user's mark."[22] A person who is shown a brand name and asked what comes to mind is likely to retrieve from memory the most similar name,[23] which is determined primarily by the common features of the two names.[24] In contrast, a buyer is unlikely to confuse two marks unless the two are perceived as identical or the buyer is convinced that the junior mark can only be used by the company that puts out the senior mark. For example, the name Wanasonic is likely to bring to mind the familiar brand name Panasonic. However, the name Wanasonic has a salient distinctive feature, and consumers will probably recognize that the company that puts out Panasonic is unlikely to also use the name Wanasonic. These arguments suggest that the Exxon Format tends to inflate confusion estimates.

Furthermore, as Judge Rich observed, "The very fact of calling to mind may indicate that the mind is distinguishing, rather than being confused by, two marks."[25] In other words, if the senior and junior marks are truly confused, then the junior mark is unlikely to bring to mind the correct senior mark. For example, if asked what comes to mind when seeing the name Ever-Ready, only those respondents who distinguish between Ever-Ready and Eveready are likely to give the answer Eveready that will be regarded as reflecting confusion. The Fifth Circuit explained the approval of the Exxon survey based on the follow-up explanation of the responses. However, since most explanations are likely merely to mention the similarity between the marks, it is not clear how this follow-up question resolves any of the limitations of word association-based tests.

B. Who Puts Out This Brand?— The Eveready Format

The Eveready Format[26] involves showing respondents the junior product (or brand name) and asking: (1) Who do you think

22. McCarthy, supra note 1, §23:1 at 47.

23. Joseph W. Alba, J. Wesley Hutchinson and John G. Lynch, Jr., Memory and Decision Making, in Handbook of Consumer Behavior 1-49 (Editors: Thomas S. Robertson and Harold H. Kassarjian, Prentice-Hall, Englewood Cliffs, NJ 1991) [hereinafter cited as Alba].

24. Amos Tversky, Features of Similarity, 84 Psychological Review 327-52 (1977).

25. In re P. Ferrero & C. S.p.A., 479 F2d 1395, 178 USPQ 167, 168 (CCPA 1973).

26. Supra note 14.

puts out [this brand]? (2) What makes you think so? and (3) Name any other products put out by the same concern which puts out this [brand]. With this technique, unlike the Exxon Format, the questions focus more directly on the issue of confusion. As the court observed,[27] responses naming the senior manufacturer or its products provide evidence of likelihood of confusion. Examination of the Eveready Format suggests that it is most likely to reveal confusion between two marks if (1) respondents believe that the junior mark is the senior mark and they know the name (and/or other products) of the company that puts out the senior mark, or (2) respondents distinguish between the junior and senior marks (e.g., Holiday Out and Holiday Inn)[28] but believe the two marks are put out by the same company, in which case they can simply name the senior mark. This technique is less likely to reveal confusion if respondents think that the junior mark is the senior mark (e.g., that Ever-Ready is Eveready) and do not know the name (or products) of the company that puts out the senior mark.

In some cases, courts have found questions similar to those employed in the Eveready case to be leading and suggestive.[29] A possible concern is that respondents who mention the maker of the senior mark would not have associated the junior and senior marks when making normal purchase decisions without being asked these questions. That is, the survey questions cause respondents to think of possible connections, which may lead them to mention (or imply) the senior mark. A related concern is that respondents feel they have to answer the survey questions given to them rather than say that they do not know, so they often provide guesses that are associated with low confidence. If actual purchase decisions were involved, respondents would make the necessary effort to ascertain whether the junior and senior marks were indeed put out by the same company. On the other hand, it might be argued that the mere fact that a reasonable consumer forms the hypothesis that two marks are related is sufficient evidence of likelihood of confusion; consumers do not have "to dissect and analyze trademarks in order to avoid confusion."[30]

A comparison of the question "who puts out this product?" with the Exxon Format question, "what comes to mind?" suggests that, in both cases, a greater similarity between the junior and

27. Id at 387, 188 USPQ at 643.

28. Holiday Inns, Inc. v. Holiday Out in America, 481 F2d 445, 178 USPQ 257 (CA 5 1973).

29. General Motors Corp. v. Cadillac Marine & Boat Co., 226 F Supp 716, 736, 140 USPQ 447, 462 (WD Mich 1964); Wuv's International, Inc. v. Love's Enterprises, Inc., 208 USPQ 736 (D Colo 1980).

30. McCarthy, supra note 1, §23:27 at 127, and see fns 8-9.

senior marks will tend to increase confusion estimates,[31] as long as the confusion between the two marks is not so great that they are indistinguishable. However, unlike the Exxon Format, respondents are expected to consider whether it is likely that the company that puts out the senior mark (e.g., Panasonic) will also use the junior mark (Wanasonic) before answering the question "who puts out this product?" As an example, suppose that respondents are shown the brand name Tuna of the Sea and are asked who puts it out. In this case, although the first name that comes to mind is Chicken of the Sea, respondents may determine that it makes no sense that the makers of Chicken of the Sea will also use the name Tuna of the Sea. The reliance on such logical considerations represents an advantage of the Eveready over the Exxon Format, although it may lead in some cases to underestimation of the likelihood of confusion. For example, it is possible that shoppers at a supermarket would fail to notice the difference between Tuna of the Sea and Chicken of the Sea, especially if they are not displayed side by side. In sum, whether the Eveready Format leads to accurate, over, or underestimation of the likelihood of confusion appears to depend on the specific characteristics of the marks and on consumers' familiarity with the marks and their manufacturers.

C. Are These Products Put Out By the Same or Different Companies?— The Squirt Format

In the Squirt v. Quirst case,[32] respondents were asked "Do you think SQUIRT and QUIRST are put out by the same company or by different companies?" The trial court relied on the survey as demonstrating "the possibility of confusion between the . . . marks."[33] An advantage of this format is that it represents probably the most direct measure of confusion short of asking people whether they are likely to confuse the two marks. Although this format is different than the Eveready Format, there are similarities between the two tasks. With both formats, responses are likely to be made on the basis of assessments of similarity and logic, as discussed above. Thus, as with the Eveready technique, the Squirt Format may lead to underestimation of the likelihood of confusion when two names are confusingly similar, yet it is illogical that the same company will use both

31. Alba, supra note 23.

32. Supra note 15. For another case where a similar format was used, see La Maur, Inc. v. Revlon, Inc., 245 F Supp 839, 842, 146 USPQ 654, 656 (D Minn 1965).

33. 628 F2d at 1089, 207 USPQ at 899.

names. One difference between the two techniques is that the Squirt Format presents the junior and senior marks side by side and thus guarantees that respondents distinguish between the two.

A potential limitation of the Squirt Format is that it explicitly leads respondents to consideration of the association between the two marks, a question that might not have occurred to them in a normal purchase situation. In particular, even a consumer who is unfamiliar with the senior mark and thus could not have confused the two marks may still respond that the two marks are put out by the same company (suggesting confusion) when asked that question.

D. Using Simulated Brand Choice to Infer Confusion

Most of the techniques that have been used to determine likelihood of confusion focus the respondents' attention on the marks in question and their origins. For example, respondents are asked what comes to mind when seeing the mark, who puts out the mark, or whether the junior and senior marks are put out by the same or different companies. It could be argued that such tasks cause respondents to think about associations between marks that they would not have considered in normal purchase situations[34] and may thus lead to inaccurate estimates of likelihood of confusion. As an alternative to such surveys, one might try to conduct in-store experiments and infer confusion from consumer purchases.[35] An advantage of this approach is that estimates of confusion are based on actual purchase behavior in the consumer environment of interest, rather than derived from questions about trademarks. Such experiments, however, can be difficult to implement and require cooperative retailers. More importantly, it may often be difficult to determine whether confusion occurred and estimate the likelihood of confusion on the basis of consumer purchases in a store environment.

A compromise approach, which is based on a task that consumers are accustomed to from everyday life and which is easy to implement, involves simulated purchase decisions. Specifically, respondents are shown the junior brand and a competing brand (not the senior brand) and are asked, assuming they needed to purchase that product, which of the two brands they would choose. Either before or after indicating their choice, respondents are asked to evaluate the brands and explain their decisions.

34. See discussion in Boal, supra note 6.

35. For examples of such experiments, see Boal, supra note 6.

Evaluation of considered alternatives is a very common task in everyday life, and respondents are unlikely to recognize that the real purpose of the task is to assess trademark confusion.

The specific brand evaluation questions need to be tailored to the particular case and are designed to allow the researchers to determine unambiguously whether the respondent thinks that the junior brand is or is not associated with the senior brand. Such questions might include an evaluation of the advantages and disadvantages of each brand, what if anything respondents know about the quality of other products made by the same company, whether they had any previous experience with these brands, what they think about the quality of products made in the country where these brands are made (if relevant), what they know and think about its advertising, and so on. This information can be used to determine whether the respondent confuses the junior mark with the senior mark. For instance, to determine whether Cleo Cola is confused with Coca-Cola, respondents can be asked to choose between Cleo Cola and Pepsi-Cola and to indicate their evaluation of each brand's taste and advertising, their previous experience with each brand, where they usually buy it, and so on. Thus, a necessary condition for using simulated choice to establish confusion is that there are differentiating characteristics of the senior mark that might be captured in brand evaluations.

In order to disguise the purpose of the study and not focus too much attention on the junior brand, the respondents should be first given other choice problems involving familiar brands in different product categories. When explaining the task, it needs to be emphasized that the respondents may be unfamiliar with some of the brands they are asked to evaluate, in which case they should simply note that they do not know the brand. For example, respondents might be told that "some of the brands are only sold in certain parts of the country and may thus be unfamiliar to you." This information is designed to legitimize a response that a brand is unfamiliar, so that respondents do not feel they are expected to know every brand.

In addition to providing confusion estimates, this methodology can generate other information pertinent to the case under study. For example, it might be of interest to find out what share of the junior brand's sales is due to confusion with the senior brand. This could be calculated by examining the percentage of choices of the junior brand by respondents who confused it with the senior brand. For instance, one might find that 30 percent of the respondents chose Cleo Cola over Pepsi-Cola, 90 percent of whom confused Cleo Cola with Coca-Cola. It is also easy to estimate with simulated choice the degree of confusion and loss of sales

when the junior and senior brands (as well as the competing brand) are included in the choice set side by side. Or, one may want to examine the extent to which confusion between the junior and senior marks is influenced by the price or other features of the junior brand.

Research methodologies involving simulated choice tasks have been employed extensively for predicting consumer purchase behavior by both managers and marketing researchers.[36] For example, the most commonly used technique today for predicting consumer response to new products and for estimating the importance of various product characteristics is conjoint analysis.[37] In conjoint analysis, respondents evaluate different hypothetical product profiles by choosing between pairs of alternatives or by ranking or rating alternatives in terms of preference. Research has shown that conjoint analysis provides quite accurate and valid predictions of actual purchase behavior.[38]

In sum, each of the techniques for estimating likelihood of confusion has both advantages and limitations and may lead to different estimates. A question that naturally arises is how different are the likelihood of confusion estimates derived from these techniques? If all estimates are relatively close (e.g., within plus/minus 5 percent), then the same conclusion would be reached in most cases, regardless of which method was employed. If, however, the derived estimates are significantly different, then the choice of estimation technique may determine the outcome of the investigation.

An empirical study was conducted to investigate this question by contrasting directly the various survey techniques and to improve our understanding of factors that influence consumer confusion among trademarks. This study is described next.

III. A COMPARISON OF TECHNIQUES FOR ESTIMATING LIKELIHOOD OF CONFUSION: AN EMPIRICAL INVESTIGATION

A. *Overview*

The respondents in this study were 992 consumers. The techniques investigated include the Exxon Format, the Eveready Format (two variations), the Squirt Format, and a preliminary

36. Numerous examples of the use of simulated choice methodologies have appeared in leading marketing journals such as the Journal of Marketing Research, the Journal of Consumer Research, and Marketing Science.

37. See Paul E. Green and V. Srinivasan, Conjoint Analysis in Marketing Research: New Developments and Directions, 54 Journal of Marketing 3-19 (1990).

38. Ibid.

application of simulated choice. Twelve senior marks and twelve junior (infringing) marks were selected, thus allowing to compare the techniques across a variety of trademarks. The simulated choice format also provided evidence regarding the effect of confusion on product choices, the effect on confusion of having the senior and junior marks side by side, and the effect of the price of the junior brand (whether it is similar to or lower than the senior brand's price) on confusion. The focus in this research is on confusion between trade names rather than confusion associated with other aspects of the products, such as physical characteristics. The study also examined the effect of consumer demographic characteristics and product familiarity on the likelihood of confusion estimates derived from the various techniques.

B. Methodology

The 992 respondents included consumers intercepted at two shopping centers (most of them approached when exiting a supermarket), visitors to a popular science museum, members of religious organizations, and PTA members. The introduction to each task illustrated the difference between a brand, a manufacturer, and a product category. Respondents were told that all brands that they would encounter were real brands; however, some of the brands were only sold in certain parts of the country and may thus be unfamiliar.[39] They then received instructions specific to their task. On the last page of the questionnaire, respondents were asked regarding each product category included in the questionnaire whether they: (1) used that product before, (2) bought the product before, and (3) were very familiar, somewhat familiar, or not familiar with that product category. Finally, respondents entered their age, education level, sex, and from which state they were.

The respondents were randomly assigned to one of several task versions, which are briefly described next (as well as the example in Appendix A at the end of this article).[40]

1. The Exxon Format

The task included two parts, with the same twelve (junior) brand names in both parts. In the first part, respondents were asked: "(1) What is the first thing that comes to mind when

39. Whenever possible, respondents received after completing the questionnaire a debriefing sheet, which explained the purpose of the study.

40. There was one additional task, not described here, in which respondents assessed the likelihood that the company that puts out the senior mark will also use the junior mark. More details about the study are available from the author.

looking at this brand name? (2) What was that about the brand name that made you say that?" In the second part of the questionnaire, the same brand names were presented again, and respondents were asked: "(1) What is the first company that comes to mind when looking at this brand name? (2) What was that about the brand name that made you say that?" It was expected and later confirmed that, in virtually all cases in which the response in the first part of the questionnaire mentioned a company name, the same name was entered in the second part. Each brand name was preceded by the name of the product category and a brief description of the product.

In addition to the twelve junior (infringing) brand names, the questionnaire included familiar names, such as Tylenol analgesic, V-8 vegetable juice, and Sprite soft drinks. These names, which were scattered among the junior names, were designed to support the claim that all names represented real brands. Indeed, the written answers of the respondents showed that none of them questioned the fact that all brand names represented real brands. To account for the possibility that the order of the brand names in the questionnaire influenced the responses, there were two versions of the Exxon Format, with the names in the two versions appearing in reversed orders.[41]

2. The Eveready Format

Two variants of the Eveready Format were used. One version followed the standard format with the questions: "(1) Which company do you think puts out this brand? (2) What makes you think so?, (3) Name other products, if any, put out by the same company." As suggested earlier, the question about other products by the same company may lead respondents to name companies that have other familiar products. Furthermore, this question is expected to provide additional information about confusion only when respondents do not know the name of the company that puts out the senior brand but are familiar with other products put out by the same company. For many of the senior names selected for this study, however, it was expected that the question regarding other products put out by the same company would not add much useful information about the likelihood of confusion. For example, most respondents are more likely to know the names of Chicken of the Sea canned tuna, Rolex watches, or Dannon yogurt than to know other products put out by the companies that put out these brands.

41. A similar order manipulation was used in all other tasks as well. In all cases, the results showed no statistically significant differences based on order.

As suggested earlier, with the Eveready Format, respondents may give answers about the company that puts out the brand that is associated with low confidence. Clearly, actual confusion is more likely to occur if consumers believe they know with certainty the identity of the company that puts out a particular brand than if they can only provide a low probability guess. Thus, in the second version of the Eveready Format, the third question was replaced with the question, "How confident are you about the company?" Responses were entered in percents on a 0 - 100 scale.

3. The Squirt Format

In each product category respondents were asked two questions: (1) whether they thought the junior and senior brands were put out by the same or different companies, and (2) what made them think so. For example, in the deodorant category, the first question was, "Do you think OLD SPICE deodorant and NEW SPICE deodorant are made by the same or different companies?" In each case respondents answered by circling SAME or DIFFERENT and provided an explanation.

4. Simulated Choice

Respondents made a series of choices in different product categories. Prior to making a choice, they were told to list the advantages of each brand in the choice set on the basis of the reputation and their familiarity with the brand and its manufacturer. They were instructed to indicate that they did not know a brand if they had no information about it.

The simulated choice task was designed, in addition to estimating likelihood of confusion, to examine influences on and consequences of confusion. That included:

(a) The effect of presenting the senior and junior trademarks side by side—In the market place, senior and junior marks sometimes appear side by side, whereas in other cases, consumers are exposed to the junior mark without also seeing the senior mark. Courts have recognized that this factor may influence the likelihood of confusion.[42] As the Fifth Circuit observed: "[T]he inability to compare the products side by side and observe the precise differences in appearance may increase the likelihood of confusion, . . . [because] the consumer must rely on memory rather than a visual comparison [of the two marks]."[43] This argument

42. See McCarthy, supra note 1, §23:17 at 98.

43. Sun-Fun Products, Inc. v Suntan Research & Development, Inc., 656 F2d 186, 213 USPQ 91, 96 (CA 5 1981).

is tested in this study by contrasting the rate of confusion between the junior and senior brands when the choice set includes only the junior mark and a competing brand with the rate of confusion when the senior brand is also included in the choice set.

(b) The price of the junior brand—If the price of the junior brand (e.g., a Ronex watch) is lower than the price expected of the senior brand (e.g., a Rolex watch), then consumers might be less likely to confuse the two. To investigate this question, different choice sets were used in different questionnaires, such that the price of the junior mark was either higher than or equal to the price of the competing brand.

(c) The effect of confusion on the popularity of the junior brand—This question was examined by comparing the share of the junior brand among respondents who confused it with the senior brand and among those who did not.

(d) The rate of confusion relative to the awareness of the senior brand—The level of awareness of the senior brand is the upper limit on the likelihood of confusion estimate and is thus relevant to the assessment of confusion. For example, a 10 percent confusion between a junior brand and a senior brand that is recognized by only 20 percent of consumers may be regarded as significant, whereas 10 percent confusion with a senior brand that is recognized by 100 percent of consumers may be seen as negligible. The rate of awareness of the senior brand can be determined in the same manner that confusion is estimated, on the basis of brand evaluations. That is, in each case included in this study, there were choice sets in which the senior rather than the junior brand was included (with the same competing brand), and respondents provided brand evaluations. For example, one group of respondents made a choice between Reo cookies and Keebler cookies, whereas a second group chose between Oreo cookies and Keebler cookies.

All together there were six different choice set versions for each product category. Respondents either chose between the junior and a competing brand, with the junior brand priced either equal to or higher than the competing brand, or they chose between the senior (at one of two prices) and the same competing brand, or they chose among the senior, junior, and the competing brand (with the junior at one of two prices). Each respondent chose from just one of the six choice set versions for each category, using a between-subjects experimental design.[44]

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44. In a between-subjects design, there are different versions of each problem such that the differences across versions allow a test of the hypotheses. Each respondent is randomly assigned to one version of a problem and the hypotheses are tested by comparing the responses to the different versions. The advantage of a between-subjects design over

C. *Method of Analysis*

The analysis of the data gathered in this study focused on the confusion rates derived from each method. In addition, several other analyses were conducted in order to investigate (1) the reasons provided by respondents for their answers, (2) the effect of product familiarity and demographic characteristics on confusion rate estimates derived from the various methods, and (3) the effect of confusion on the likelihood of choosing the junior brand.

With the Exxon Format, confusion estimates are based on the percentage of respondents who name the senior mark when answering the questions, "What is the first thing that comes to mind . . . ?" and "What company first comes to mind . . . ?" Since the first thing that comes to mind is often something other than a company name, the confusion estimates derived from the question focusing explicitly on the company that comes to mind tend to be higher. With the Eveready Format, the confusion rate is based on the percentage of respondents who name the senior mark or its manufacturer. The question, "What other products, if any, are put out by the same company that puts out this brand?" (in one of the two Eveready versions included in this study) may provide additional information about confusion. With the Squirt Format, the confusion rate is based on the percentage of respondents who indicate that the senior and junior brands are made by the same companies.

