STATEMENT OF RICK WILSON
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Executive Summary

Recently, the Office of Foreign Assets Control and the Patent and Trademark Office suddenly and without explanation reversed decades of U.S. policy and permitted Cuba to renew its registration in the HAVANA CLUB mark for rum despite the fact that Cuba confiscated the Havana Club rum business from its original owner by gunpoint in 1960 without compensation. This decision by the Administration is unprecedented as it will upend well-settled U.S. law and policy, and Congressional intent, which protects the owners of intellectual property ("IP") from having their IP and other assets confiscated by foreign governments without compensation by, among other things, preventing recognition of such governments' claims in United States trademark registrations.

Introduction

Mr. Chairman, good afternoon, my name is Rick Wilson. I am the Senior Vice President, External Affairs and Corporate Responsibility for Bacardi-Martini, Inc. I am here today to testify about the recent decision of the Department of Treasury, Office of Foreign Assets Control ("OFAC"), to issue a license to a Cuban-owned company, Cubaexport, authorizing it to renew its HAVANA CLUB trademark registration, and the recent decision of the Patent and Trademark Office ("PTO") to approve that renewal 10 years after the statutory deadline. These decisions are unprecedented and shocking because they undo decades of United States law and policy by approving Cuba's efforts to capitalize on, and traffic in, stolen assets.

History of Jose Arechabala, S.A. and Havana Club

Jose Arechabala S.A. ("JASA") was a Cuban corporation founded in 1878 and owned privately by members of the Arechabala family. JASA produced "Havana Club" rum and owned the trademark HAVANA CLUB for use with its rum, which it exported to the United States beginning in 1934. In 1960 armed forces of the Cuban government, under the leadership of Fidel Castro, forcibly seized all of JASA's assets without compensation, throwing family members in jail or forcing them to flee the country with only the shirts on their backs. Mr. Ramon Arechabala, who was present in Cuba when Cuban armed forces took his family's properties previously testified in front of the Senate Judiciary Committee in 2004 about these horrific events. He has since passed away. His son, Miguel Arechabala, cannot be here today but will be submitting a statement for the record, if permitted. There is no dispute that Cuba confiscated the Havana Club rum business - this fact has been affirmed by every Court to address the issue over the years including the Second, Third, and D.C. appellate courts.

After forcing the Arechabala family into exile and stealing all of their assets, the Cuban government waited – and in 1976, after JASA's U.S. trademark registration lapsed, Cuba stepped in and registered the mark for itself. At that time, Cuba did not need an OFAC license to obtain a

trademark registration. Understandably, while trying to rebuild their lives in exile and with no money or other resources, the Arechabala family was unable to renew its HAVANA CLUB registration in the United States. While Cubaexport could not sell rum in the U.S. due to the embargo, it started selling HAVANA CLUB rum in Communist-bloc countries.

While JASA did not have the resources to fight Cuba, Bacardi did. In 1995, it purchased JASA's rights to the trademark and applied for its own OFAC license to effectuate the transfer of the Havana Club trademark from JASA to Bacardi. On or about December 1996, OFAC granted that license in part because "no benefit will accrue to Cuba or a Cuban national based on Bacardi's acquisition of the assets and rights of JASA." In the 1990s, Bacardi continued selling HAVANA CLUB rum in the United States, and still does today.