With the simulated choice format, confusion is inferred from the respondents' evaluations of the junior brand prior to (or after) choosing between the junior brand and another brand. In this study's preliminary application of the simulated choice technique, brand evaluations involved a listing of the advantages of each alternative. In most cases, it was possible to determine whether the respondent confused the junior and senior marks. Specifically, the listed advantages were analyzed by two independent judges, who were unaware of the study's objectives. The judges indicated in each case whether the respondent thought that the junior brand was or was not associated with the senior mark. A few examples of brand evaluations that were coded as reflecting confusion include (1) about Oral Z toothpaste—"I like their toothbrushes"; (2) about Reo cookies—"I grew up with them. They have white cream in the middle and are fun to eat"; (3) about Danfree yogurt—"I ate Dannon yogurts before and liked them"; and (4)

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a design in which the same respondent receives different versions of the same problem (a within-subjects design) is that it guarantees that the response to one version of the problem does not affect and is independent of the response to other versions.

about Tuna of the Sea canned tunafish—"I like their mermaid commercials."

The judges compared their analyses of the responses and found that, in 98 percent of the cases (including cases in which they could not reach a conclusion), they made the same judgments about confusion. They reached agreement on the remaining 2 percent after discussion. In 15 percent of the cases, the judges could not determine whether confusion occurred. For example, if the respondent indicated that the junior brand had no advantages, it could not be unambiguously determined that the junior mark was not confused with the senior mark. It seems likely, however, that most of these cases represent situations in which respondents did not confuse the two brands; if they had recognized the junior brand they would have probably given an indication of that in their responses, especially because all of the senior brands were well-known.[45] This method of analysis, using two independent judges, is commonly employed for analyzing responses consisting of verbal protocols.[46]

In addition to deriving confusion estimates, several additional analyses were conducted. The Exxon, Eveready, and Squirt Formats include the question, "What makes you think so?" The explanations provided were analyzed by two independent judges, as described above, who assigned the explanations into one of several reason categories. The judges (independently) assigned 87 percent of the explanations into the same categories. Disagreements were resolved by discussion.

The effects of demographic variables and product familiarity on confusion were examined using a statistical technique called logit analysis.[47] This technique allows the researcher to separate the effect of each factor on the likelihood of confusing the junior and senior brands. In addition, one could examine the rates of confusion in different groups defined by the explanatory variables. For example, one could contrast the confusion rates derived from the Exxon Format among those who were familiar with the product categories compared to unfamiliar respondents. Finally, analysis of the simulated choice data provides information about

45. A pilot study was conducted, in which 81 consumers rated the senior brands used in this study, on a 0 (very poor) to 10 (very good) scale, in terms of how well-known they were, their quality reputation, and how distinctive the names were. In all cases, the average ratings were greater than five, with an average across all brands of 8.0.

46. See, for example, K. Anders Ericsson and Herbert A. Simon, Protocol Analysis: Verbal Reports as Data (MIT Press, Cambridge, Massachusetts 1984).

47. See, eg, Daniel McFadden, Conditional Logit Analysis of Qualitative Choice Behavior, in Frontiers in Econometrics 105-42 (Editor: Paul Zarembka, Academic Press, New York 1973).

the effect of confusion and other factors (e.g., the junior brand's price) on the choice probability of the junior brand.[48]

D. Results

As can be seen in the Table, Appendix B, at the end of this article, there were large differences among the confusion estimates derived from the various techniques. Furthermore, correlations (across the 12 cases) among the confusion estimates generated by the Exxon, Eveready, Squirt, and simulated choice formats were relatively low (between -.57 and .56), which indicates that the differences among the methods tended to be non-systematic (e.g., one method may show higher confusion in one case versus another whereas a second method shows the opposite trend). In particular, the confusion estimates derived from the Exxon Format are negatively correlated with those derived from most other techniques. Interestingly, the estimates generated by the Squirt and simulated choice formats, which are very different techniques, were most highly (positively) correlated (r=.56). Next, the results of each method are described and are contrasted with those derived from other techniques.

1. Exxon Format

The confusion rates in the Table were based on the question, "What is the first company that comes to mind . . . ?," and the numbers in parentheses were derived from answers to the question, "What is the first thing that comes to mind . . . ?" The Exxon Format generates by far the highest confusion estimates. On average, the confusion rates derived from this format are about twice as large as those derived from other methods.

Name similarity was the most common reason given by respondents, accounting for 61 percent of the responses of those who said that the senior brand (or manufacturer) was the first thing that came to mind and 81 percent of those who said that the senior brand was the first company that came to mind. The second most common explanation for entering the senior brand's name was the fact that the junior brand seemed like a fake or a cheap imitation of the senior brand, accounting for 20 percent of the responses of those who said that the senior brand was the first thing that came to mind.

Analysis of the demographic and product familiarity effects revealed that prior usage of the product, prior purchase of the

48. More details about the method of analysis and statistical results may be obtained from the author.

product, greater stated familiarity with the product, and higher education were associated with a higher likelihood of naming the senior brand. For example, those who used the product before (e.g., those who have used camcorders) were, on average, 21 percent more likely to name the senior brand (e.g., RCA) when shown the junior brand name (RC-CAM). Older age, on the other hand, was associated with a lower likelihood of naming the senior brand. In other words, according to the Exxon Format, consumers with greater product familiarity and experience and those who are better educated are more likely to confuse the junior and senior brands, whereas older consumers are less likely to be confused.

2. Eveready Format

The confusion rates in the Table for the two Eveready versions were derived based on answers to the question, "Which company do you think puts out [the junior brand]?" One version followed the standard Eveready Format, including a question about other products put out by the same company. In the other version, respondents were asked how confident they were about the company that put out the (junior) brand. Generally, the Eveready Format led to confusion rate estimates that were significantly lower than those derived from the Exxon Format, but slightly higher than the Squirt and simulated choice estimates.

The confusion estimates derived from the version that includes the question about other products were higher, by an average of 7 percent, than those derived from the other Eveready version. This difference might reflect the influence of the question about other products, which might lead respondents to enter names of companies with other known products.[49] The inclusion of the confidence question, conversely, may or may not affect the derived confusion estimates. On the one hand, mentioning the confidence about the responses may make the possibility of an error more salient and suggest that the answers are not as obvious as they might seem, thus making respondents more cautious. On the other hand, the fact that respondents can indicate that their responses are associated with low confidence may legitimize entering mere guesses. The average confidence rating of respondents who named the senior brands (or their manufacturers) as the companies that put out the corresponding junior brands ranged between 30 percent and 70 percent; in 9 out of the 12 cases, the average confidence rating was less than 50 percent.

In this study, the question about other products did not affect the confusion estimates that were derived on the basis of answers

49. See Boal, supra note 6.

to the first question ("Which company puts out . . ."). Respondents who did not know the name of the company that put out the junior brand also did not know other products put out by the same manufacturer. The Texon motor oil represented a special case, because more respondents associate the name Texon with Texaco than with the senior brand in this study, Exxon. Since Texaco like Exxon sells gasoline (and other products), one cannot use the answers to the question about other products to infer confusion between Texon and Exxon. The same problem, though to a much smaller extent, arose with the Packard name, where a minority of respondents associate this name with Packard Bell rather than Hewlett Packard (although in this case, Hewlett Packard sells products such as printers and calculators that Packard Bell does not offer).

The most common explanations provided by respondents for their answers about the companies that put out the junior brands were name similarity and the other products put out by these companies. Analysis of demographic and product familiarity effects (across both Eveready versions) revealed that respondents who stated that they were more familiar with the product categories were significantly more likely to name the senior brand as the company that put out the junior brand. Specifically, those who indicated they were very familiar with the products were 15 percent more likely to name the senior brands than those who indicated they were not familiar with the products. Respondents who used the products before were 12 percent more likely to name the senior brands than nonusers, and respondents under 30 years old were more likely to name the senior brands than those over 30.

3. Squirt Format

The confusion rates derived from the Squirt Format, based on the percentage of respondents who thought the junior and senior brands were put out by the same companies, were comparable to those derived from simulated choice, and to a lesser extent, to estimates derived from the Eveready Format. There were large differences between the Squirt and simulated choice estimates for Danfree yogurt and Oral Z toothpaste, moderate differences in three cases, and small differences in five cases (the simulated choice confusion estimates for Texon and to a lesser extent Packard are inconclusive, as explained below).

The most common explanation for answers that the two brands were put out by the same company was name similarity, followed by the arguments that the junior and senior brands were logical extensions and that trademark laws would not allow

another company to use that name. The lack of name similarity was the most common explanation as to why the two brands were put out by different companies, followed by the arguments that the junior brand appeared like a "copycat" or an imitation of the senior brand and that it was illogical that the senior brand would use the junior brand name. Analysis of the demographic and product familiarity effects revealed that none of these factors had a significant influence on the likelihood of indicating that the junior and senior brands were put out by the same companies.

4. Simulated Choice

The confusion rate estimates derived from the simulated choice format are comparable to those based on the Squirt Format, and they are similar on average to the estimates derived from the confidence version of the Eveready Format. As was the case with the Squirt Format, none of the demographic and product familiarity characteristics had a significant effect on the confusion estimates derived from simulated choice.

As indicated, in this preliminary application of the simulated choice format, confusion between the junior and senior brands was determined based on an analysis of the advantages of the junior brands that were listed by respondents. In the case of Texon motor oil, it was not possible to determine in many cases whether respondents confused Texon with Exxon or with Texaco. That is, although Exxon does have some distinctive characteristics, the similarities between Exxon and Texaco are too great and do not permit us to determine with which of the two senior brands Texon was confused. The results in the Eveready versions suggest that Texon was confused with Texaco more than twice as often as with Exxon. The same problem, though to a much lesser extent, occurred with the Packard personal computer, which some respondents associated with Packard Bell rather than Hewlett Packard. Thus, the confusion estimate for Packard in the Table, 61 percent, is somewhat (probably around 10 percent) higher than it should be.

In addition to measuring the absolute percentage of respondents who confuse the junior brand with the senior brand, it might be of interest to calculate the degree of confusion relative to the share of respondents who are aware of the senior brand. That is, the senior brand's awareness is the upper limit on the likelihood of confusion estimate. The rate of awareness of the senior brands can be estimated in the same way that confusion rates were measured, based on an analysis of the listed advantages of the senior brands in the choice set versions that included these brands (rather than the junior brands) and a competitor. For example, in

one of the simulated choice versions in the cookies category, respondents chose between Oreo (rather than Reo) and the competing brand, Keebler. Analysis of the listed advantages of Oreo cookies can be used to determine whether respondents recognized that brand. As can be seen in the Table, confusion rates calculated relative to the senior brands awareness were, in most cases, just slightly higher than the absolute confusion rates. However, in some cases (e.g., in the tooth paste category), the confusion estimates are significantly higher if the (relatively low) awareness rates of the senior brands (e.g., the 62 percent awareness of Oral B) are taken into consideration.

The results in the simulated choice task were also used to evaluate the effect on confusion of (1) having the junior and senior brands side by side, and (2) the price of the junior brand relative to a competitor. As can be seen in the Table, the likelihood of confusing or associating the junior brand with the senior brand decreased significantly and was negligible in many cases when the senior brand was presented as well. With respect to price effect, the results indicate that respondents were slightly more likely to confuse the junior with the senior brand when it was priced higher rather than equal to the competing brand, but this effect did not have statistical significance.

The simulated choice results also provided information regarding the effect of confusion between the junior and senior brands on the likelihood of choosing the junior brand over a competing brand. As would be expected, confusion between the two brands significantly increased the probability of choosing the junior brand, from 9 percent to 56 percent.[50] Finally, although higher product familiarity, prior usage, and prior purchase of the products did not affect the likelihood of confusion, they were associated with a lower probability of selecting the junior brand (differences of around 10 percent).

IV. DISCUSSION

The results of the present study indicate that assessments of likelihood of confusion are highly sensitive to the estimation method employed. In other words, in many cases, the choice of a survey technique may determine the outcome. Unfortunately, there is no one "correct" method that generates the most accurate likelihood of confusion estimates in all situations, and each method has some limitations. In order to select an appropriate

50. Some respondents (included in the 9 percent) selected the junior brand because of objections to the competing brand, even though they were not familiar with the junior brand and did not confuse it with the senior brand.

survey technique for a particular case, it is necessary to understand the advantages and limitations of the various methods on the basis of a careful analysis of the respondent's task.

One technique, the Exxon Format, stands out as being generally inappropriate for estimating likelihood of confusion. It tends to overestimate the likelihood of confusion, often by a significant amount. Moreover, the derived estimates were negatively correlated with those generated by most other techniques; that is, the Exxon estimates were relatively high in cases where the estimates based on other techniques were relatively low, and vice versa. For example, in the case of the junior brands Wanasonic and Ronex, the other techniques and common sense suggest low likelihood of confusion (with Panasonic and Rolex, respectively), whereas the Exxon derived estimates were 83 percent for Wanasonic and 71 percent for Ronex. In addition, the finding that the likelihood of confusion derived from the Exxon Format is higher among consumers who are better educated and have greater product familiarity raises further doubts about the validity of this method.

The underlying limitation of the Exxon Format appears to be that what comes to mind is a highly inaccurate indicator of likelihood of confusion. If confusion between two marks is such that consumers do not distinguish between them, then the Exxon Format is unlikely to capture that confusion because naming the senior mark when seeing the junior mark requires respondents to distinguish between the two.[51] If, on the other hand, there is confusion between two marks that are similar but distinguishable, then the Exxon Format may reveal that confusion. However, in answering the question on what comes to mind, respondents, unlike consumers, do not have to consider whether it is likely that the name they indicate is the manufacturer of or is associated in the market place with the provided (junior) name. Indeed, 20 percent of the respondents in the Exxon task, who named the senior brands, explicitly explained that the brand names given to them appeared to be cheap imitations of the senior marks.

The Eveready Format is superior to the Exxon Format in that it directly addresses the question of confusion. In situations in which consumers do not distinguish between the junior and senior marks and know the name of the company that puts out the senior mark, or if they do not know the company but are familiar with other products put out by that company (as in the original Eveready case), this procedure provides a way to reveal confusion. An advantage of the Eveready Format compared to the Squirt

51. Supra note 25.

Format is that respondents are not given both the junior and senior marks, and thus, only those who already know the senior mark and might actually confuse the two can provide responses that would be regarded as reflecting confusion. Compared to simulated choice, the Eveready Format provides an estimate of likelihood of confusion that does not require any judgments.

The Eveready Format, however, also has some limitations. One concern is that this technique tends to inflate confusion estimates, though not as much as the Exxon Format. Respondents may feel that they should give an answer and are expected to know the name of the company that puts out the junior brand. Consequently, many of the responses that identify the senior mark might be mere guesses that would not have resulted in actual confusion in the market place. Indeed, the results of the present study suggest that most responses naming the senior mark were associated with relatively low confidence. Furthermore, the finding that those who have greater familiarity with the product category are more likely to name the senior mark (i.e., greater familiarity is associated with a higher likelihood of confusion) suggests that respondents try to demonstrate their knowledge by providing the names that appear like the best guesses.

In other cases, the Eveready Format may lead to confusion estimates that are too low. For example, the Eveready estimate for Tuna of the Sea was lower than those derived from all other techniques. Apparently, many respondents realized that the maker of Chicken of the Sea would be unlikely to use the name Tuna of the Sea. However, consumers in the market place may fail to distinguish the two marks and buy Tuna of the Sea thinking they are buying Chicken of the Sea.

An apparent advantage of the Squirt Format is that, in many cases, it generated confusion estimates that were relatively close to those derived from other formats, especially simulated choice. It appears that respondents are often quite good at judging whether two marks are put out by the same or different companies, although it is not at all clear that they would have considered this question in a normal purchase situation. A limitation of the Squirt Format is that, unlike most purchase situations, respondents are shown the junior and senior marks side by side. Consequently, even respondents who are unaware of the senior mark and thus could not have confused the two in actual purchase situations, might still indicate that the two marks are put out by the same company. This limitation can have a significant effect on confusion estimates when the awareness level of the senior mark is low. For example, among all senior names used in the present research, Oral B had the lowest recognition

level.[52] As shown in the Table, the Squirt confusion estimate for Oral Z was higher than those derived from other formats (excluding Exxon). This finding suggests that some of those who indicated that Oral Z and Oral B were put out by the same company would not have thought about Oral B had it not been mentioned in the question.

The proposed simulated choice technique avoids many of the limitations of the other formats. However, in order to apply simulated choice effectively, the researcher should be able to determine unambiguously, on the basis of the respondents' brand evaluations, whether confusion between the junior and senior marks occurred. Unlike other techniques, the simulated choice task does not focus attention on possible associations of trademarks, but rather, it puts respondents in their familiar role of consumers making purchase decisions. Consequently, this task is less likely to cause respondents to consider trademark associations that they would not have thought about and to show confusion that would not have occurred in ordinary purchase situations.

Simulated choice may also be more balanced in terms of the types of trademark confusion it can reveal. As noted earlier, confusion estimates derived from the Exxon Format are driven by the similarity of the junior and senior names. The Eveready and Squirt tasks, conversely, tend to focus on whether it is logical that the two marks are likely to be put out by the same company. Thus, the Eveready and Squirt Formats tend to lead to relatively high confusion estimates when the senior and junior marks appear as logical extensions (e.g., Dannon and Danfree and RCA and RCCAM), even though many consumers might not have thought about the senior brand had they not been asked about name associations. These formats are expected to lead to relatively low confusion estimates when the two marks are confusingly similar, but it appears unlikely that the same company will use both names (e.g., Chicken of the Sea and Tuna of the Sea). Compared to these techniques, simulated choice appears to offer a way to capture confusion both when the two marks are so similar that they are almost indistinguishable as well as in cases where the junior mark appears like an extension of the senior mark. Finally, as illustrated in the present study, the simulated choice technique allows the researcher to collect other pertinent information regarding various influences on the likelihood of confusion.

The fact that with the simulated choice format confusion is inferred indirectly in the context of a choice task is a strength of

52. On the basis of a pilot study; see supra note 45.

this technique but also its main potential limitation. With other techniques, the criterion for confusion is usually clear and unambiguous. With the simulated choice format, on the other hand, confusion is determined on the basis of analysis of respondents' evaluations of the alternatives before or after choice. The challenge for the researcher is to design the task such that the existence of confusion can be decided unambiguously. As suggested earlier, the specific brand evaluation questions should be tailored to the particular case so that they maximize the likelihood of demonstrating any confusion that might exist without revealing the purpose of the study. Such questions might include an evaluation of the advantages and disadvantages of each brand, what if anything respondents know about the quality of other products made by the same company, whether they had any previous experience with these brands, what they know and think about its advertising, and so on. It is expected that, in most cases, the researchers conducting the study will be able to identify appropriate questions that will allow using the simulated choice format effectively.

V. CONCLUSION

This article examined the differences among a number of commonly used techniques for estimating likelihood of trademark confusion and assessed the sensitivity of confusion estimates to the methodology used. Given the significant differences among the various techniques, it was expected that they would lead to systematically different confusion estimates. Indeed, the empirical study showed substantial method sensitivity, with estimates derived from one technique often two to three times greater than those generated by other techniques.

Unfortunately, all methods are bound to have some flaws and no one technique is likely to provide the perfect estimates in all cases. Researchers in the social sciences have long recognized that all methods are flawed, especially when they are designed to measure complex and unobservable constructs such as confusion. To get around this problem, research methodology experts proposed using multiple methods, each having different strengths and weaknesses.[53]

In the context of trademark confusion, one might be able to reduce the severity of the method sensitivity problem by using, whenever possible, two rather than just one method for estimating

53. See, for example, Donald T. Campbell and Donald W. Fiske, Convergent and Discriminant Validation by the Multitrait-Multimethod Matrix, 56 Psychological Bulletin 81-105 (1959).

likelihood of confusion. Attorneys may be concerned that presenting two different estimates will weaken their position. However, one should recognize that all methods have limitations and no one estimate is precisely correct. Different techniques therefore are expected to generate different confusion estimates. By combining two estimates, it is possible to reach conclusions that are less method dependent and are closer to the true likelihood of confusion.

APPENDIX A

EXAMPLE OF THE SURVEY TECHNIQUES INCLUDED IN THE STUDY

Exxon Format

Product Category: VCR (4-head, 30 day/4 event, on-screen program, remote, $259)

Brand Name: WANASONIC

(a) What is the first thing that comes to mind when looking at this brand name?

(b) What was that about the brand name that made you say that?

(c) What is the first company that comes to mind when looking at this brand name?

(d) What was that about the brand name that made you say that?

Standard Eveready Format

Product Category: VCR (4-head, 30 day/4 event, on-screen program, remote, $259)

Brand Name: WANASONIC

(a) Which company do you think puts out this brand?

(b) What makes you think so?

(c) Name other products, if any, put out by the same company which puts out WANASONIC VCR:

Eveready Format: Confidence Version

Product Category: VCR (4-head, 30 day/4-event, on-screen program, remote, $259)

Brand Name: WANASONIC

(a) Which company do you think puts out this brand?

(b) How confident are you about the company (0-100%)?

(c) What makes you think so?

Squirt Format

Product Category: VCR (4-head, 30 day/4 event, on-screen program, remote, $259)

(a) Do you think "WANASONIC" VCRs and "PANASONIC" VCRs are made by the same or different companies?

SAME DIFFERENT

(b) What makes you think so?

Simulated Choice Format[54]

PRODUCT CATEGORY: VCR

Imagine that you would like to buy a 4-head VCR, with on-screen programming, 1 month/4 event timer, and remote control. At the store you have a choice between the following two brands:

WANASONIC	GOLDSTAR
(Price: $259)	(Price: $259)

1. Advantages of "WANASONIC":

2. Advantages of "GOLDSTAR":

3. Which of these brands would you buy?

54. In other versions of the simulated choice format (evaluated by different groups of respondents; see supra note 44) the Panasonic brand appeared instead of Wanasonic, or both Panasonic and Wanasonic (as well as Goldstar) were included in the choice set (see discussion at supra Section III.B.4).

APPENDIX B

TABLE

A COMPARISON OF LIKELIHOOD OF CONFUSION ESTIMATES DERIVED FROM DIFFERENT TECHNIQUES

Senior Brand	Junior (Infringing) Brand	Exxon format (a)	Eveready format with other products question (b)	Eveready format with confidence question (b)	Squirt format (c)	Simulated choice (d)	Simulated choice as % of senior brand awareness (e)	Simulated choice with senior & junior brands side-by-side (d)
HOLIDAY INN	HOLIDAY OUT (campgrounds)	73% (43%)	20%	24%	12%	6%	8%	3%
OREO	REO (cookies)	80% (61%)	48%	37%	12%	21%	22%	3%
RCA	RC-CAM (camcorder)	42% (15%)	23%	33%	32%	20%	24%	4%
OLD SPICE	NEW SPICE (deodorant)	73% (64%)	28%	23%	31%	33%	37%	17%
RUBBERMAID	PLASTICMAID (food container)	52% (22%)	47%	38%	24%	23%	26%	5%
DANNON	DANFREE (light yogurt)	66% (34%)	70%	55%	60%	19%	22%	5%
EXXON	TEXON (motor oil)	40% (31%)	17%	15%	14%			
HEWLETT PACKARD	PACKARD (PC)	47% (36%)	44%	53%	49%	61%	65%	13%
ORAL B	ORAL Z (tooth paste)	55% (33%)	22%	16%	37%	14%	23%	6%
CHICKEN OF THE SEA	TUNA OF THE SEA (tuna)	47% (31%)	28%	16%	37%	52%	65%	18%
PANASONIC	WANASONIC (VCR)	83% (53%)	53%	24%	7%	7%	7%	3%
ROLEX	RONEX (watch)	71% (61%)	26%	16%	3%	10%	10%	1%
TOTAL		**61% (40%)**	**36%**	**29%**	**26%**	**24%**	**28%**	**6%**

TABLE (continued)

Notes

(a) The Exxon confusion estimates are based on the share of answers indicating the senior mark (or its manufacturer) in response to the question "What is the first company that comes to mind . . .?"; the numbers in parentheses are based on the question, "What is the first thing that comes to mind . . .?"

(b) Eveready estimates are based on answers to the question, "Which company puts out . . .?"

(c) Squirt estimates are based on the share of responses indicating that both brands are put out by the same company.

(d) Simulated choice estimates are based on the rate of confusion between the junior and senior marks in choice sets in which respondents chose between the junior and a competing brand, or (in the side by side versions) between the junior, senior, and competing brand.

(e) Simulated choice as percent of senior brand awareness is calculated by dividing the simulated choice confusion estimate by the percent awareness of the senior brand (as determined from evaluations of the senior brands).

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 180 (D0180), IS0000031-IS0000055

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AN EMPIRICAL INVESTIGATION OF THE MEANING AND MEASUREMENT OF "GENERICNESS"

*By Itamar Simonson**

I. INTRODUCTION

The function of a trademark is to identify and distinguish the goods or services of one seller from those sold by all others, that is, it answers the question, "Who are you?"[1] In contrast, a generic term identifies the type of product, answering the question, "What are you?" Thus, the terms "generic name" and "trademark" are conceptually mutually exclusive, and a generic term cannot, in theory at least, function as a mark that identifies only one seller.[2] However, as Professor McCarthy notes, some buyers may understand a term as a generic name whereas others may regard it as a trademark, in which case the majority usage of the word is controlling.[3] Furthermore, certain names are used by the same buyers as both generic terms and trademarks.[4] For example, a buyer may ask for Super Glue when explaining to a sales clerk the type of glue needed, and then specifically ask for the Super Glue brand.

The Supreme Court said that, for a seller to prove trademark significance, it must be shown that the "primary significance of the term in the minds of the consuming public is not the product but the producer."[5] Judge Hand, in the landmark Aspirin case, stated that the key question is, "What do buyers understand by the word for whose use the parties are contending?"[6] A question that naturally arises is what does the term "understanding" mean in this context, and how should it be interpreted to capture the "primary significance" of a disputed term? More specifically,

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* Associate Professor of Marketing, Graduate School of Business, Stanford University, Stanford, California.

1. 1 J. Thomas McCarthy, Trademarks and Unfair Competition §12:1 at 520 (2d 1984).

2. Id at 521.

3. Id at 523.

4. Ralph H. Folsom and Larry L. Teply, Surveying "Genericness" in Trademark Litigation, 78 TMR 1 (1988); Jerre B. Swann, The Validity of Dual Functioning Trademarks: Genericism Tested by Consumer Understanding Rather Than by Consumer Use, 69 TMR 357 (1979); Jerre B. Swann and Vincent N. Palladino, Surveying "Genericness": A Critique of Folsom and Teply, 78 TMR 179 (1988).

5. Kellogg Co. v. National Biscuit Co., 305 US 111, 83 LEd 73, 59 S Ct 109 (1938), rehg denied 305 US 674, 83 LEd 437, 59 S Ct 246 (1938).

6. Bayer Co. v United Drug Co., 272 F 505 (SDNY 1921).

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should buyers' "understanding" be determined based on their usage of the disputed word or based on some other measure of what they think the word means?

The Court of Customs and Patent Appeals referred to "the common use of language,"[7] and Professor McCarthy[8] states that "[m]ajority usage of the word is controlling." On the other hand, a distinction has often been made between "understanding" and "usage,"[9] based on the observation that buyers may know that a term is a trademark yet use it casually as a generic term. Thus, it is argued that, "the ultimate question is not the extent of consumer use in a generic sense, but the extent of consumer understanding of a trademark sense. . . ."[10]

A closer examination of this argument suggests that the distinction between understanding and usage, for the purposes of determining genericness, is rather vague. Supposedly, understanding of a term translates into usage. If the word Teflon is understood to be a trademark or a generic term, then it is probably used in that manner. Similarly, the fact that a name is used to describe a product type suggests that the buyer understands the word to have a generic meaning. Of course, the fact that a term is used generically does not imply that this is the only meaning of the word to the buyers, who might use the term also as a trademark. Thus, usage of a name as a generic term may not be sufficient by itself for determining genericness, though evidence that buyers do not use the name as a trademark when asked to provide brand names is clearly relevant for the determination of the name's status.

To assess the primary significance of a term, then, courts may consider such factors as (1) the share of buyers who use the term as a trademark or as a generic term, (2) the share of buyers who use the term as both a generic term and a trademark, and whether one of these two meanings is more prominent, (3) the availability and knowledge of alternative generic names, and (4) other relevant factors, such as whether the trademark owner has taken reasonable actions to protect the trademark from becoming generic. An advantage of focusing on usage is that it is relatively simple for buyers (and respondents) to estimate the degree to which they use a term as a trademark and/or as a generic term,

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7. In re Automatic Radio Mfg. Co., 404 F2d 1391, 160 USPQ 233 (CCPA 1969); cited in McCarthy, supra note 1 at 522.

8. Supra note 1 at 523.

9. See, eg, Folsom and Teply, supra note 4; Swann, supra note 4; and Swann and Palladino, supra note 4.

10. Swann, supra note 4 at 358.

whereas it is less clear what "understanding" of terms (independent of usage) means and how it should be measured.

The notion that the primary significance of disputed terms can be assessed on the basis of usage patterns is derived from the assumption that buyers' usage of a term in a particular way implies that they think that the term has that meaning. In some cases, however, buyers know that names were originally and may still be trademarks, yet they use them mostly or solely as generic words. For example, buyers may know that Thermos was originally a brand name, yet they use it only as a generic term. In these cases, it could be argued that the primary significance of such a term in the consumers' minds is generic, because that is the by far its main use. According to this argument, the determination of the primary significance of such terms should be based on the buyers' actual usage and "active" understanding rather than on their "theoretical" knowledge that the names were originally trademarks.

These questions about the interpretation of genericness highlight the fact that this concept has not been well-defined, and consequently, there are no clear criteria for assessing whether a term is generic. As discussed below, the two primary methods for assessing genericness,[11] Thermos and Teflon-type surveys,[12] effectively employ very different interpretations of the term "primary significance," with Thermos focusing on the usage of terms whereas Teflon measuring knowledge about the names' origins. Consequently, it is not surprising that the two methods often lead to different estimates and conclusions.[13] These methods are also limited in that they appear to assume that there are two distinct groups of respondents—those who understand a name as a generic term and those who understand it as a trademark—while ignoring the existence of dual functioning names.

The objectives of this research are to improve our understanding of people's usage and knowledge of terms that are the subject of genericness disputes, examine the differences between and limitations of the Thermos and Teflon techniques, and explore alternative approaches. The different methods are evaluated conceptually and are then contrasted empirically, as described below.

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11. Allen W. Leiser and Carl R. Schwartz, Techniques For Ascertaining Whether a Term Is Generic, 73 TMR 376 (1983).

12. See American Thermos Products Co. v. Aladdin Industries, Inc., 207 F Supp 9, 134 USPQ 98 (D Conn 1962), affd sub nom King-Seeley Thermos Co. v. Aladdin Industries, Inc., 321 F2d 577, 138 USPQ 349 (CA 2 1963), and E.I. duPont de Nemours & Co., Inc. v. Yoshida International, Inc., 393 F Supp 502, 185 USPQ 597 (EDNY 1975).

13. Supra note 11.

II. ALTERNATIVE METHODS FOR ASSESSING WHETHER A TERM IS GENERIC

As noted by Professor McCarthy, "Consumer surveys have become almost de rigeur in litigation over genericness. Judges are now used to survey evidence and often expect to receive evidentiary assistance by surveys in resolving generic disputes."[14] Two primary survey methods for assessing genericness have evolved, known as the "Thermos Survey" and the "Teflon Survey."

A. The Thermos Survey

With the Thermos approach, respondents are first asked about their general familiarity with the type of product described and about the type of store they would go to if they wanted to buy that product.[15] They are then asked:

> [If you were going to buy one] What would you ask for—that is, what would you tell the clerk you wanted?
>
> Can you think of any other words that you would use to ask for [that type of product]?

If a large percentage of the respondents use the term in question in their answers, it supports the position that the name is generic, and vice versa. The most often cited limitation of the Thermos technique is that, for a very strong trademark, respondents who are loyal to that brand may answer with the trademark and drop what they consider to be a generic name, because it is so obvious to them.[16] For example, a consumer may ask for a "Coke" rather than the Coke (or Coca-Cola) brand of cola, because the product category is so obvious.

Another potential limitation of a Thermos Survey (without questions about brands) is that, for dual functioning names, the survey elicits only the generic meaning and ignores the trademark meaning. For example, it is possible that a majority of the respondents indicate that they would ask for the disputed term Jell-O, yet an even greater majority understands and uses that term as a brand name. That is, people may use a brand name as a generic term, because it is the simplest way to communicate the type of product desired and/or because they do not know the "correct" generic name. Indeed, research on the use of language and the logic of conversation suggests that speakers and listeners tend to behave according to a set of cooperative principles or

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14. Supra note 1 at 529-30.

15. American Thermos Products Co. v. Aladdin Industries, Inc., supra note 12, 134 USPQ at 108 fn 8. See also Leiser and Schwartz, supra note 11.

16. McCarthy, supra note 1 at 524; Leiser and Schwartz, supra note 11.

maxims. One such maxim asserts that a speaker should say what he or she believes is relevant and informative. Another maxim indicates that speakers should be perspicuous by avoiding obscurity and by being brief.[17] Thus, a "cooperative" buyer may use a trademark in a generic sense, in the absence of a commonly accepted and used generic name, when that name is the most easily understood and brief way to identify the desired product type.

This analysis suggests that a Thermos Survey that elicits the generic use of disputed terms while ignoring their trademark meaning may systematically overestimate genericness. This limitation, however, can be addressed by adding to the basic Thermos format questions about brand names.

B. The Teflon Survey

With the second popular approach, the Teflon-type survey, respondents are first given an explanation of the difference between common (generic) and brand names and are then asked to classify different terms, including the disputed name, as one of these two types.[18] The court concluded that this is the "only survey which really gets down to this critical element of the case." Judge Neaher also noted that "[T]he responses of the ['Teflon Survey'] reveal that the public is quite good at sorting out brand names from common names, and, for Teflon, answers the critical question left unanswered by the ambiguities inherent in [the Thermos-type surveys]—that of the principle significance of the Teflon mark to the public."[19]

A closer examination of the Teflon technique raises questions about this conclusion and suggests that the task format leads respondents to classify disputed terms as brand names even when their primary meaning is generic. Specifically, respondents who know that a particular name is a trademark, though they use it only as a generic name, are likely to answer that the name is a brand name. That is, because the survey begins with an explanation of the dictionary meaning of brand and common names, reasonable respondents would assume that they should follow these definitions and provide the theoretically correct answers instead of considering the primary significance of the terms to them personally. For example, buyers who believe that Thermos was originally and may still be a trademark, even though they

17. See, eg, H.P. Grice, Logic and Conversation, in Syntax and Semantics 3: Speech Acts 41-58 (Editors: P. Cole and J.L. Morgan) (Academic Press, New York 1975).

18. E.I. duPont de Nemours & Co., Inc. v. Yoshida International, Inc., supra note 12.

19. Id 185 USPQ at 616 (emphasis omitted).

only use it as a generic term for a container that keeps liquid hot or cold, will likely say that Thermos is a brand name. Furthermore, respondents may suspect that the researchers are trying to find out if they know that Thermos was originally a brand name. Such effects, referred to as "demand characteristics,"[20] represent a common problem in surveys in which the task format leads respondents to believe that they are supposed to answer the questions in a particular way, which may produce systematic biases.

Thus, one limitation of the Teflon format is that it measures buyers' understanding of terms on the basis of their ability to classify names using definitions provided to them. Another concern about the Teflon Survey is that respondents may classify terms as common or brand names even though the names have no significance to them, because they never use these terms and perhaps have never seen them before. Such guesses in Teflon Surveys are likely to favor the proponent, who tries to prove that the name is not generic, since most names that are the subject of genericness disputes are not common words taken from the dictionary and thus do not appear to be generic terms. Adding a "Don't know" option is unlikely to resolve the problem, because respondents will often believe that they know the answer even if they have not seen the names before. This analysis suggests that the Teflon Survey may significantly underestimate the degree to which a name is used as a generic term, which could explain why the Teflon approach tends to favor the proponent.[21]

In sum, the Thermos and Teflon Survey methods are expected to generate different genericness estimates, particularly with respect to names that function as both generic terms and trademarks. Standard Thermos elicits the generic application of the disputed name whereas the Teflon Survey provides the "dictionary" definitions of common and brand names and encourages respondents to classify dual functioning terms as brand names.

C. Alternative Approaches for Ascertaining Whether a Term is Generic

The above discussion of the Thermos and Teflon Surveys suggests that these techniques might lead to biased estimates of genericness. To examine this assessment and explore alternative

20. See, eg, Martin T. Orne, On the Social Psychology of the Psychological Experiment: With Particular Reference to Demand Characteristics and Their Implications, 17 American Psychologist 776-83 (1962).

21. Leiser and Schwartz, supra note 11.

measures, a number of variations of the Thermos and Teflon Surveys are discussed below.

1. Thermos With Questions About Brand Names

In the original Thermos case the defendant's survey included, in addition to the basic format ("What would you ask for? . . ."), the following questions:

> Do you know the names of any manufacturers who make these containers that keep liquids hot or cold?
>
> Can you name any other trademarks or brand names that are used on these containers?[22]

Another question that might be asked is, "What specific brand name in this product class would you ask for?" The answers to these questions can provide an estimate of the share of buyers who use the disputed name as a trademark and as both a generic term and a trademark.

2. Thermos With a Store That Carries Only Store Brands

As discussed above, the most often cited drawback of the Thermos Survey is that respondents, who provide the disputed name (e.g., Thermos) in response to the question "What would you ask for?," actually refer to the brand they want because the generic name is so obvious to them. Such a scenario is most likely to occur when the store carries the brand that the buyer (or the survey respondent) is asking for. That is, if buyers use a brand name when asking for a product even though they know that the particular brand is not available in that store, it is reasonable to assume that they refer to the product type rather than to a particular brand. This suggests that it is possible to examine the degree to which respondents in the Thermos Survey use a trademark generically by comparing the standard technique with one in which respondents know that the store does not carry the brand in question. Specifically, respondents might be told that the particular store they go to only sells its own store brand (or "private label"); for instance, in some categories Sears may only carry the Kenmore (store) brand.

3. Teflon Based on Name Usage

In analyzing the Teflon Survey, it was proposed that respondents follow the dictionary definitions given to them and may not

22. Supra note 12, 134 USPQ at 108 fn 8; reproduced in McCarthy, supra note 1 at 531.

consider how they personally are using the terms. To examine this argument, the standard Teflon Survey can be contrasted with a revised task in which respondents are asked to indicate whether they use each term mainly as a common name, mainly as a brand name, equally as a common and a brand name, or not using it at all.

4. Combined Teflon—Thermos

A survey format that combines elements of both the Thermos and Teflon Surveys was used in the Minnetonka case.[23] Respondents were first told about the difference between common names and brand names and were given an example, as in the standard Teflon Survey. They then received the description of a product, as in the Thermos Survey, and asked for its common name. Thus, with this format, respondents are taught the difference between common and brand names, yet they need to generate the names themselves rather than merely classify names that are provided by the researchers. This format may not completely avoid the potential demand characteristics of the Teflon Survey, discussed above, associated with the effect of the provided dictionary definitions of common and brand names on the respondents' interpretation of their task. The Trademark Trial and Appeal Board criticized this survey for ignoring the possibility that respondents used more than one common name, a problem that could be easily corrected by adding a question about other common names. One might also supplement this survey with a question about brand names used in the product category, which would provide information about the degree to which the terms are used as brand names and as both common and brand names.[24]

These variations of the standard Thermos and Teflon Surveys, including (1) the Thermos with questions about brand names (referred to hereafter as "Thermos with Brand Questions"), (2) Thermos with a store that only carries its own brand (hereafter "Thermos with Store Brands"), (3) Teflon Based on Name Usage, and (4) Combined Teflon—Thermos, were examined in the study described below. The study also provided insights into the specific characteristics and limitations of the standard Thermos and Teflon Surveys, as discussed earlier.

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23. In re Minnetonka, Inc., 212 USPQ 772, 782 (TTAB 1981); see also Leiser and Schwartz, supra note 11 at 383.

24. Swann and Palladino, supra note 4 at 195, propose a somewhat similar measure.

III. A COMPARISON OF TECHNIQUES FOR ASSESSING GENERICNESS

A. Methodology

The respondents in this study were 518 consumers, including visitors to a popular science museum, shoppers intercepted at the exit of a supermarket, and members of a community group. The respondents, who received two dollars for their participation, were between 20 and 75 years old with about an equal number of men and women. Each respondent was randomly assigned to one of six tasks, including the standard Thermos and Teflon Surveys and the four alternative techniques presented above.