Cuban Government Lies and OFAC Actions/Denials

Cuba's first misrepresentation occurred when it applied to register the HAVANA CLUB mark in 1976. It failed to inform the PTO that JASA was the true owner of the mark and that Cuba had forcibly confiscated JASA's assets without compensation. Then, in the mid-1990's, in a knowingly illegal and unauthorized transaction, Cuba purported to transfer its ownership in the HAVANA CLUB mark, and all of its stolen rum business assets, to Havana Club Holdings S.A. ("HCH"), a joint venture company half-owned by Pernod Ricard, a French liquor company. OFAC initially authorized this transaction based on a fraudulent license application which claimed that the "assignments were part of a reorganization of the Cuban rum and liquors industry and each of the assignors and assignees are nationals of Cuba." The application failed to mention that HCH was half owned by non-Cubans and that the purpose of the assignment was to engage in a global commercial enterprise that would financially benefit the same Cuban regime that expropriated JASA's assets. Upon learning of the deceit a few years later, OFAC retroactively rescinded the license and the transfer of the trademark registration was therefore voided *ab initio*. OFAC's reason for rescinding the license was clear – to prevent Cuba from profiting off of stolen property by selling ownership rights in an illegally obtained U.S. trademark registration.

Having failed to obtain OFAC approval to transfer this registration to the Pernod Ricard/Cuban government joint venture, the Cuban government was faced again in 2006 with needing to renew its illegally obtained registration. It applied for a special license and OFAC refused to grant such license stating: "We have received guidance from the State Department informing us that it would be inconsistent with U.S. policy to issue a specific license authorizing transactions related to the renewal of the HAVANA CLUB trademark." And indeed it was.

But there should be no mistake, although the U.S. registration is now purportedly placed in the hands of Cuba, the stolen rum business is still in the hands of the joint venture and is being exploited around the world by Pernod. Indeed, Pernod's general counsel recently was quoted in the press, stating that "*we* are obviously very pleased that *we* could renew the Havana Club registration." These comments suggest that Pernod and the Cuban government have continued to participate in a joint economic venture despite OFAC's 1997 denial of the assignment of the U.S. registration. On that basis, it is very possible Cubaexport has, or will soon again, seek an additional license from OFAC to effectuate the transfer that was denied two decades ago, hoping to finally achieve the unjust transfer of the HAVANA CLUB registration to a joint venture that

effectively would reward the Cuban government with money for its confiscation when it has failed to compensate the original owners.

The CACR, Section 211, and Fundamental Principles of U.S. Law

The Cuban Assets Control Regulations ("CACR"), which implement the trade embargo against Cuba, *prohibit all transactions* involving property, including trademarks, in which Cuba, or any national thereof, has any interest of any nature whatsoever, direct or indirect, except as specifically authorized by the Secretary of the Treasury. The CACR provided a general license for trademark registration and renewal by Cuban nationals. However, this allowed a loophole for the Cuban government to register and renew trademark registrations for marks created or owned by private businesses in Cuba which were confiscated by the Castro government. As this Committee no doubt is aware, Congress took action to close this loophole by passing Section 211 of the Omnibus Appropriations Act of 1998 which ensures that the general license in the CACR cannot be used by foreign states, like Cuba, to register marks associated with businesses that were confiscated without compensation. Section 211 has been critical to the efforts of the Arechabala's, Bacardi – and other companies – to ensure that Cuba does not profit off of stolen property, especially through U.S. trademark registrations and renewals. Section 211 rescinds the general license for trademark registration and renewal of marks that were used in connection with a confiscated business and prohibits courts from recognizing Cuba's rights in confiscated property.

The purpose of Section 211 is simple: to deny giving effect to Cuba's claims to illegally confiscated property in the United States. As the District Court for the Southern District of New York explained in interpreting Section 211(b), "Congress made clear its intention to repeal rights in marks and trade names … where those marks and trade names" were used in connection with a confiscated business. *Havana Club Holding, S.A. et al. v. Galleon, S.A. at al.*, 62 F. Supp. 2d 1085 (S.D.N.Y. 1999).

The United States itself has explained the purpose of Section 211 in a submission to the World Trade Organization ("WTO"): "[I]t is a fundamental principle of U.S. law … that a State need not, and will not, give extraterritorial effects to foreign confiscations, including with respect to trademarks. Section 211 was enacted to reaffirm this principle in respect of trademarks, trade names and commercial names used in connection with businesses confiscated by Cuba, and to reaffirm and clarify the rights of the legitimate owners of such marks and names." *See* First Submission of the United States to the WTO, ¶ 13 (December 21, 2000). Section 211 voids any registration of a confiscated trademark by the confiscating entity because "the trademark application is invalid since the owner of the mark did not apply for registration." *Id.* at ¶ 19.