The respondents received an explanation of their task and then evaluated eight cases, relating to the names Thermos, Teflon, Super Glue, Monopoly, Band-Aid, Jell-O, Walkman, and Kleenex. Most of these terms were the subject of previous genericness disputes, they tend to be universally recognized (an assumption that was confirmed in the study), and they involve product categories that were expected to be potentially relevant to the entire universe of consumers. In other words, virtually every consumer is a potential buyer of these products for personal use and/or as gifts. It is not necessary for the purposes of this research that each respondent will be a current user of every product, as long as respondents are assigned randomly to the various tasks such that different buyer types are approximately equally represented in all tasks.

Appendix A presents an example of each task, and Appendix B lists the descriptions of the various products as used in the Thermos and related techniques. The tasks are described briefly below.

1. *Standard Thermos*—Following the standard Thermos Survey format, respondents were first asked if they were familiar with the product, the type of store they would go to, what they would ask for, and what other words for that product they might use.

2. *Thermos with Brand Questions*—After answering the four questions of the Thermos Survey, respondents were asked two additional questions:

   — What specific brand name (or trademark) would you ask for?

   — What manufacturers of [this product] and what brand names (or trademarks) in this product class are you familiar with?

3. *Thermos with Store Brands*—Similar to the Thermos Survey respondents were first asked if they were familiar with the described product and about the type of store in which they would purchase it. However, the third and fourth Thermos questions were revised as follows:

> 3. Suppose that the store that you selected to purchase [the product] **carries only its own store brand** (for instance, "Sears" may only carry the "Kenmore" store brand in some product categories) and **no other brands.** What would you ask for **in that store** to get [the product]—that is, what would you tell the clerk you wanted?
>
> 4. Can you think of any other words that you might use in that store to ask for [the product]?

4. *Standard Teflon*—Following the standard Teflon format, respondents first received an explanation of the difference between a common name and a brand name, using "Chevrolet" and "automobile" as examples, and were given a brief test. They were then asked to determine for each of 13 names whether they were common or brand names. Five names, which were expected to be perceived more uniformly as common or brand names, were added to the eight test names, including "Magnavox," "toaster," "margarine," "refrigerator," and "aspirin." The additional names were designed to test whether respondents understood the task and whether the standard Teflon and Teflon Based on Name Usage methods generate similar results for less ambiguous names.

5. *Teflon Based on Name Usage*—The first part of the task, including the distinction between common and brand names, was similar to the standard Teflon Survey. Respondents were then given the following instructions:

> In everyday use, unlike the dictionary definitions, we sometimes use a brand name and actually mean a common name or we use a common name and actually mean a brand name. For example, we may ask for "Levi" and actually mean that we want a pair of jeans; or we may say that we need to use the "Xerox" machine and actually mean a copier. In other situations, we might say that we want jeans and actually mean that we want "Levi" jeans; or we might ask for cola and actually mean that we want "Coke."
>
> We will show you different names and ask you to indicate for each one **whether you tend to use it mainly**

as (1) a common (product) name, or as (2) a specific brand name, or (3) you are using it both as a common name and as a brand name with about equal frequency. There are no right or wrong answers; we are only interested in how you personally are using these names.

Respondents were then shown the same 13 names as in the Teflon Survey. After completing this task, respondents were given a standard Teflon Survey, with the same 13 names. They were instructed to classify the names based on the provided dictionary definitions of common and brand names.

6. *Combined Teflon—Thermos*—The introduction to this task was similar to the standard Teflon Survey. This was followed by:

Next, you will be given descriptions of different products and asked to indicate: (a) what is the common name for this product?, (b) what other common names for this product are you aware of?, and (c) what specific brand names are used on this product?

Respondents then received the description of each product, the same descriptions that were used in the Thermos task, and answered the above three questions.

B. Results

As can be seen in Table 1 on the following pages, the various methods generated very different estimates of the degree to which the names are used/classified as generic terms. The Thermos Survey and its two variants generated the highest estimates of generic use, with an average across the eight terms of 80%-83%. By contrast, in the standard Teflon task the test terms were classified as common names in only 23% of the cases. The Teflon based on Name Usage and the Combined Teflon–Thermos method generated intermediate estimates, with an average of 52%. Most of the difference between the two latter methods and Thermos appears to be accounted for by respondents who use the terms as both brand and common names. The results in each task are discussed next.

TABLE 1

SUMMARY OF THE STUDY RESULTS: THE EFFECT OF SURVEY METHOD ON ASSESSMENTS OF GENERICNESS*

NAME	STANDARD THERMOS		THERMOS WITH BRAND QUESTIONS				THERMOS WITH STORE BRANDS		COMBINED THERMOS-TEFLON			
	% USING TERM AS GENERIC NAME	% PROVIDING ANOTHER GENERIC NAME	% USING TERM AS GENERIC NAME	% PROVIDING ANOTHER GENERIC NAME	% PROVIDING TERM AS BRAND NAME	% USING AS BOTH GENERIC & BRAND	% USING TERM AS GENERIC NAME	% PROVIDING ANOTHER GENERIC NAME	% PROVIDING TERM AS GENERIC NAME	% PROVIDING ANOTHER GENERIC NAME	% PROVIDING TERM AS BRAND NAME	% PROVID-ING AS BOTH GENERIC & BRAND
THERMOS	78	18	81	23	50	38	76	15	59	16	50	36
TEFLON	73	70	65	59	29	19	71	61	50	43	48	24
SUPER GLUE	56	33	61	25	32	26	51	27	36	12	34	14
BAND-AID	90	56	89	36	47	40	89	45	55	39	69	33
JELL-O	96	54	92	59	73	68	90	56	53	51	85	44
KLEENEX	88	82	83	76	73	62	86	79	52	68	80	42
MONOPOLY	93	7	91	8	36	34	94	5	59	13	67	31
WALKMAN	89	47	84	52	22	17	79	46	50	40	52	21
AVERAGE	83	46	81	42	45	34	80	42	52	35	60	31

* Average genericness figures are associated with about 650 observations (individual name figures are associated with 80-85 observations). An average (overall) difference between tasks of approximately 5% (using a two-tailed t-test) is statistically significant at the .05 level.

TABLE 1

SUMMARY OF THE STUDY RESULTS (CONTINUED)*

NAME	STANDARD TEFLON		TEFLON BASED ON NAME USAGE				
	% WHO CLASSIFIED TERM AS COMMON (GENERIC) NAME	% WHO CLASSIFIED TERM AS BRAND NAME	% WHO USE TERM MAINLY AS COMMON (GENERIC) NAME	% WHO USE TERM MAINLY AS BRAND NAME	% WHO USE TERM EQUALLY AS COMMON AND BRAND NAME	% WHO USE TERM MAINLY AS COMMON NAME BUT CLASSIFY IN STANDARD TEFLON AS BRAND	% USE TERM EQUALLY (AS COMMON AND BRAND) AND CLASSIFY IN STANDARD TEFLON AS BRAND
THERMOS	33	62	68	1	17	43	13
TEFLON	43	53	55	13	16	37	11
SUPER GLUE	31	66	53	25	19	36	14
BAND-AID	19	81	57	11	30	43	26
JELL-O	14	86	48	11	34	42	30
KLEENEX	5	95	55	8	32	40	23
MONOPOLY	10	81	16	60	20	13	12
WALKMAN	32	68	60	11	26	37	20
AVERAGE	23	74	52	17	24	36	19

* Average genericness figures are associated with about 650 observations (individual name figures are associated with 80-85 observations). An average (overall) difference between tasks of approximately 5% (using a two-tailed t-test) is statistically significant at the .05 level.

1. *Standard Thermos Survey*—With this method generic use is determined based on answers to the questions, "What would you ask for . . .?" and "Can you think of any other words that you might use . . .?" Across the eight cases, 83% of the respondents indicated that they would ask for the "disputed" terms (e.g., Thermos). 46% of the respondents, on average, provided another generic name (other than the disputed term) that they might use to describe the products in question.

2. *Thermos Survey with Brand Questions*—The estimates of generic use derived from this method were similar to those derived from the standard Thermos Survey, which indicates that the fact that respondents expected to answer questions about brand names did not affect the obtained estimates of generic use. 42% of the respondents, on average, provided another product name that they might use to ask for the described products. 45% of the respondents, on average, provided the disputed names as brand (or manufacturer) names. 42% of the respondents used the marks as both generic terms and brand names.

3. *Thermos Survey with Store Brands*—The average genericness estimate in this version, 80%, is similar to that derived from the standard Thermos Survey, which indicates that the likelihood of generic use of the disputed terms is not significantly affected by knowledge that the specific brands are not available at the store. 42%, on average, provided another product name that they might use to ask for the described products.

4. *Standard Teflon Survey*—In the standard Teflon Survey, the disputed terms were classified as common names in only 23% of the cases, representing about one-third of the average estimate of generic use derived from all other methods.

5. *Teflon Survey Based on Name Usage*—This method generated estimates of generic use that were more than twice as large as those derived from the standard Teflon Survey. If respondents who indicated that they were using the marks as both common and brand names are included, the average estimate of generic use climbs to 74%, which is much closer to the Thermos than to the Teflon estimate. The two Teflon variants, however, generated similar estimates with respect to marks, such as margarine and Magnavox, whose use as common or brand names is more uniform. Specifically, between 85% and 100% of the respondents in these two tasks

who classified these names assigned them to the expected type (e.g., classified Magnavox as a brand name and refrigerator as a common name).

Note also in Table 1 that, in 36% of the cases (or 69% [= 36%/52%] of those using the terms mainly as common names), respondents indicated they were using the marks as common name, but answered that these marks were brand names when given a standard Teflon Survey and instructed to follow the provided definitions of common and brand names. Finally, the shares of classifications as common names in the second part of the task (where respondents were instructed to follow the provided definitions) were similar to those generated in the standard Teflon task. This result supports the proposition that respondents in the standard Teflon Survey follow the provided definitions rather than focus on the significance of the terms to them personally.

6. *Combined Teflon-Thermos Survey*—The average share of respondents who provided the disputed names as common names, 52%, was between the estimate of generic usage in the standard Thermos task and the share of classifications as common names in the Standard Teflon task. 35% of the respondents provided another product name. 60% of the respondents, on average, (compared to 45% in the Thermos with Brand Questions task) provided the disputed names as brand names. In 31% of the cases respondents listed the terms as both brand names and common names. In other words, 60% (31%/52%) of those who indicated the marks as common names also listed them as brand names.

C. Discussion

The results of this study indicate that the outcomes of investigations designed to assess genericness are highly dependent on the method employed.[25] For example, the average difference between the estimates derived from the Thermos and Teflon Surveys was 60% (83% v. 23%). The method-sensitivity problem in the case of genericness is further complicated by the ambiguity about what genericness means, what needs to be measured, and how survey results should be interpreted.

If each name had only one meaning for each consumer, as a generic term or as a trademark, then assessing genericness would

25. A similar conclusion was reached in a study that contrasted alternative methods for estimating likelihood of confusion; see, Itamar Simonson, The Effect of Survey Method on Likelihood of Confusion Estimates: Conceptual Analysis and Empirical Test, 83 TMR 364 (1993).

be simple. Unfortunately, many of the words that are the subject of genericness disputes function as both generic terms and trademarks.[26] The extent of this phenomenon, as demonstrated in this research, is too large to be ignored, and it might explain much of the observed differences among alternative methods for assessing genericness. In many cases, buyers use trademarks as generic terms, not only casually and for convenience purposes, but because they apparently do not know other effective ways to communicate the type of product they seek.

It could be argued that the trademark meaning of dual functioning names should be controlling, and it would be unfair to penalize highly successful brands for establishing themselves as product categories' exemplars.[27] Thus, evidence of substantial trademark significance, even if the name is also used generically, might be sufficient for determining that the disputed term is a trademark. Still, the law focuses on the "primary significance" of the names to the public, which suggests that in situations where the generic meaning and use are more prominent it would be inappropriate to consider only the trademark meaning, and only limited trademark protection may be justified.[28] Finally, if the generic use is clearly dominant, though buyers are aware that the name was originally a trademark, it appears that the primary significance should be determined based on the actual usage rather than on the "theoretical" knowledge of the name's origins.

This discussion suggests that genericness measures should identify (1) the share of buyers for whom the disputed name has just one meaning as a generic term or a trademark, (2) the share of buyers for whom the disputed name has a dual meaning, and (3) which meaning of dual functioning names is more commonly used. Another relevant piece of information that can be measured is the share of buyers who are aware of another generic term for the product beside the disputed name. This information, together with other relevant factors, can then be used when forming an overall judgment about genericness.

The lack of clear definition and criteria for assessing genericness is reflected in the variety of techniques that have been accepted by courts, which appear to focus on different aspects of the disputed names. The most often cited drawback of the Thermos format is that, when answering the question, "what would you ask for?," respondents may provide a specific brand

26. Folsom and Teply, supra note 4.
27. See, eg, Swann and Swann and Palladino, supra note 4.
28. Folsom and Teply, supra note 4.

name.[29] However, the results in the Thermos with Store Brands task indicate that this does not appear to be the case. Knowing that the stores only carried their store brands did not affect the likelihood of asking for the disputed names. A more significant limitation is that the basic Thermos Survey (without brand questions) measures only the generic use of the names.

In contrast, the Teflon Survey focuses attention on the provided dictionary definitions of common and brand names, which leads respondents to believe that they should follow these definitions rather than focus on the significance of the names to them personally. For example, a respondent who believes that Thermos was originally and may still be a trademark, yet he or she uses that name only as a generic term, is likely to classify it as a brand name based on the provided definitions of common and brand names. This effect is illustrated by the results in the Teflon Based on Name Usage task, in which 69% (=36%/52%) of the respondents, who had indicated that they used the names mainly as common names, classified them as brand names in a follow-up standard Teflon task.

It might be argued that this problem is unavoidable, because any genericness survey must begin with an explanation of the difference between common and brand names.[30] However, the experience in this and many other studies that require respondents to distinguish between products and brands indicates that the overwhelming majority of consumers know the difference between a product type and a brand name. Thus, the provided explanations are redundant in most cases, and it is doubtful that their contribution to a few respondents who may be uncertain about the difference between product types and brand names justifies the risk of creating serious demand characteristics. Another concern about the standard Teflon format, as suggested earlier, is that it is likely to encourage guessing, which is expected to further favor classifications as brand names. Consequently, the standard Teflon technique tends to greatly underestimate the generic significance of disputed terms.

Three of the methods included in this research, Thermos with Brand Questions, Teflon Based on Name Usage, and Combined Teflon-Thermos (with an explanation of common and brand names followed by questions about common and brand names for the described products), provide much of the needed information for assessing genericness. Based on the results in the Thermos with Brand Questions task one can estimate the share of buyers who (1)

29. McCarthy, supra note 1; Leiser and Schwartz, supra note 11.

30. See, eg, Folsom and Teply, supra note 4.

understand (and use) the disputed term as a generic term, (2) are aware of other generic terms, (3) understand the term as a brand name, and (4) understand the term as both a generic term and a brand name.

Similar information is provided by the Combined Thermos-Teflon method. Compared to standard Teflon this task has the advantage that it requires respondents to generate common and brand names rather than classify provided names, thus reducing the likelihood of guessing. However, because the task begins with the dictionary-definition of common and brand names there is still some concern about demand characteristics, which lead respondents to believe that they should provide the "correct" answers rather than focus on the significance of the terms to them personally. Finally, the Teflon Based on Name Usage method provides information about (1) the primary usage of each term as common and/or brand name, (2) respondents' knowledge of the original meaning of the name, and (3) the share of respondents for whom the answers to (1) and (2) are inconsistent. Future applications of this method might add the response categories, "use only as a common name," and "use only as a brand name."

IV. CONCLUSION

The growing reliance on consumer surveys in litigation presents both opportunities and challenges. On the one hand, surveys allow making decisions that are based on direct consumer input, instead of relying on one's judgment or theory as to how consumers respond to particular stimuli (e.g., names, advertisements). On the other hand, as this and other studies have shown, the choice of survey method can often determine the outcome of the investigation, because people's responses are highly sensitive to the specific task given to them.[31] Thus, parties in a legal dispute might take advantage of the method-sensitivity problem and select the survey method that is most favorable to their position. It is therefore surprising that no standards have yet been established with respect to survey formats, and courts have accepted as different methods as the Thermos and Teflon techniques.

Perhaps the first step should be to define precisely what it is that needs to be measured. For example, what exactly does it mean that the "primary significance" of a term to consumers is

31. For reviews, see, eg, John W. Payne, James R. Bettman, and Eric J. Johnson, Behavioral Decision Research: A Constructive Processing Perspective, Annual Review of Psychology 43, 87-131 (1992); Itamar Simonson, Get Closer to Your Customers by Understanding How They Make Choices, California Management Review 35, 68-84 (1993).

generic? What does it mean that consumers "understand" a term as a generic term or as a trademark? Is it conceivable that consumers "understand" a term as a trademark yet use it only as a brand name? The answers to such questions may provide clearer guidelines as to the appropriate measurement techniques, for example, whether genericness should be assessed using a hypothetical shopping task or by asking respondents to classify terms as common or brand names.

In some cases, it may be determined that it is not possible to answer the key question of interest based on a survey, such as whether an ad is deceptive or whether a term is generic, though surveys might still provide useful information. In particular, it appears unlikely that any survey can lead to a direct estimate of the degree to which a term is generic, although surveys can provide information that might be used when forming judgments about genericness. Thus, for example, based on the results of a genericness survey one can estimate the degree to which a term is used generically or as a trademark, the extent of dual usage, and the availability of alternative generic terms. While it may not be possible to derive a general formula that translates these results into an overall genericness score, such survey-based inputs can be combined with other pertinent facts in forming a judgment of whether a disputed name is generic.

APPENDIX A:

EXAMPLES OF THE SURVEY METHODS TESTED IN THE STUDY

Survey Method: Thermos

1. Are you familiar with the type of **container that is used to keep liquids, like soup, coffee, tea and lemonade, hot or cold for a period of time**? (circle one)

   YES NO

2. If you were going tomorrow to buy one of these containers—that is, the type that keeps liquids hot or cold—what type of store would you select to make your purchase?

   Store Type: _____

3. What would you ask for—that is, what would you tell the clerk you wanted?

   I would ask for _____

4. Can you think of any other words that you might use to ask for a container that keeps liquids hot or cold?

   Other words for this product_____

Survey Method: Expanded—Thermos with Brand Questions

Questions 1-4: Identical to the Thermos Survey (above).

5. What specific brand name (or trademark) in this product class would you ask for?

   _____

6. What manufacturers making these containers and what brand names (or trademarks) used on these containers that keep liquids hot or cold are you familiar with?

Manufacturers/Brands of these containers:

_____

Survey Method: Thermos with Store Brands

Questions 1-2: Identical to Questions 1 and 2 of the Thermos Survey (above).

3. Suppose that the store that you selected to purchase this container (that keeps liquids hot or cold) **carries only its own store brand** (for instance, "Sears" may only carry the "Kenmore" store brand for some products) and **no other brands**. What would you ask for **in that store** to get this container that is, what would you tell the clerk you wanted?

I would ask for _____

4. Can you think of any other words that you might use in that store to ask for a container that keeps liquids hot or cold?

Other words: _____

Survey Method: Teflon

There are two ways to name products sold on the market. First, there is the **common name** for the product class, the common name by which you refer to all products that are of a certain type or class. Second, there is a **brand name**, the brand of a particular company that makes a particular product in that class.

An example is the Chevrolet brand of automobiles. Chevrolet is a brand name of a particular automobile; automobile is the common name by which we refer to all brands that are in this class.

So, if you were asked, "Is Pontiac a brand name or a common name?," what would you say?

_____

Now, if you were asked, "Is washing machine a brand name or a common name?," what would you say?

_____

Next, we will show you different names and ask you to indicate for each one whether it is a common name or a brand name (**for each name, mark one of the three options**—BRAND, COMMON, or DON'T KNOW).

NAME	BRAND	COMMON	DON'T KNOW
THERMOS	____	____	____
MAGNAVOX	____	____	____
TEFLON	____	____	____
TOASTER	____	____	____
SUPER GLUE	____	____	____
MONOPOLY	____	____	____
MARGARINE	____	____	____
BAND-AID	____	____	____
JELL-O	____	____	____
REFRIGERATOR	____	____	____
WALKMAN	____	____	____
ASPIRIN	____	____	____
KLEENEX	____	____	____

Survey Method: Teflon Based on Name Usage

Introduction through the washing machine example—identical to Teflon; followed by:

"In everyday use, unlike the dictionary definitions, we sometimes use a brand name and actually mean a common name or we use a common name and actually mean a brand name. For example, we may ask for 'Levi' and actually mean that we want a pair of jeans; or we may say that we need to use the 'Xerox' machine and actually mean a copier. In other situations, we might say that we want jeans and actually mean that we want 'Levi' jeans; or we might ask for cola and actually mean that we want 'Coke.'

"We will show you different names and ask you to indicate for each one **whether you tend to use it mainly as (1) a common (product) name, or as (2) a specific brand name, or (3) you**

are using it both as a common name and as a brand name with about equal frequency. There are no right or wrong answers; we are only interested in how you personally are using these names."

NAME	I USE IT MAINLY AS A BRAND NAME	I USE IT MAINLY AS A COMMON NAME	I USE IT BOTH AS BRAND AND COMMON NAMES	I NEVER USE THE NAME
THERMOS	____	____	____	____
MAGNAVOX	____	____	____	____
TEFLON	____	____	____	____
TOASTER	____	____	____	____
SUPER GLUE	____	____	____	____
MONOPOLY	____	____	____	____
MARGARINE	____	____	____	____
BAND-AID	____	____	____	____
JELL-O	____	____	____	____
REFRIGERATOR	____	____	____	____
WALKMAN	____	____	____	____
ASPIRIN	____	____	____	____
KLEENEX	____	____	____	____

Above you were asked how you personally use different names. **Next,** we will show you the same names and ask **whether each name is a brand name or a common name according to the dictionary definition of brand and common names.** Remember that Chevrolet or Sony are examples of brand names, whereas automobile or television are examples of common names. (followed by the standard Teflon task)

Survey Method: Combined Teflon—Thermos

Introduction: Identical to Teflon Survey through the washing machine example. Followed by:

Next, you will be given descriptions of different products and asked to indicate: (a) what is the common name for this product?, (b) what other common names for this product, if any, you are aware of?, and (c) what brand names are used on this product.

Product 1: A type of container that is used to keep liquids, like soup, coffee, tea and lemonade, hot or cold for a period of time:

(a) **Common name** for this product:

_____

(b) **Other common names** (if you are aware of any):

_____

(c) **Specific brand names** used on this product:

_____

APPENDIX B:

PRODUCT DESCRIPTIONS USED IN THERMOS AND RELATED SURVEY METHODS

Thermos: A type of container that is used to keep liquids, like soup, coffee, tea and lemonade, hot or cold for a period of time.

Teflon: A type of substance that manufacturers sometimes apply to surfaces of kitchen pots and pans in order to prevent food from sticking to them.

Super Glue: A specially formulated adhesive that comes in very small tubes and is used for the most difficult jobs.

Monopoly: A board game in which players buy, sell, mortgage and trade city streets and utilities, build houses, collect rents, and win by bankrupting other players.

Band-Aid: A small adhesive strip with a gauze pad used for covering minor wounds.

Jell-O: A gelatin dessert usually with the flavor and color of a fruit.

Walkman: A small portable radio cassette player with headphones, which can be carried by hand or hung on the belt.

Kleenex: A facial tissue that is used to blow one's nose and is often kept in the bathroom or bedroom.

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

In the matter of Trademark Registration No. 1147309
For the mark COHIBA
Date registered: February 17, 1981

AND

In the matter of the Trademark Registration No. 1898273
For the mark COHIBA
Date registered: June 6, 1995

EMPRESA CUBANA DEL TABACO, d.b.a. CUBATABACO, Petitioner, v. GENERAL CIGAR CO., INC., Respondent.	Cancellation No. 92025859

PARTY: RESPONDENT

DESIGNATION: in United States District Court for the Southern District of New York, *Empresa Cubana Del Tabaco d.b.a. Cubatabaco v. Culboro Corp. and General Cigar Co., Inc.* (97 Civ. 8399 (RSW))

Defs Ex 181 (D0181), IS0000056-IS0000074

Trademark Infringement From the Buyer Perspective: Conceptual Analysis and Measurement Implications

Blumberg No. 5114
DEFENDANT'S EXHIBIT
D181

Itamar Simonson

Trademarks such as brand names may be the most important assets of many companies, but their value depends on the ability to protect them from infringement. In this research, two key tests of trademark infringement are examined: likelihood of confusion and genericness. On the basis of a conceptual analysis, the author evaluates several alternative measures of trademark confusion and genericness, including both existing and new techniques. These measures are contrasted in two large-scale field studies with about 1500 consumers. The results indicate that estimates of likelihood of confusion and genericness are highly sensitive to the particular method employed, partly because the underlying states of consumer confusion and genericness are fuzzy and not well defined. The author concludes with a discussion of the research implications for (1) our understanding of consumer trademark confusion and genericness, (2) the measurement of trademark infringement, and (3) the use of survey-based measures in public policy and legal disputes.

Trademarks such as brand names and symbols may be the most important assets of many companies. They serve a variety of functions, including (1) identifying the seller's products and distinguishing them from competing products, (2) signaling quality, and (3) serving as advertising and promotional instruments. The growing cost and difficulty of establishing new trademarks in the marketplace have led many companies to use their trademarks on new offerings rather than introduce new names, and line extensions now account for the majority of all new products. It is thus not surprising that companies go to great lengths to protect their trademarks from infringement (see Cohen 1986, 1991, for reviews of legal and marketing aspects of trademark strategy).

The law regards trademark infringement between competitors the same as if a person goes to the bank pretending to be someone else, using a copied identification (McCarthy 1984, p. 108). That person cashes a check, drawing funds from the other's account, because the bank teller has been confused by the similarity of the identification. In an analogous manner, the owner of trademark X (referred to hereafter as the "senior mark") is damaged when consumers choose trademark Y (hereafter the "junior mark"), thinking that they are buying X. From the buyer's perspective, confusion between trademarks implies that consumers do not get the brand they intended to buy.

Thus, the key test of trademark infringement is the likelihood of confusion (LOC) between trademarks. According to trademark law, if an appreciable number[1] of reasonable buyers are likely to be confused by the similar trademarks, then there is liability for trademark infringement or unfair competition (McCarthy 1984, p. 44). The likelihood of confusion between names is also relevant in brand extension decisions. A marketer who is planning to use a similar (but not identical) name for a line extension must assess the likelihood that buyers will recognize that the extension is related to the source.

Several factors are usually considered by courts in determining LOC (Weiss 1990), including (1) strength of the plaintiff's (the senior) mark, (2) relatedness of the senior and junior goods, (3) similarity of the marks, (4) evidence of actual confusion, (5) similarity of marketing channels used, (6) likely degree of buyer care, (7) the defendant's (maker of junior mark) intent in selecting the mark, and (8) likelihood of expansion of the product lines. Accordingly, three types of evidence are used in assessing the LOC, including surveys, other evidence of actual confusion (e.g., examples of buyers' errors), and arguments based on inferences arising from a comparison of the junior and senior marks and the context of their use. Surveys, which are usually discussed under the heading of actual confusion (or more accurately, actual likely confusion; Weiss 1990), are considered the best type of evidence (McCarthy 1984, p. 45 and 54). Indeed, surveys are now routinely employed to prove likelihood of confusion, and a failure to introduce a survey into evidence often leads to harsh criticism by the courts (Evans and Gunn 1989). Despite the growing importance of surveys for assessing LOC, no general standard has yet been established, and the courts have accepted a wide variety of survey techniques (Boal 1983).

Although likelihood of confusion is the "touchstone" of trademark infringement, it is certainly not the only test, and in many cases the existence of high LOC does not entail trademark infringement (McCarthy 1984). In particular, a name that is judged to be a generic term or the common descriptive name of a product or service (e.g., aspirin, thermos) is not considered a trademark and thus cannot be protected. Generic terms are regarded as being in the public do-

[1]It is not clear if "appreciable" number is measured quantitatively or qualitatively (McCarthy 1984). *Appreciable* does not mean majority, and in one case, 11% confusion was found to be sufficient. The type and degree of confusion may be more important than the number.

ITAMAR SIMONSON is an Associate Professor, Graduate School of Business, Stanford University. The research presented in this article draws heavily from Simonson 1993b, 1994.

main and free for all to use. However, determining whether a term is generic is often difficult, in part because the meaning of many terms varies across people and across circumstances. The 1988 Trademark Law Revision Act indicates that the principal significance of a term to consumers, rather than their motivation in using the term, determines whether it is generic (Cohen 1991). Still, there are different views as to what "principal significance" means and how it should be measured (e.g., Folsom and Teply 1988; Swann and Palladino 1988). Indeed, courts have accepted different measures, which often lead to very different conclusions regarding genericness. Thus, the difference between a dominant brand that is the product category's exemplar and a generic term that is free for all to use may hinge on the method employed for measuring genericness.

It should be noted that both LOC and genericness are complex constructs that are difficult to define, which might explain the lack of established standards for testing these key aspects of trademark infringement. Regarding LOC, for example, Leeds (1982, p. 446) notes, "The determination of the likelihood of confusion of purchasers is the most difficult of the determinations—and it is unquestionably one of the most 'inexact sciences' of our jurisprudence." Furthermore, the development and testing of appropriate survey measures requires careful analysis of consumers' use of trademarks and of the task of survey respondents.

The main goals of this research are to improve our understanding of the meaning of consumer trademark confusion and genericness and to examine the underlying differences, advantages, and limitations of alternative approaches for estimating LOC and genericness. In the next two sections, I explore the meaning of LOC and genericness, respectively, review the key methods that have been employed in the past, and propose alternative measures. Then I report the results of two large-scale empirical studies that contrast different LOC and genericness measures. The article concludes with a discussion of the implications of this research for the assessment of LOC and genericness. In addition, by integrating the results of both studies, I propose some generalizations about the use of surveys in public policy and legal disputes.

Assessing the Likelihood of Confusion

There are two primary types of trademark confusion—confusion as to source and confusion as to sponsorship or affiliation (Allen 1991).[2] Source confusion arises when a buyer believes that the junior mark is actually the senior mark, or that the junior mark is put out by the maker of the senior mark (e.g., a line extension). Confusion as to affiliation or sponsorship, on the other hand, refers to the belief that the senior mark sponsors, authorizes, or is in some way connected to the junior mark. A related distinction can be made between (1) situations in which the similarity between the marks is so great that consumers mistakenly believe that the junior mark is the senior mark (e.g., that Ever-Ready is Eveready) and (2) cases in which consumers recognize that the marks are different but believe that the two are connected in some way (i.e., have the same source, affiliation, or sponsorship; e.g., Holiday Out campgrounds and Holiday Inn motels). Examination of marks that were judged to be confusingly similar in previous trademark disputes suggests that most of these cases fall in the latter category (see McCarthy 1984, Ch. 23, for examples). For example, in the cases involving "Blue Shield" and "Red Shield," "Brut" and "Brutus," and "Chicken of the Sea" and "Tuna O' The Farm," most buyers probably recognized that the junior mark was different from the familiar senior mark.

Assessment of confusion when the similarity between the marks is such that consumers may not distinguish between them requires a method that can reveal the mistaken belief that the junior mark is the senior mark. Assessment of confusion about connection between distinguishable marks (e.g., Red Shield and Blue Shield) requires a method that will elicit consumers' beliefs about that connection. Unfortunately, the simplest approach for assessing LOC, by asking potential buyers whether they are likely to confuse the junior and senior trademarks, cannot be used. As Boal (1983) proposed, respondents may be reluctant to admit that they are likely to get confused, because confusion can be perceived as a sign of stupidity. More importantly, in many cases buyers do not know whether they are likely to confuse the two trademarks. Experts on similarity and confusion still do not understand all the factors that combine to determine confusion, despite hundreds of studies in this area. Typical buyers certainly cannot know all the factors that determine confusion, and when asked about the LOC, they are likely to rely on simple heuristics such as the number of letters shared by the junior and senior trademarks.

How, then, can we estimate the likelihood of confusion between trademarks? The answer is not expected to consist of one particular method that is the best across all situations, because trademark confusion can take many different forms. Furthermore, as methodology experts noted long ago (e.g., Campbell and Fiske 1959), all methods are flawed, and no single method can provide a perfectly accurate measure. In particular, much recent research has shown that people's decisions, judgments, and responses to questions posed to them are highly contingent on the characteristics and wording of the task (e.g., Payne, Bettman, and Johnson 1992; Simonson 1993a). Thus, for example, consumers who are asked how much more or less they like fruit salad compared with frozen yogurt are more likely to indicate that they prefer fruit salad than are consumers who are asked how much more or less they like frozen yogurt compared with fruit salad. Such findings suggest that slight variations in the way confusion is assessed can have a significant effect on the outcome of the investigation. Consequently, when evaluating techniques for measuring LOC, we must examine the characteristics of each method closely and analyze any biases that might arise.

Methods for Estimating Likelihood of Confusion

Most survey techniques that have been employed for assessing LOC involve a task in which the respondent is asked questions about the junior mark, with confusion inferred from the answers to these questions (Boal 1983; Evans and Gunn 1989). In addition, some experimental procedures

[2]A third type of confusion, referred to as reverse confusion, will not be discussed here (McCarthy 1984).

have been used, in which the participants make purchase decisions and respond to questions about their purchases that are designed to reveal confusion between the junior and senior marks. The following discussion focuses on (1) three survey-based techniques that have been accepted by courts (in at least some cases), representing different approaches for estimating LOC, and (2) experimental tests of LOC, including a recently proposed method called *simulated choice* (Simonson 1993b).

Top-of-Mind

In the case of *Exxon Corp. v. Texas Motor Exchange of Houston, Inc.* (1980), respondents were shown a sign with the junior mark, Texon motor oil, and were asked what came to mind. If they did not answer with the name of a company, they were further asked which company came to mind. Respondents were also asked to explain their answers, using the follow-up question, "What was there about the sign that made you say that?" The percentage of responses naming the senior mark (Exxon) provided an estimate of the likelihood of confusion. Although courts have usually been unreceptive to association or top-of-mind tests, in this case the court accepted the measure because of the added question about the reasons for the response. This technique is referred to hereafter as *top-of-mind.*

Examination of the top-of-mind format reveals several potential limitations. First, it is not clear that what comes to mind is a good indicator of LOC. For example, the name Wanasonic is likely to bring to mind the familiar brand name Panasonic, but given the distinctive first character, most buyers are likely to assign a very low probability to the hypothesis that Wanasonic is put out by Panasonic. A second concern relates to possible demand characteristics (Orne 1962), which lead respondents to believe that they are expected to answer the questions in a particular manner and may thus generate systematically biased LOC estimates. The problem might be especially severe for measures of trademark confusion, because they are highly susceptible to guessing and the senior mark may often be the best guess when seeking associations for the junior mark. And third, the top-of-mind method is unlikely to detect confusion when buyers cannot distinguish between the junior and senior marks, because indicating that the senior mark comes to mind when seeing the junior mark requires one to distinguish between the two.

Company Identification

In a landmark case (*Union Carbide Corp. v. Ever-Ready, Inc.* 1976), respondents were shown the junior product (Ever-Ready lamps and bulbs) and asked, (1) Who do you think puts out Ever-Ready? (2) What makes you think so? and (3) Name any other products put out by the same concern that puts out Ever-Ready. Many of the respondents who were shown the name Ever-Ready said in response to the third question that the company made batteries, implying a confusion with Eveready. This approach, referred to hereafter as *company identification*, has the advantage that it directly addresses the question of confusion rather than implying confusion from a word-association test (as in the top-of-mind survey).

A closer examination suggests that the accuracy of this method depends on the particular marks involved. Specifically, it is most likely to reveal confusion between two marks if (1) respondents do not distinguish between the junior and senior marks and they know the name (and/or other products) of the company that puts out the senior mark (as in the original Eveready case) or (2) respondents distinguish between the junior and senior marks (e.g., Holiday Out and Holiday Inn) but believe the two marks are put out by the same company, in which case they can simply name the senior mark. This technique is less likely to reveal confusion if respondents think that the junior mark is the senior mark (e.g., that Ever-Ready is Eveready) and do not know the name (or products) of the company that puts out the senior mark. The company identification survey may also lead to underestimating the likelihood of confusion in cases in which respondents recognize that the senior mark that comes to mind is unlikely to use the junior mark (e.g., it seems illogical that Eveready would also use the name Ever-Ready), yet in the normal purchase situation they would not have noticed the difference between the marks.

Another potential limitation is that respondents believe they must answer the survey questions given to them rather than say that they do not know, so they may provide guesses that are associated with low confidence. If actual purchase decisions were involved, respondents might have made the necessary effort (depending on the importance of the decision) to ascertain whether the junior and senior marks were indeed put out by the same company (e.g., whether Holiday Out campgrounds is associated with Holiday Inn motels). On the other hand, because respondents are only shown the junior mark and not the senior mark, the company identification survey can be used in cases in which buyers may not distinguish between the two marks. Furthermore, using this format is simple, and it is easy to translate the results of a company identification survey into an LOC estimate. In summary, whether the company identification format leads to accurate estimation, overestimation, or underestimation of the likelihood of confusion appears to depend on the specific characteristics of the marks and on consumers' familiarity with the marks and their manufacturers.

Company Identification Forced-Choice

In the *Squirt Company v. Seven-Up Company* (1979), respondents were shown the junior (Quirst) and senior (Squirt) marks and asked whether they thought that the two marks were put out by the same or different companies. This technique, referred to hereafter as *company identification forced-choice,* is probably the most direct measure of confusion short of asking people whether they are likely to confuse the two marks. As with the company identification technique, company identification forced-choice may lead to underestimation of the likelihood of confusion when two names are confusingly similar, yet it seems illogical that the same company will use both names. One difference between the two techniques is that the company identification forced-choice survey presents the junior and senior marks side by side and thus guarantees that respondents distinguish between them.

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A potential limitation of the company identification forced-choice survey is that it explicitly leads respondents to consideration of the association between the two marks, a question that might not have occurred to them in a normal purchase situation. In particular, even a consumer who is unfamiliar with the senior mark and thus could not have confused the two marks may still respond that the two marks are put out by the same company (suggesting confusion) when asked that question. In addition, the company identification forced-choice task highlights the distinction between the two marks (e.g., between Ever-Ready and Eveready) and may thus be inappropriate when the two marks are confusingly similar. On the other hand, respondents probably have no reason to believe that they are expected to select a particular answer ("same" or "different"), which suggests that this format is not susceptible to demand characteristics. Furthermore, the task is simple to implement, and deriving an LOC estimate is straightforward.

Experimental Techniques

A limitation of most survey-based techniques is that they focus explicitly on the junior and senior marks and may thus elicit responses that would not occur in normal purchase decisions. With experimental[3] approaches for estimating LOC, on the other hand, the respondents usually perform a purchase or purchase-like task, not knowing that the researchers are interested in their use and interpretation of the trademarks in question. One drawback of experimental techniques is that the design and implementation of such experiments are often more complex than standard surveys, and unless the studies are carefully designed and controlled, they may be more susceptible to alternative explanations.

In one study the researchers tried to prove lack of confusion between the soft drinks Quirst and Squirt (Boal 1983). Shoppers were given coupons for noncola soft drinks. After completing their purchases, they were asked to identify the brand of soft drink purchased. Only 4.3% of the participants confused Squirt and Quirst (i.e., purchased one but said that they purchased the other), whereas 3.1% confused Squirt and Sprite. This study seems biased in favor of the party trying to prove low LOC, because buyers who select Quirst because of confusion with Squirt may provide the name that they saw most recently (Quirst), in which case they will be classified as not confused.

In a more recent experimental application (*ConAgra, Inc. v. Geo A. Hormel & Company* 1992) involving Healthy Choice and Healthy Selections microwavable food products, an in-store study was conducted to test for possible confusion. Briefly, shoppers were intercepted on their way into a supermarket that carried one or both of the products. They were each shown three products, one of which was either Healthy Choice or Healthy Selections, and asked to purchase these three products (with money provided by the researchers) while doing their regular shopping. The respondents were asked to return with the products, at which time the researchers checked which brand was actually purchased and asked them additional questions about possible connections between the marks in question. The study, submitted by the plaintiffs (ConAgra Inc., which puts out Healthy Choice), was conducted in different stores that carried one or both brands. The researchers manipulated the brand that was shown to shoppers before entering the store (Healthy Choice or Healthy Selections). The results indicated a relatively high rate of confusion. This study was criticized for (1) potential respondent confusion about the task, namely, not understanding that only the specific brands (as opposed to products) shown should be purchased, (2) lack of proper "control," by not having a benchmark for assessing the rate of confusion due to respondent "error" alone (which would require adding a similar test using another brand with a name that is clearly not similar to Healthy Choice), (3) not separating the confusion due to the similarity of brand name from that which might be attributed to other aspects of the product (e.g., package similarity), and (4) not asking respondents to explain their reasons (or "state of mind").

Thus, although in-store experiments, because of their reliance on more natural purchase-like tasks that do not explicitly focus on the trademarks, have significant potential advantages for estimating the likelihood of confusion, conducting "clean" and defensible experiments that lead to clear and unconfounded results is difficult. If one further considers the cost and logistical complexity of an experiment such as that conducted for ConAgra Inc., pursuing the experimental option may appear risky.

A compromise experimental approach has recently been proposed (Simonson 1993b), referred to as *simulated choice*, which employs a purchase-like (but not in-store) task. The simulated choice technique involves asking respondents to choose between the junior brand and a competing brand (not the senior brand). For example, to establish whether Ever-Ready is confused with Eveready, respondents might be asked to choose between Ever-Ready and Duracell. Depending on the purpose of the study, respondents can be shown just the names of the brands or the actual products (while disguising any element that should not be seen by the respondents). Before or after making a choice, respondents are asked to evaluate the brands on various dimensions. To legitimize being unfamiliar with a brand, it is explained that some of the brands are sold only in certain parts of the country, and respondents are instructed to indicate each brand with which they are unfamiliar.

The specific brand evaluation questions that respondents answer, such as those about their previous experience with the brand, other products put out by the same company, and/or their evaluation of the advertising used by that brand, are designed to reveal confusion between the junior and senior brands. For example, buyers who mention the "bunny" commercials or their experience with Ever-Ready batteries are counted as confused, whereas those who indicate they do not know Ever-Ready or their responses are not associated with Eveready are counted as not confused. Using standard procedures for verbal protocol analysis (e.g., Ericsson and Simon 1980), two judges independently decide in each case whether the provided evaluations indicate confusion between the junior and senior marks and then meet to compare

[3]The term *experimental* as used here refers to techniques that include a manipulation of stimuli and/or tasks and a random assignment of respondents to different conditions. In the legal terminology, experiments are included under the heading of surveys.

their judgments. Disagreements are usually resolved by discussion.

Thus, this method, which is relatively easy to implement, can provide confusion estimates using the guise of a choice task, without revealing to respondents the real purpose of the study. Similar hypothetical choice and rating tasks are often used by companies, market research firms (e.g., in conjoint measurement), and academic researchers, and they have been shown to be rather accurate predictors of actual purchase decisions (e.g., Green and Srinivasan 1990). Indeed, there is much evidence that asking hypothetical questions is appropriate when people perform tasks with which they are familiar, such as brand choice, and have no incentive to lie (e.g., Kahneman and Tversky 1982).

The simulated choice technique has a number of advantages, including (1) the similarity of the task to choices that consumers make in actual purchase decisions, (2) the focus on the choices rather than on the trademarks makes it less susceptible to demand characteristics, and (3) it can be used to test both failures to distinguish between the junior and senior marks and confusion about connection between the two. However, a necessary condition for using simulated choice and deriving a confusion estimate is that the respondents' brand evaluations allow the researchers to determine unambiguously in each case whether the junior mark is confused with or believed to be connected to the senior mark. Thus, the evaluation questions must be tailored to the specific case and the specific marks, such that confusion between them can be revealed. Examples of questions that might be asked include the advantages and disadvantages of each brand, what if anything respondents know about the quality of other products made by the same company, whether they have had any previous experience with these brands, what they think about the quality of products made in the country where these brands are made (if relevant), and so on. Using responses to such questions, researchers should be able in most (but not all) cases to determine whether each buyer confused the junior mark with the senior mark.

In summary, the four methods examined—top-of-mind, company identification, company identification forced-choice, and simulated choice—have different strengths and weaknesses as measures of LOC. These techniques are contrasted in Study 1. Next, however, we turn to the assessment of genericness, which raises some similar issues.

Assessing Whether a Term Is Generic

In many trademark infringement disputes, the focus is on whether the senior mark is generic (or a common descriptive name of a product) rather than on the likelihood of confusion. The company that puts out the junior brand may not dispute the high likelihood of confusion but defend its use of the name on the grounds that the mark has become generic and is thus free for all to use (McCarthy 1984, Ch. 12). Thus, the success of a brand, which makes it the product category exemplar and the word that buyers use to describe the product, can lead to the loss of the exclusive right to use that name. To show that a mark is not generic, the owner of the senior mark should prove that the "primary significance of the term in the minds of the consuming public is not the product but the producer" (cited in Cohen 1986, p. 69). Genericness, however, remains an elusive concept, largely because of the vagueness of the term "primary" (or "principal") significance, and consequently, the lack of generally accepted genericness measures.

In the landmark aspirin case (*Bayer Co. v. United Drug Co.* 1921), Judge Hand stated that the determination of genericness is based on the answer to the question, What do the buyers understand by the word for whose use the parties are contending? Questions that naturally arise are, What does the term *understanding* mean in this context, and how should it be interpreted to capture the "primary significance" of a disputed term? More specifically, should buyers' "understanding" be determined on the basis of their usage of the disputed word or of some other measure of what they think the word means?

The Court of Customs and Patent Appeals indicated that genericness refers to "the common use of language" (cited in McCarthy 1984, p. 522), and McCarthy states that "majority usage of the word is controlling." On the other hand, a distinction has often been made between "understanding" and "usage" (e.g., Swann 1979; Swann and Palladino 1988), on the basis of the observation that buyers may know that a term is a trademark yet use it casually as a generic term (Folsom and Teply 1988). For example, buyers may know that Jell-O is a trademark yet use it as a generic term as well. Thus, it is argued that "the ultimate question is not the extent of consumer use in a generic sense, but the extent of a consumer understanding of a trademark sense" (Swann 1979, p. 358).

A closer examination of this argument suggests that the distinction between understanding and usage, for the purposes of determining genericness, is rather vague. Supposedly, understanding of a term translates into usage. If the word *Teflon* is understood to be a trademark or a generic term, then it is probably used in that manner. Similarly, the fact that a name is used to describe a product type suggests that the buyer understands the word to have a generic meaning. Of course, the fact that a term is used generically does not imply that this is the only meaning of the word to the buyers, who might use the term as a trademark as well. Thus, usage of a name as a generic term may not be sufficient by itself for determining genericness, though evidence that buyers do not use the name as a trademark when asked to provide brand names is clearly relevant for the determination of the name's status.

To assess the primary significance of a term, then, courts may consider such factors as (1) the share of buyers who use the term as a trademark or as a generic term, (2) the share of buyers who use the term as both a generic term and a trademark and whether one of these two meanings is more prominent, (3) the availability and knowledge of alternative generic names, and (4) other relevant factors, such as whether the trademark owner has taken reasonable actions to protect the trademark from becoming generic. An advantage of focusing on usage is that it is relatively simple for buyers (and respondents) to estimate the degree to which they use a term as a trademark and/or generic term, whereas it is less clear what "understanding" of terms (independent of usage) means and how it should be measured.

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The notion that the primary significance of disputed terms can be assessed on the basis of usage patterns is derived from the assumption that buyers' usage of a term in a particular way implies that they think that the term has that meaning. In some cases, buyers know that names were originally and may still be trademarks, yet they use them mostly or solely as generic words. For example, buyers may know that Thermos was originally a brand name, yet they use it only as a generic term. In these cases, it could be argued that the primary significance of such a term in the consumers' minds is generic, because that is by far its main use. According to this argument, the determination of the primary significance of such terms should be based on the buyers' actual usage and "active" understanding rather than on their "theoretical" knowledge that the names were originally trademarks.

These questions about the interpretation of genericness highlight the fact that this concept has not been well-defined, and consequently, there are no clear criteria for assessing whether a term is generic. As discussed subsequently, the two primary methods for assessing genericness, referred to here as purchase encounter and classification tasks, effectively employ very different interpretations of the term *primary significance*—purchase encounter focusing on the usage of terms and classification measuring knowledge about the names' origins.

Methods for Assessing Genericness

Purchase encounter and classification tasks (referred to in the trademark literature as "Thermos" and "Teflon" Surveys, respectively; see, e.g., Leiser and Schwartz 1983) both appear to assume that there are two distinct groups of respondents: those who use a name as a generic term and those who use it as a trademark. Accordingly, the objective of these surveys is to estimate the share of each group, and the majority usage usually determines whether the term is generic or a trademark. The purchase encounter and classification formats often yield different estimates; the former tends to favor the opponent, who is trying to show that the name is a generic term, whereas the latter tends to favor the proponent, who is trying to show that the name is a trademark (see Appendix B for an example of the genericness measures discussed subsequently).

Purchase Encounter

With the purchase encounter technique, first used in the *American Thermos Products Co. v. Aladdin Industries, Inc.* (1962), respondents are asked about their general familiarity with the type of product described (e.g., for Thermos, "a type of container that is used to keep liquids hot or cold") and about the type of store they would go to if they wanted to buy that product. They are then asked, "If you were going to buy [the product], what would you ask for—that is, what would you tell the clerk you wanted? Can you think of any other words that you would use to ask for [that type of product]?"

If a large percentage of the respondents use the term in question in their answers, it supports the position that the name is generic, and vice versa. An often-cited drawback of the purchase encounter format is that, for a very strong trademark, respondents may answer with the trademark and drop what they consider to be a generic name, because it is so obvious to them (e.g., McCarthy 1984). For example, a consumer may ask for a "Coke" rather than the Coca-Cola brand of cola, because the product category is so obvious. Another potential limitation of purchase encounter (without questions about brands) is that, for dual functioning names, the survey elicits only the generic meaning and ignores the trademark meaning. For example, it is possible that a majority of the respondents indicate that they would ask for the disputed term Jell-O, yet an even greater majority understands and uses that term as a brand name.

An advantage of the purchase encounter format is that it places the respondents in their role as shoppers, which is the context of interest when measuring genericness. In addition, the task does not appear to have demand characteristics, because respondents are unlikely to suspect that the researchers expect them to use a particular term in response to the question, "What would you ask for?"

Classification

With the classification survey, used in the *E.I. du Pont de Nemours & Co., Inc. v. Yoshida International Inc.* (1975), respondents are first given an explanation of the difference between common (generic) and brand names and then asked to classify different terms, including the disputed name, as one of these two types. The Court in the du Pont case concluded that this is the "only survey which really gets down to the critical element of the case." Judge Neaher also noted that "The responses of the [Teflon Survey (or Classification)] reveal that the public is quite good at sorting out brand names from common names, and, for Teflon, answers the critical question left unanswered by the ambiguities inherent in [the Thermos (or Purchase encounter)-type] surveys—that of the *principal significance* of the Teflon mark to the public."

A closer examination of the classification technique raises questions about this conclusion and suggests that it might have strong demand characteristics. Specifically, respondents who know that a particular name is a trademark, though they use it only as a generic name, are likely to answer that the name is a brand name. That is, because the survey begins with an explanation of the dictionary meaning of brand and common names, reasonable respondents would assume that they should follow these definitions and provide the theoretically correct answers instead of considering the primary significance of the terms to them personally. For example, buyers who believe that Thermos was originally and may still be a trademark, even though they only use it as a generic term, will likely say that Thermos is a brand name. Furthermore, respondents may suspect that the researchers are trying to find out if they know that Thermos was originally a brand name.

Thus, one limitation of the classification format is that it measures buyers' understanding of terms on the basis of their ability to classify names using definitions provided to them. Another concern is that respondents may classify terms as common or brand names even though the names have no significance to them, because they never use these terms and perhaps have never seen them before. Such guesses in classification surveys are likely to favor the pro-

ponent, who tries to prove that the name is not generic, because most names that are the subject of genericness disputes are not common words taken from the dictionary and thus do not appear to be generic terms. Adding a "Don't know" option might help but is unlikely to resolve the problem, because respondents will often believe that they know the answer even if they have not seen the names before. This analysis suggests that the classification task may significantly underestimate the degree to which a name serves as a generic term, which could explain why the classification approach tends to favor the proponent.

In summary, the purchase encounter and classification methods are expected to generate different genericness estimates, particularly with respect to names that function as both generic terms and trademarks. Purchase encounter elicits the generic application of the disputed name, whereas the classification survey provides the "dictionary" definitions of common and brand names and encourages respondents to classify dual functioning terms as brand names. To examine these conjectures about the purchase encounter and classification techniques and consider alternative measures, several variations of both are discussed next.

Purchase Encounter with Brand Questions

As indicated, the purchase encounter format elicits the generic use of disputed terms. Thus, as was done in the original Thermos case, the basic format ("What would you ask for?") can be supplemented by questions about brand names, such as, "What brand would you ask for?" and "What other brand or manufacturer names in this product class are you familiar with?" The answers to these questions can provide an estimate of the share of buyers who use the disputed name as a trademark and as both a generic term and a trademark.

Purchase Encounter with Store Brands

As discussed previously, the most often-cited drawback of the Purchase encounter format is that respondents, who provide the disputed name (e.g., Thermos) in response to the question "What would you ask for?" actually refer to the brand they want because the generic name is so obvious to them. Such a scenario is most likely to occur when the store carries the brand that the buyer (or the survey respondent) is asking for. That is, if buyers use a brand name when asking for a product even though they know that the particular brand is not available in that store, it is reasonable to assume that they refer to the product type rather than to a particular brand. This suggests that it is possible to examine the degree to which respondents in the purchase encounter survey use a trademark generically by comparing the standard technique with one in which respondents know that the store does not carry the brand in question. Specifically, respondents might be told that the particular store they go to only sells its own store brand; for example, in some categories, Sears may only carry the Kenmore brand.

Classification Based on Name Usage

In analyzing the classification task, it was proposed that respondents follow the dictionary definitions given to them and may not consider how they personally are using the terms. To examine this argument, the classification survey can be contrasted with a revised task in which respondents are asked to indicate whether they use each term mainly as a common name, mainly as a brand name, equally as a common and brand name, or not at all.

Combined Classification–Purchase Encounter

A survey format that combines elements of both the purchase encounter and classification techniques was used in one case (cited in Leiser and Schwartz 1983). Respondents were first told about the difference between common names and brand names and were given an example, as in the classification format. They then received the description of a product, as in the purchase encounter survey, and asked for its common name. Thus, with this format respondents are taught the difference between common and brand names, yet they must generate the names themselves rather than merely classify names that are provided by the researchers. One might also supplement this survey with a question about brand names used in the product category, which would provide information about the degree to which the terms are used as brand names and as both common and brand names. This format may not completely avoid the potential demand characteristics of the classification technique associated with the effect of the provided definitions of common and brand names on the respondents' interpretation of their task.

These alternative techniques for evaluating genericness employ very different tasks and may lead to systematically different estimates. Similarly, the methods for assessing likelihood of confusion discussed previously are expected to generate different estimates. To gain a better understanding of these methods and, more generally, of the impact of survey format on judgments of trademark infringement, it is necessary to supplement the conceptual analysis with empirical tests. Studies 1 and 2, described next, contrast the various methods for estimating LOC and genericness.

Study 1: A Contrast of Alternative Methods for Estimating Liklihood of Confusion

As indicated previously, likelihood of confusion is at the core of trademark infringement and it is the key determinant of whether a particular junior mark is allowed to compete with an existing senior mark. The goals of study 1 were to contrast alternative methods for estimating LOC, gain a better understanding of the determinants of LOC estimates derived from each method, and examine the factors that consumers consider when assessing possible associations between trademarks. The techniques investigated include top-of-mind ("What comes to mind?"), two variations of company identification ("Who puts out [this brand]?"), company identification forced-choice ("Are [these brands] put out by the same or different companies?"), and a preliminary application of simulated choice. An additional task, referred to subsequently as *likelihood of association,* was designed to explore the factors that buyers consider when determining the likelihood that a junior mark and a senior mark are put out by the same company.

The 12 senior marks and 12 junior marks that were selected for this study represented different types of potential confusion, including potentially indistinguishable marks and marks that might appear to originate from the same source. Some of these marks were the subject of previous trademark disputes. The focus in this research was on confusion between brand names, rather than other product characteristics, to provide a clear test that minimizes the potential for alternative interpretations. Although presenting respondents with the actual products may be preferred and can be implemented in particular cases, it would have complicated the design of this study and the interpretation of the results, because of the need to control for the effects of other product characteristics on confusion.

The simulated choice technique included in the study was also used to provide evidence regarding the effect of confusion on product choices and the effect of having the senior and junior marks side by side on confusion. In addition, Study 1 examined the effect of consumer demographic characteristics and product familiarity on the likelihood of confusion estimates derived from the various techniques.

Method

There were 992 respondents in this study, who were paid $2 for their participation, including consumers intercepted at two shopping centers (most of them approached when exiting a supermarket), visitors to a popular science museum, members of religious organizations, and Parent-Teacher Association members. The respondents were between 20 and 75 years of age with about an equal number of men and women. They were told that all brands they would encounter were real brands (except in the likelihood of association task described later); however, some of the brands were only sold in certain parts of the country and might thus be unfamiliar. On the last page of the questionnaire, respondents were asked regarding each product category included in the questionnaire whether they (1) had used that product before, (2) had bought the product before, and (3) were very familiar, somewhat familiar, or not familiar with that product category. Finally, respondents entered their age, education level, sex, and state. Each respondent was randomly assigned to one of the following tasks and evaluated all 12 cases (see also an example of the various tasks in Appendix A):

1. *The top-of-mind survey*—The task included two parts, with the same 12 (junior) brand names in both parts. In the first part, respondents were asked, "(1) What is the first thing that comes to mind when looking at this brand name? (2) What was that about the brand name that made you say that?" In the second part of the questionnaire, the same brand names were presented again, and respondents were asked, "(1) What is the first company that comes to mind when looking at this brand name? (2) What was that about the brand name that made you say that?" Each brand name was preceded by the name of the product category and a brief description of the product. In addition to the 12 junior brand names, the questionnaire included familiar names, such as Tylenol, V-8 Juice, and Sprite. These names, which were scattered among the junior names, were designed to support the claim that all names represented real brands. Finally, to account for the possibility that the order of the brand names in the questionnaire influenced the responses, there were two versions of the top-of-mind survey, with the names in the two versions appearing in reversed order.[4]
2. *The company identification format*—Two variants of the Company identification task were used. One version followed the standard format with the questions, "(1) Which company do you think puts out this brand? (2) What makes you think so? (3) Name other products, if any, put out by the same company." In the other version, the question about other products was replaced with the question, "How confident are you about the company?" with responses entered in percentages on a 0–100 scale. This task was designed to assess whether indeed many respondents provide answers even though they were not confident about the connection between the junior and senior marks.
3. *The company identification forced-choice format*—In each product category, respondents were asked two questions: (1) whether they thought the junior and senior brands were put out by the same or different companies and (2) what made them think so. For example, in the deodorant category, the first question was, "Do you think Old Spice deodorant and New Spice deodorant are made by the same or different companies?" In each case respondents answered by circling "same" or "different" and provided an explanation.
4. *Simulated choice*—Respondents made a series of choices in different product categories. As indicated, with the simulated choice format, confusion is inferred from the respondents' evaluations of the junior brand prior to choosing between the junior brand and another brand. In this study's preliminary application of the simulated choice technique, brand evaluations consisted of listing the advantages of each alternative. To legitimize not evaluating unfamiliar brands, respondents were told that some of the brands were only sold in certain parts of the country and may thus be unfamiliar. They were instructed to indicate that they did not know a brand if they had no information about it.

   In most cases it was possible to determine whether the respondent confused the junior and senior marks. Specifically, the listed advantages were analyzed by two independent judges. The judges indicated in each case whether the respondent thought that the junior brand was or was not associated with the senior mark. For example, when evaluating Oral Z toothpaste, one respondent wrote, "I like their toothbrushes," and when evaluating Reo cookies, another respondent said, "I grew up with them. They have white cream in the middle and are fun to eat." The judges compared their coding of the responses and found that, in 98% of the cases, they made the same judgments about confusion. Disagreements were resolved by discussion. In 15% of the cases, the judges could not determine whether confusion occurred. For example, in cases in which the respondent indicated that the junior brand had no advantages it was not possible to determine unambiguously that confusion with the senior brand had not occurred. This method of analysis, using two independent judges, is commonly employed for analyzing responses consisting of verbal protocols (e.g., Ericsson and Simon 1984).

   Altogether there were six different choice set versions for each product category, which allowed us to test various factors influencing confusion, including (1) demographic characteristics of the respondents, (2) the degree of awareness of the senior mark, (3) having the junior and senior marks side by side, and (4) the price of the junior brand. The price factor was included to test whether the likelihood of confusing the junior with the senior mark is increased when the price of the

[4]A similar order manipulation was used in the other tasks as well. In all cases, the results showed no statistically significant differences based on order.

junior brand is relatively high, because buyers may expect a well-known brand to charge a premium. Respondents chose between the junior and a competing brand (e.g., between Reo and Keebler cookies), with the junior brand priced equal to or higher than the competing brand; between the senior (e.g., Oreo cookies) brand (at one of two prices) and the same competing brand; or among the senior, junior, and the competing brand (with the junior at one of two prices). Each respondent chose from one of the six choice set versions of each category, using a between-subjects experimental design.

5. *Likelihood of association*—This task was designed to explore the factors that buyers consider when assessing the likelihood that junior and senior marks are connected. Respondents in this task were informed in the introductory instructions that some of the brands that they would see were real and others were fictitious. They were also told that many of the real brands that they would see were only sold in certain parts of the country and may thus be unfamiliar, though they might know the companies that put out these brands. Their task was to evaluate the likelihood that the company that put out the senior brand name would use the junior name for one of its products. For example, in the cookies category, respondents were asked, "In your opinion, how likely is it that the maker of 'Oreo Cookies' would use the name 'Reo Cookies' for one of its products?" They responded by entering a number between 0% (extremely unlikely) to 100% (extremely likely) and then provided explanations for their judgments. These explanations were analyzed and classified by two independent judges, as described previously.

Results

As can be seen in Table 1, there were large differences among the confusion estimates derived from the various techniques. Next, the results of each method are described and contrasted with those derived from other techniques.

1. *Top-of-mind*—The confusion rates in Table 1 were based on the question, "What is the first company that comes to mind?" and the numbers in parentheses were derived from answers to the question, "What is the first thing that comes to mind?" The top-of-mind format generated by far the highest confusion estimates. On average, the confusion rates derived from this survey were about twice as large as the estimates derived from other methods. Name similarity was the most common reason given by respondents, accounting for 81% of those who said that the senior brand was the first company that

Table 1. A Comparison of Likelihood of Confusion Estimates Derived From Different Techniques[a]

Senior Brand	Junior Brand	Top-of-Mind	Company Identification—with other products question	Company Identification—with confidence question	Company Identification Forced-Choice	Simulated Choice	Simulated Choice—as % of senior brand awareness	Simulated Choice—with senior & junior brands side by side
Holiday Inn	Holiday Out (campgrounds)	73% (43%)	20%	24%	12%	6%	8%	3%
Oreo	Reo (cookies)	80 (61)	48	37	12	21	22	3
RCA	RC-CAM (camcorder)	42 (15)	23	33	32	20	24	4
Old Spice	New Spice (deodorant)	73 (64)	28	23	31	33	37	17
Rubbermaid	Plasticmaid (food container)	52 (22)	47	38	24	23	26	5
Dannon	Danfree (light yogurt)	66 (34)	70	55	60	19	22	5
Exxon	Texon (motor oil)	40 (31)	17	15	14			
Hewlett Packard	Packard (PC)	47 (36)	44	53	49	61	65	13
Oral B	Oral Z (toothpaste)	55 (33)	22	16	37	14	23	6
Chicken of the Sea	Tuna of the Sea (tuna)	47 (31)	28	16	37	52	65	18
Panasonic	Wanasonic (VCR)	83 (53)	53	24	7	7	7	3
Rolex	Ronex (watch)	71 (61)	26	16	3	10	10	1
TOTAL		61 (40)	36	29	26	24	28	6

[a]Average figures (across cases) are associated with 1000–1100 observations (individual name figures are associated with 80-90 observations). An average overall) difference between tasks of approximately 4% (using a two-tailed t-test) is statistically significant at the .05 level.

came to mind. The second most common explanation for entering the senior brand's name was the fact that the junior brand seemed like a fake or a cheap imitation of the senior brand.

Analysis of the demographic and product familiarity effects revealed that prior usage of the product, prior purchase of the product, greater stated familiarity with the product, and higher education were associated with a *higher* likelihood of naming the senior brand ($p < .05$ for each effect). For example, those who used the product before were on average 21% more likely to name the senior brand when shown the junior brand name. Older age, on the other hand, was associated with a lower likelihood of naming the senior brand. In other words, according to the top-of-mind survey, consumers with greater product familiarity and experience and those who are better educated are more likely to confuse the junior and senior brands, whereas older consumers are less likely to be confused.

2. *Company identification*—The confusion rates in Table 1 for the two company identification versions were derived on the basis of answers to the question, "Which company do you think puts out [the junior brand]?" One version followed the standard company identification format, including a question about other products put out by the same company. In the other version, respondents were asked how confident they were about the company that put out the junior brand. Generally, the company identification format led to confusion rate estimates that were significantly lower than those derived from the top-of-mind format but slightly higher than the company identification forced-choice and simulated choice estimates. The confusion estimates derived from the version that includes the question about other products were higher, by an average of 7%, than those derived from the company identification version with a question about confidence level. This difference might reflect the influence of the question about other products, which could lead respondents to enter names of companies with other known products (Boal 1983). The average confidence rating of respondents who named the senior brands (or their manufacturers) as the companies that put out the corresponding junior brands ranged between 30% and 70%; in 9 out of the 12 cases, the average confidence rating was less than 50%.

   The most common explanations provided by respondents for their answers about the companies that put out the junior brands were name similarity and the other products put out by these companies. Analysis of demographic and product familiarity effects (across both company identification versions) revealed that respondents who stated that they were more familiar with the products and those who had used the products were *more* likely to name the senior brand as the company that put out the junior brand (i.e., more likely to provide the answers that are counted as indicating confusion), whereas older respondents were less likely to name the senior marks ($p < .05$ for each effect).

3. *Company identification forced-choice*—The confusion rates derived from the company identification forced-choice format, based on the percentage of respondents who thought the junior and senior brands were put out by the same companies, were comparable to those derived from simulated choice and were somewhat lower than the estimates derived from the company identification format. The most common explanations for answers that the two brands were put out by the same company were name similarity, the belief that the junior and senior brands were logical extensions, and the belief that trademark laws would not allow another company to use that name. The most common explanations for answers that the two brands were put out by different companies were name dissimilarity, the junior brand appeared to be a "copycat" or an imitation of the senior brand, and it appeared illogical that the senior brand would use the junior brand name. Analysis of the demographic and product familiarity effects revealed that none of these factors had a significant influence on the likelihood of indicating that the junior and senior brands were put out by the same companies ($p > .1$).

4. *Simulated choice*—The confusion rate estimates derived from the simulated choice format are comparable to those based on the company identification forced-choice format, and they were somewhat lower than the estimates derived from the confidence version of the company identification format.[5] None of the demographic and product familiarity characteristics had a significant effect on the confusion estimates derived from simulated choice ($p > .1$).

   In addition to measuring the absolute percentage of respondents who confuse the junior brand with the senior brand, it might be of interest to calculate the degree of confusion relative to the share of respondents who are aware of the senior brand. Thus, for example, a 5% confusion between a junior mark and a senior mark that is familiar to only 10% of the buyers is clearly more significant than if the senior mark has 90% awareness. The rate of awareness of the senior brands can be estimated in the same way that confusion rates were measured, on the basis of an analysis of the listed advantages of the senior brands in the choice set versions that included these brands (rather than the junior brands) and a competitor. For example, in one of the simulated choice versions in the cookies category, respondents chose between Oreo (rather than Reo) and the competing brand, Keebler. Analysis of the listed advantages of Oreo can be used to determine whether respondents recognized that brand. As can be seen in Table 1, confusion rates calculated relative to the awareness of senior brands were, in most cases, just slightly higher than the absolute confusion rates. However, in some cases (e.g., the toothpaste category), the confusion estimates are significantly higher if the (relatively low) awareness rates of the senior brands (e.g., the 62% awareness of Oral B) are taken into consideration. The last column of Table 1 indicates that showing the junior and senior brands side by side significantly decreased the confusion rate in all cases, from an average of 24% to 6%. Finally, as would be expected, examination of the respondents' choices revealed that confusion between the junior and senior brands significantly increased the probability of choosing the junior brand, from 9% to 56%.

5. *Likelihood of association*—There were wide differences across the 12 cases in terms of the average perceived likelihood that the maker of the senior brand would also use the junior mark, ranging between 10% and 48%. The junior marks that were least likely to be associated with the corresponding senior marks were Ronex (with Rolex), Wanasonic (with Panasonic), and Reo (with Oreo), and the those most likely were RC-Cam (with RCA), Packard (with HP), and Danfree (with Dannon). Over half (56%) of the explanations provided by respondents for their judgments referred to whether it was logical for the company that puts out the senior mark to use the junior mark as well. For example, some of those who perceived low likelihood of association indicated that the junior mark appears as a cheap imitation of the senior mark. Thirty-one percent of the explanations were based on the similarity

[5]With respect to Texon motor oil, it was not possible to determine in many cases whether respondents confused Texon with Exxon or with Texaco, and thus, no simulated choice confusion estimate for Texon is provided.

or dissimilarity of the junior and senior marks, including some who said that the marks were confusingly similar and thus unlikely to be used by the same company.

Discussion

The results of study 1 indicate that LOC estimates are highly dependent on the estimation method employed. Examination of the pattern of LOC estimates derived from the various methods across the 12 cases provides some insights into their unique characteristics and potential biases. The results are the clearest with respect to the top-of-mind format, which rather consistently overestimates the likelihood of confusion, often by a significant amount. Moreover, the derived estimates were negatively correlated with those generated by most other techniques (e.g., in the cases of Ronex and Wanasonic), suggesting that the top-of-mind format ("What comes to mind?") may reveal what comes to mind, but it does not measure confusion. Indeed, 20% of the respondents in the top-of-mind task who named the senior brands (i.e., should be counted as confused) explicitly explained that the brand names given to them appeared to be cheap imitations of the senior marks. In addition, the finding that the likelihood of confusion estimates derived from the top-of-mind format tend to be higher among consumers who are better educated and have greater product familiarity raises further doubts about the suitability of this method for measuring LOC.

The company identification format ("Who puts out this brand?") is superior to the top-of-mind format in that it directly addresses the question of confusion and it does not present the junior and senior marks side by side as in the company identification forced-choice format ("Are these put out by the same or different manufacturers?"). Compared with simulated choice, the company identification format provides an estimate of likelihood of confusion that does not require any judgments. On the other hand, the results in the confidence version of the company identification format indicate that many of the responses are associated with relatively low confidence. Thus, answers that indicate confusion might be based on weak hypotheses that would not have influenced actual buying decisions. This explanation is supported by the finding that those who have greater familiarity with the product category were more likely to confuse the junior and senior marks, which suggests that respondents tried to demonstrate their knowledge by providing the names that appeared to be the best guesses. On the other hand, the company identification format may underestimate the LOC in cases in which the junior and senior names are confusingly similar, but it appears illogical that the maker of the senior brand will also use the junior mark. For example, the company identification estimate for Tuna of the Sea was lower than the estimates derived from all other techniques. Apparently, many respondents realized that the maker of Chicken of the Sea would be unlikely to use the name Tuna of the Sea. However, consumers in the marketplace may fail to distinguish the two marks and buy Tuna of the Sea thinking they are buying Chicken of the Sea.

The company identification forced-choice format generated confusion estimates that were relatively close to those derived from other formats, especially simulated choice. A limitation of the company identification forced-choice format is that, unlike most purchase situations, respondents are shown the junior and senior marks side by side. Consequently, even respondents who are unaware of the senior mark and thus could not have confused the two in actual purchase situations might still indicate that the two marks are put out by the same company. This limitation can have a significant effect on confusion estimates when the awareness level of the senior mark is low. For example, among all senior names used in the present research, Oral B had the lowest recognition level.[6] As shown in Table 1, the company identification forced-choice confusion estimate for Oral Z was higher than the estimates derived from other formats (excluding top-of-mind). This finding suggests that some of those who indicated that Oral Z and Oral B were put out by the same company would not have thought about Oral B had it not been mentioned in the question.

An advantage of the simulated choice technique and some other experimental approaches is that it infers confusion from the behavior of respondents who perform a task that is similar to actual marketplace choices. The task does not focus on the trademarks and is thus less likely to elicit responses and considerations that would not have occurred in the marketplace. It is also capable of capturing both confusion that results from buyers' inability to distinguish between the two marks and confusion based on beliefs that the junior mark is a line extension or is sponsored by the maker of the senior mark. Although study 1 focused on confusion between brand names, the simulated choice task can also be used with actual products in case the researcher is interested in other sources of confusion. In addition, as shown in this research, the simulated choice technique allows the researcher to collect other pertinent information regarding various influences on the likelihood of confusion.

On the other hand, to apply simulated choice effectively, the researcher should be able to determine unambiguously, on the basis of the respondents' brand evaluations, whether confusion between the junior and senior marks occurred. Such questions might include an evaluation of the advantages and disadvantages of each brand, what if anything respondents know about the quality of other products made by the same company, whether they had any previous experience with these brands, what they know and think about its advertising, and so on. In this study's preliminary application of simulated choice, brand evaluations consisted of listing the advantages of each alternative. Indeed, in 15% of the cases, the judges could not unambiguously determine whether confusion occurred. Furthermore, the simulated choice estimate in the case of Danfree seems too low, suggesting that additional brand evaluation questions might have resulted in a higher confusion estimate.

In summary, the results of study 1 show that the method used for estimating the LOC often has a major impact on the outcome of the investigation. However, as the analysis illustrates, the characteristics of each technique can provide insights into its specific advantages and limitations and thus allow us to make better judgments as to which method(s) are most suitable in particular cases.

[6]Determined on the basis of a pilot study in which 81 consumers rated the senior brands in terms of their quality reputation, how well known they were, and how distinctive the names were.

Study 1 also provides insights into the meaning of trademark confusion. It suggests that treating confusion as a 0-1 variable that is either present or absent is an oversimplification, which accounts for at least part of the differences among the various measures. As the results in the company identification–confidence task suggest, consumers who see a trademark that appears similar to another familiar trademark may form a hypothesis that the two are connected, but they are often highly uncertain about that connection. Whether they take the connection between the marks in consideration when evaluating the junior brand probably depends on the strength of confusion or the degree of confidence about the connection. The notion that consumers form hypotheses, associated with different levels of confidence about a connection between a junior and a senior mark complicates the measurement of LOC, because of the difficulty of assessing the strength of confusion and whether it will affect actual purchase decisions.

Similar measurement issues arise with respect to genericness, as discussed previously. Study 2 presents an empirical investigation of alternative methods for assessing genericness.

Study 2: A Contrast of Alternative Methods for Assessing Genericness

As noted previously, court decisions regarding genericness are often based to a large extent on the results of market surveys. Thus, the selection of a genericness survey measure might determine whether a dominant brand in a product category will continue to be a valuable asset of the company that introduced it or become a generic term that is free for all to use. In addition to the two primary methods for assessing genericness, purchase encounter ("What would you ask for?") and classification ("Classify each word as a brand or common name"), several variations of these methods are presented and examined. Study 2 was designed to contrast these methods, explore the factors underlying the differences among them, and provide insights into their advantages and limitations as measures of genericness.

Method

The respondents in this study were 518 consumers, between 20 and 75 years of age, with about an equal number of men and women. The respondents, who received $2 for their participation, included visitors to a popular science museum, shoppers intercepted at the exit of a supermarket, and members of a community group. Each respondent was randomly assigned to one of six tasks, including the purchase encounter and classification formats and the four alternative techniques presented previously. The respondents received an explanation of their task and then evaluated eight cases, most of which were the subject of previous genericness disputes, including Thermos, Teflon, Super Glue, Monopoly, Band-Aid, Jell-O, Walkman, and Kleenex.

Appendix B presents an example of the various tasks. The purchase encounter task followed the standard format, using the product descriptions presented in Appendix C. The classification task also followed the standard procedure, with the list of terms including a few additional names (e.g., margarine, Magnavox), which were expected to be perceived uniformly either as common or brand names (designed primarily to check whether respondents understood their task).

In the purchase encounter with brand questions task, two questions were added to the standard purchase encounter format: (1) the specific brand that they would ask for and (2) the manufacturers of the product and brand names in this product class with which they were familiar. In the purchase encounter with store brands task, designed to assess whether respondents refer to a brand when answering the question, "What would you ask for?" the third and fourth purchase encounter questions were restated as follows: (3) "Suppose that the store that you selected to purchase [the product] carries only its own store brand (e.g., 'Sears' may only carry the 'Kenmore' store brand in some product categories) and no other brands. What would you ask for in that store to get [the product]—that is, what would you tell the clerk you wanted?" and (4) "Can you think of any other words that you might use in that store to ask for [the product]?"

The classification based on name usage task included a similar introduction as standard classification. Respondents were then told that people sometimes use a brand name as a common name or use a common name as a brand name, and examples were provided. The task was to indicate for each name whether it was used mainly as a brand name, mainly as a common name, both as brand and common names with about equal frequency, or at all. Respondents were then given the standard classification task, with the same name that they classified in the first part, and asked to follow the dictionary definitions of brand and common names provided to them. Finally, the introduction to the combined classification–purchase encounter task, which includes elements of both the purchase encounter and classification formats was the same as in the classification task. Respondents were then given the same descriptions as in the purchase encounter task and asked about common names for each product and about brand names used in the product category.

Results

As can be seen in Table 2, the various methods generate very different estimates of the degree to which the names are used and classified as generic terms. The purchase encounter task and its two variants generated the highest estimates of generic use, with an average across the eight terms of 80%–83%. By contrast, in the classification task the terms were classified as common names in only 23% of the cases. The classification based on name usage and the combined classification–purchase encounter method generate intermediate estimates, with an average of 52%. Most of the difference between the two latter methods and purchase encounter appears to be accounted for by respondents who used the terms as both brand and common names. The results in each task follow.

1. *Purchase encounter*—With this method, generic use is determined on the basis of answers to the questions, "What would you ask for?" and "Can you think of any other words that you might use?" Across the eight cases, 83% of the respondents indicated that they would ask for the "disputed" terms (e.g., Thermos). Forty-six percent of the respondents, on average, provided another generic name (other than the disputed term) that they might use to describe the products in question.

Table 2. The Effect of Survey Method on Assessments of Genericness[a]

	Purchase Encounter		Purchase Encounter with Brand Questions				Purchase Encounter with Store Brands		Combined Purchase Encounter—Classification			
Name	% Using as Common Name	% Giving Another Common Name	% Using as Common Name	% Using Another Common Name	% Using as Brand Name	% Using as Both Common & Brand	% Using as Common Name	% Using Another Common Name	% Using as Common Name	% Using Another Common Name	% Using as Brand Name	% Using as Both Common & Brand
Thermos	78%	18%	81%	23%	50%	38%	76%	15%	59%	16%	50%	36%
Teflon	73	70	65	59	29	19	71	61	50	43	48	24
Super Glue	56	33	61	25	32	26	51	27	36	12	34	14
Band-Aid	90	56	89	36	47	40	89	45	55	39	69	33
Jell-O	96	54	92	59	73	68	90	56	53	51	85	44
Kleenex	88	82	83	76	73	62	86	79	52	68	80	42
Monopoly	93	7	91	8	36	34	94	5	59	13	67	31
Walkman	89	47	84	52	22	17	79	46	50	40	52	21
Average	83	46	81	42	45	34	80	42	52	35	60	31

	Classification		Classification Based on Name Usage				
Name	% Who Classified as Common Name	% Who Classified as Brand Name	% Who Use Mainly as Common Name	% Who Use Mainly as Brand Name	% Who Use Equally as Common and Brand Name	% Who Use Mainly as Common Name but Classify in Std Teflon as Brand	% Who Use Equally (as Com. & Brand) and classify in Std Teflon as Brand
Thermos	33%	62%	68%	1%	17%	43%	13%
Teflon	43	53	55	13	16	37	11
Super Glue	31	66	53	25	19	36	14
Band-Aid	19	81	57	11	30	43	26
Jell-O	14	86	48	11	34	42	30
Kleenex	5	95	55	8	32	40	23
Monopoly	10	81	16	60	20	13	12
Walkman	32	68	60	11	26	37	20
Average	23	74	52	17	24	36	19

[a]Average genericness figures are associated with about 650 observations (individual name figures are associated with 80–85 observations). An average (overall) difference between tasks of approximately 5% (using a two-tailed t-test) is statistically significant at the .05 level.

2. *Purchase encounter with brand questions*—The estimates of generic use derived from this method were similar to those derived from the purchase encounter format, which indicates that the fact that respondents expected to answer questions about brand names did not affect the obtained estimates of generic use. Forty-two percent of the respondents, on average, provided another product name that they might use to ask for the described products; 45% of the respondents, on average, provided the disputed names as brand (or manufacturer) names; and 42% of the respondents used the marks as both generic terms and brand names.
3. *Purchase encounter with store brands*—The average genericness estimate in this version, 80%, is similar to that derived from the standard purchase encounter survey, which indicates that the likelihood of generic use of the disputed terms is not significantly affected by knowledge that the specific brands are not available at the store. On average, 42% provided another product name that they might use to ask for the described products.
4. *Classification*—The terms were classified as common names in only 23% of the cases, representing about one-third of the average estimate of generic use derived from all other methods.
5. *Classification based on name usage*—This method generated estimates of generic use that were more than twice as large as those derived in the classification task. If respondents who indicated that they were using the marks as both common and brand names are included, the average estimate of generic use climbs to 74%, which is much closer to the purchase encounter than to the classification estimate. The two classification variants, however, generated similar estimates with respect to marks, such as margarine and Magnavox, whose use as common or brand names is more uniform (85%–100% of the respondents in these two tasks who classified the names assigned them to the expected type).

Note also in Table 2 that, in 36% of the cases (or 69% [= 36%/52%] of those using the terms mainly as common names), respondents indicated they were using the marks as common names, but answered that these marks were brand names when given a standard classification task and instructed to follow the provided definitions of common and brand names. Finally, the shares of classifications as common

names in the second part of the task (in which respondents were instructed to follow the provided definitions) were similar to those generated in the standard classification task. This result supports the proposition that respondents who are given a classification task follow the provided definitions rather than focus on the significance of the terms to them personally.

6. *Combined classification–purchase encounter*—The average share of respondents who provided the disputed names as common names, 52%, was between the estimate of generic usage in the purchase encounter task and the share of classifications as common names in the classification task. Thirty-five percent of the respondents provided another product name. On average, 60% of the respondents (compared with 45% in the purchase encounter with brand questions task) provided the disputed names as brand names. In 31% of the cases, respondents listed the terms as both brand names and common names. In other words, 60% (31%/52%) of those who indicated the marks as common names also listed them as brand names.

Discussion

As was the case with LOC estimates, the results of Study 2 demonstrate that the outcomes of investigations designed to assess genericness are highly dependent on the method employed. For example, the average difference between the estimates derived from the purchase encounter and classification tasks was 60% (83% versus 23%). The method-sensitivity problem in the case of genericness is further complicated by the ambiguity about what genericness means, what must be measured, and how survey results should be interpreted.

If each name had only one meaning for each consumer, as a generic term or as a trademark, then assessing genericness would be simple. Unfortunately, many of the words that are the subject of genericness disputes function as both generic terms and trademarks (e.g., Folsom and Teply 1988). The extent of this phenomenon, as demonstrated in this research, is too large to be ignored, and it might explain many of the observed differences among alternative methods for assessing genericness. In many cases, buyers use trademarks as generic terms, not only casually and for convenience purposes, but because they apparently do not know other effective ways to communicate the type of product they seek.

It could be argued that the trademark meaning of dual functioning names should be controlling, and it would be unfair to penalize highly successful brands for establishing themselves as product categories' exemplars (e.g., Swann 1979; Swann and Palladino 1988). Thus, evidence of substantial trademark significance, even if the name is also used generically, might be sufficient for determining that the disputed term is a trademark. Still, the law focuses on the "primary significance" of the names to the public, which suggests that in situations in which the generic meaning and use are more prominent, it would be inappropriate to consider solely the trademark meaning, and only limited trademark protection may be justified. Finally, if the generic use is clearly dominant, though buyers are aware that the name was originally a trademark, it appears that the primary significance should be determined on the basis of the actual usage rather than on the "theoretical" knowledge of the name's origins.

This discussion suggests that genericness measures should identify (1) the share of buyers for whom the disputed name has just one meaning as a generic term or a trademark, (2) the share of buyers for whom the disputed name has a dual meaning, (3) which meaning of dual functioning names is more commonly used, and (4) the share of buyers who are aware of another generic term for the product besides the disputed name. This information, in combination with other relevant factors, can then be used when forming an overall judgment about genericness.

The lack of clear definition and criteria for assessing genericness is reflected in the variety of techniques that have been accepted by courts, which focus on different aspects of the disputed names. The most often-cited drawback of the purchase encounter format is that, when answering the question "What would you ask for?" respondents may provide a specific brand name (e.g., Leiser and Schwartz 1983; McCarthy 1984). However, the results in the purchase encounter with store brands task indicate that this does not appear to be the case. Knowing that the stores only carried their store brands did not affect the likelihood of asking for the disputed names. A more significant limitation is that the basic purchase encounter survey (without brand questions) measures only the generic use of the names.

In contrast, the classification format focuses attention on the provided dictionary definitions of common and brand names, which leads respondents to believe that they should follow these definitions rather than focus on the significance of the names to them personally. For example, a respondent who knows that Thermos was originally and may still be a trademark yet uses that name only as a generic term is likely to classify it as a brand name on the basis of the provided definitions of common and brand names. This effect is illustrated by the results in the classification based on name usage task, in which 69% (=36%/52%) of the respondents who had indicated that they used the names mainly as common names classified them as brand names in a follow-up classification task.

It might be argued that this problem is unavoidable, because any genericness survey must begin with an explanation of the difference between common and brand names. However, the experience in this and many other studies that require respondents to distinguish between products and brands indicates that the overwhelming majority of consumers know the difference between a product type and a brand name (though the term *common name* may be unfamiliar). Thus, the provided explanations are redundant in most cases, and it is doubtful that their contribution justifies the risk of creating serious demand characteristics. Another concern about the classification format, as suggested previously, is that it is likely to encourage guessing, which is expected to further favor classifications as brand names. Thus, the standard classification technique tends to underestimate the generic significance of disputed terms greatly.

Three of the methods included in this research, purchase encounter with brand questions, classification based on name usage, and combined classification–purchase encounter, provide much of the needed information for assessing genericness. On the basis of the results in the purchase encounter with brand questions task, one can estimate the

share of buyers who (1) understand (and use) the disputed term as a generic term, (2) are aware of other generic terms, (3) understand the term as a brand name, and (4) understand the term as both a generic term and a brand name.

Similar information is provided by the combined purchase encounter-classification method. Compared with classification, this task has the advantage that it requires respondents to generate common and brand names rather than classify provided names, thus reducing the likelihood of guessing. However, because the task begins with the dictionary definition of common and brand names, there is still a concern about demand characteristics. Finally, the classification based on name usage method provides information about (1) the primary usage of each term as common and/or brand name, (2) respondents' knowledge of the original meaning of the name, and (3) the share of respondents for whom the answers to (1) and (2) are inconsistent. Future applications of this method might add the response categories "use only as a common name" and "use only as a brand name."

Conclusion

Consumer surveys have been increasingly employed in investigations of public policy and legal issues, and they play a critical role in such areas as the valuation of public goods and deceptive advertising. In the area of trademark infringement, surveys are now routinely employed to prove likelihood of confusion and genericness, and a failure to introduce a survey into evidence often leads to harsh criticism by the courts (Evans and Gunn 1989). This is certainly a positive trend, which allows making decisions based on direct consumer input, instead of relying on one's judgment of how consumers respond to particular stimuli.

At the same time, the use of consumer surveys in trademark infringement and other public policy matters presents new challenges and can lead to false conclusions. Researchers have long recognized the limitations and potential biases of surveys that are not properly designed and executed (see, e.g., Biemer et al. 1991), and a set of standards has been developed with respect to the conduct of surveys that are acceptable in litigation (see review in Morgan 1990). However, although following these standards may be necessary, it is not sufficient, and different survey methodologies that appear compatible with the current standards could often lead to systematically different results. For example, one might conduct a purchase encounter survey and a classification survey, both complying with all of the standards, yet obtain very different estimates.

This research suggests that a major reason underlying these discrepancies is the ambiguity and fuzziness of the consumer states (e.g., confusion) and responses being measured. For example, it has typically been assumed that for any pair of trademarks, consumers are either confused or not confused. However, in many cases, consumers may recognize some similarity or other relation between trademarks (e.g., between Reo cookies and Oreo cookies) but assign a low likelihood to the hypothesis that the two are put out by the same company. Thus, there are different levels of confusion, and it is difficult to identify a precise threshold level above which confusion "occurs." Furthermore, most current measures of LOC elicit responses to questions about trademarks without assessing the degree of confidence associated with those responses and whether they are indicators of likely confusion in actual purchase decisions. With respect to genericness, identifying a "correct" measure is even more difficult, because of the ambiguity about the term *primary significance* and the public's understanding of the term and the fact that many of the disputed terms are used as both brand names and generic words. This ambiguity about confusion and genericness increases the sensitivity to survey type, because different methods tend to focus on different aspects of these constructs. For example, a purchase encounter survey focuses on the generic use of the term, whereas a classification survey tends to elicit the trademark use.

Other factors appear to account for the differences among methods that have been used for estimating LOC and genericness, including differences in the respondent's task. Some of these tasks (e.g., top-of-mind, classification) have little in common with the real-world tasks that buyers perform in the marketplace, which makes it more difficult to assess the applicability and relevance of the survey results. On the other hand, although tasks such as simulated choice and purchase encounter with brand questions involve hypothetical tasks, they at least attempt to simulate the essential characteristics of actual purchase decisions (while maintaining experimental control) and thus provide more direct evidence of LOC and genericness, respectively. Alternative measures also differ in terms of their susceptibility to demand characteristics, with some of the measures (e.g., top-of-mind, classification) appearing to suggest to respondents how they should answer the questions posed to them.

The finding that the outcomes of surveys are very method dependent is particularly disturbing when surveys are used as tools in legal, public policy, and other disputes, because the parties can select the method that favors their position. Furthermore, each side can usually find some flaws in the survey of the other side, and judges and public policymakers then have the difficult task of comparing and evaluating the significance of these methodological flaws. This, of course, does not imply that surveys should not be used in disputes to support or reject arguments. It does, however, suggest that each survey method should be carefully studied to get a better understanding of its unique characteristics relative to alternative methodologies (see Churchill 1979 for a discussion of methods for developing better measures of marketing constructs). Specifically:

1. The consumer state (e.g., confusion, being deceived) or response (e.g., contingent valuation of public goods) being measured should be clearly defined, and the criteria for establishing that a consumer is in that state must specified.
2. In light of (1), each of the existing and new measures must be analyzed to understand how the respondent's task addresses the issue being studied (as was done in the present research).
3. Each task can also be empirically contrasted with alternative measures to gain insights into any systematic tendencies and biases of that method.
4. In each application of a measure, benchmarks must be set that will allow one to determine the "noise" or "error" level. For example, in an application of the company identification forced-choice format (e.g., with Oral B toothbrush and Oral Z

toothpaste), one could show respondents the senior mark (Oral B) with a few other marks (one at a time) from the same product category as the junior mark but which bear no resemblance to the senior mark (e.g., the Crest and Colgate brands of toothpaste). The average share of respondents who indicate that the senior mark and the nonsimilar marks are put out by the same company can be used as an estimate of the "error" or guessing level and thus provide the zero point for the confusion estimate between the junior and senior marks in question.

5. As methodology experts have long recommended (e.g., Campbell and Fiske 1959), whenever possible, researchers should use more than one measure, because all measures are flawed. Thus, for example, when assessing LOC or genericness, one can reduce the severity of the method sensitivity problem by using, whenever possible, two estimation methods rather than just one. For example, genericness can be estimated using both purchase encounter with brand questions and combined purchase encounter-classification. It should be recognized that different techniques are expected to generate different estimates, but the combination of two estimates derived from two viable methods is likely to be closer to the "true" value.

Such investigations and research practices will improve our understanding of trademark infringement and other public policy matters and can lead to the development of generally accepted and mandated measurement techniques. This, in turn, will enable decision makers to form judgments and reach conclusions that are less dependent on the particular method used for eliciting buyers' responses

Appendix A. Example of the Likelihood of Confusion Survey Methods Tested in Study 1

Top-of-Mind

Product Category: VCR (4-head, 30 day/4 event, on screen program., remote, $259)
Brand Name: WANASONIC
(a) What is the first thing that comes to mind when looking at this brand name?
(b) What was that about the brand name that made you say that? _____
(c) What is the first company that comes to mind when looking at this brand name?
(d) What was that about the brand name that made you say that? _____

Company Identification

Product Category: VCR (4-head, 30 day/4-event, on-screen program, remote, $259)
Brand Name: WANASONIC
(a) Which company do you think puts out this brand? _____
(b) What makes you think so?
(c) Name other products, if any, put out by the same company which puts out WANASONIC VCR: _____

Company Identification—Confidence Version

Product Category: VCR (4-head, 30 day/4-event, on-screen program, remote, $259)
Brand Name: WANASONIC
(a) Which company do you think puts out this brand? _____
(b) How confident are you about the company (0–100%)? ____
(c) What makes you think so?

Company Identification Forced-Choice

Product Category: VCR (4-head, 30 day/4-event, on-screen program, remote, $259)
(a) Do you think "WANASONIC" VCRs and "PANASONIC" VCRs are made by the same or different companies?
SAME DIFFERENT
(b) What makes you think so? _____

Simulated Choice*

Product Category: VCR
Imagine that you would like to buy a 4-head VCR, with on-screen programming, 1 month/4 event timer, and remote control. At the store you have a choice between the following two brands:

WANASONIC	GOLDSTAR
(Price: $259)	(Price: $259)

1. **Advantages of "WANASONIC":** _____
2. **Advantages of "GOLDSTAR":** _____
3. **Which of these brands would you buy?** _____

*In other versions of the simulated choice format (evaluated by different groups of respondents) the Panasonic brand appeared instead of Wanasonic, or both Panasonic and Wanasonic (as well as Goldstar) were included in the choice set (see description in text).

Appendix B. Example of the Genericness Survey Methods Tested in Study 2

Purchase Encounter

1. Are you familiar with the type of **container that is used to keep liquids, like soup, coffee, tea and lemonade, hot or cold for a period of time?** (circle one)
YES NO
2. If you were going tomorrow to buy one of these containers—that is, the type that keeps liquids hot or cold—what type of store would you select to make your purchase?
Store Type: _____
3. What would you ask for—that is, what would you tell the clerk you wanted?
I would ask for _____
4. Can you think of any other words that you might use to ask for a container that keeps liquids hot or cold?
Other words for this product _____

Purchase Encounter with Brand Questions

Questions 1–4: Identical to the purchase encounter task (above).

5. What specific brand name (or trademark) in this product class would you ask for? _____
6. What manufacturers making these containers and what brand names (or trademarks) used on these containers that keep liquids hot or cold are you familiar with?
   Manufacturers/Brands of these containers: _____

Purchase Encounter with Store Brands

Questions 1–2: Identical to Questions 1 and 2 of the purchase encounter task (above).

3. Suppose that the store that you selected to purchase this container (that keeps liquids hot or cold) **carries only its own store brand** (for instance, "Sears" may only carry the "Kenmore" store brand for some products) and **no other brands**. What would you ask for **in that store** to get this container—that is, what would you tell the clerk you wanted?
   I would ask for _____
4. Can you think of any other words that you might use in that store to ask for a container that keeps liquids hot or cold? Other words: _____

Classification

There are two ways to name products sold on the market. First, there is the **common name** for the product class, the common name by which you refer to all products that are of a certain type or class. Second, there is a **brand name**, the brand of a particular company that makes a particular product in that class.

An example is the Chevrolet brand of automobiles. Chevrolet is a brand name of a particular automobile; automobile is the common name by which we refer to all brands that are in this class.

So, if you were asked, "Is Pontiac a brand name or a common name?" what would you say? _____

Now, if you were asked, "Is washing machine a brand name or a common name?" what would you say? _____

Next, we will show you different names and ask you to indicate for each one whether it is a common name, a brand name **(for each name, mark one of the three options**—BRAND, COMMON, or DON'T KNOW).

NAME	BRAND	COMMON	DON'T KNOW
THERMOS	____	____	____
MAGNAVOX	____	____	____
TEFLON	____	____	____
TOASTER	____	____	____
SUPER GLUE	____	____	____
MONOPOLY	____	____	____
MARGARINE	____	____	____
BAND-AID	____	____	____
JELL-O ____	____	____	
REFRIGERATOR	____	____	____
WALKMAN	____	____	____
ASPIRIN	____	____	____
KLEENEX	____	____	____

Classification Based on Name Usage

(Introduction through the washing machine example—identical to Classification; followed by:)

"In everyday use, unlike the dictionary definitions, we sometimes use a brand name and actually mean a common name or we use a common name and actually mean a brand name. For example, we may ask for "Levi" and actually mean that we want a pair of jeans; or we may say that we need to use the "Xerox" machine and actually mean a copier. In other situations, we might say that we want jeans and actually mean that we want "Levi" jeans; or we might ask for cola and actually mean that we want "Coke."

We will show you different names and ask you to indicate for each one **whether you tend to use it mainly as (1) a common (product) name, or as (2) a specific brand name, or (3) you are using it both as a common name and as a brand name with about equal frequency. There are no right or wrong answers—we are only interested in how you personally are using these names.**

NAME	I USE IT MAINLY AS A BRAND NAME	I USE IT MAINLY AS A COMMON NAME	I USE IT BOTH AS BRAND AND COMMON NAMES	I NEVER USE THE NAME
THERMOS	____	____	____	____
MAGNAVOX	____	____	____	____
TEFLON	____	____	____	____
TOASTER	____	____	____	____
SUPER GLUE	____	____	____	____
MONOPOLY	____	____	____	____
MARGARINE	____	____	____	____
BAND-AID	____	____	____	____
JELL-O	____	____	____	____
REFRIGERATOR	____	____	____	____
WALKMAN	____	____	____	____
ASPIRIN	____	____	____	____
KLEENEX	____	____	____	____

Above you were asked how you personally use different names. **Next**, we will show you the same names and ask **whether each name is a brand name or a common name according to the dictionary definition** of brand and common names. Remember that Chevrolet or Sony are examples of brand names, whereas automobile or television are examples of common names (*followed by the standard classification task*).

Combined Purchase Encounter—Classification

Introduction: Identical to classification task through the washing machine example. Followed by:

Next, you will be given descriptions of different products and asked to indicate:
(a) what is the common name for this product? (b) what other common names for this product, if any, you are aware of? and (c) what brand names are used on this product.

Product 1: A type of container that is used to keep liquids, like soup, coffee, tea, and lemonade, hot or cold for a period of time:

(a) **Common name** for this product: _____

(b) **Other common names** (if you are aware of any): _____

(c) **Specific brand names** used on this product: _____

Appendix C. Product Descriptions Used in Purchase Encounter and Related Methods

Thermos: A type of container that is used to keep liquids, like soup, coffee, tea, and lemonade, hot or cold for a period of time.

Teflon: A type of substance that manufacturers sometimes apply to surfaces of kitchen pots and pans in order to prevent food from sticking to them.

Super Glue: A specially formulated adhesive that comes in very small tubes and is used for the most difficult jobs.

Monopoly: A board game in which players buy, sell, mortgage, trade city streets and utilities, build houses, collect rents, and win by bankrupting other players.

Band-Aid: A small adhesive strip with a gauze pad used for covering minor wounds.

Jell-O: A gelatin dessert usually with the flavor and color of a frui

Walkman: A small portable radio cassette player with heac phones, which can be carried by hand or hung on the belt.

Kleenex: A facial tissue that is used to blow one's nose and is ofte kept in the bathroom or bedroom.

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IS0000074