Thus, as stated above, when the HAVANA CLUB registration came up for renewal in 2006, Cuba could no longer rely on the general license in the CACR. Instead, it had to ask OFAC to approve a specific license authorizing the payment of the renewal fee. OFAC rightfully denied the application.

Even before Section 211 and the CACR, it has been a fundamental principle of U.S. law that a State need not, and will not, give extraterritorial effects to foreign confiscations, including with respect to trademarks. Courts in the United States have steadfastly held that foreign

confiscations will not be given effect because such confiscations are "shocking to our sense of justice." *See* First Submission of the United States to the WTO, ¶ 9. Time and again, the United States has stood up to protect the victims of uncompensated expropriation – like JASA. And Congress codified that principal of law in Section 211.

As a result of OFAC's decision to properly deny the license in 2006, the PTO denied the renewal, stating that the registration "will be cancelled/expired." OFAC successfully defended its decision in a lawsuit filed by Cubaexport all the way to the Supreme Court which denied cert. *See Empresa Cubana Exportadora De Alimentos y Productos Varios v. United States Department of Treasury, et al.*, 516 F. Supp. 2d 43 (D.D.C. 2007); 606 F. Supp. 2d 59 (D.D.C. 2009); and 638 F.3d 794 (D.C. Cir. 2011), *cert. denied*, 132 S. Ct. 2377 (2012). In that action, Adam Szubin, the Director of OFAC at the time, testified that it was OFAC's determination that "the HAVANA CLUB trademark constituted a 'mark … that is the same as or substantially similar to a mark … that was used in connection with a business or assets that were confiscated,'" that Bacardi was the successor-in-interest to the rights in that mark, and that neither Bacardi nor JASA ever consented to Cubaexport's registration of the mark.

Recent Actions of OFAC, State and PTO

That should have been the end of the matter. However, for unknown reasons, the PTO refused to remove the cancelled mark from its register for years. And recently, on January 11, 2016, OFAC inexplicably reversed course and granted Cuba a license which purports to authorize payment of the long-overdue filing fee from 2006. Within 24 hours of learning about this decision – a speed which is likely unmatched in the chronicles of administrative law – the PTO granted Cubaexport's 2006 petition to renew its trademark.

Granting a specific license to renew Cubaexport's invalid HAVANA CLUB registration violates the purposes and principles of the embargo of Cuba, which were codified by Congress. It allows the Cuban government to illegally maintain its claim of title to United States property, which it acquired through the forcible confiscation of JASA's assets and the forced exile of its founders, the Arechabala family. As the Court of Appeals for the Second Circuit has held: "Congress clearly expressed its intent to prohibit transfers of property, including intellectual property, confiscated by the Cuban government by enacting the LIBERTAD Act." *Havana Club Holdings, S.A. et al. v. Galleon S.A., et al.*, 203 F.3d 116, 125 (2d Cir. 2000). Indeed, while Bacardi is a strong supporter of the reciprocal recognition of foreign trademarks, international intellectual property law is undermined – not strengthened – when states recognize rights in confiscated marks. The law should protect the original owners of intellectual property, such as JASA and its successor in interest Bacardi, from the forced confiscation of their property by armed militias, as happened in Cuba.

Moreover, Congress is specifically opposed to the Castro regime "'offering foreign investors [like Pernod] the opportunity to purchase an equity interest in, manage, or enter into joint ventures' involving confiscated property in order to obtain 'badly needed financial benefit, including hard currency, oil, and productive investment and expertise.'" *Id.* "Congress intended to create a chilling effect that will deny the current Cuban regime venture capital, discourage third-country nationals from seeking to profit from illegally confiscated property, and help preserve such property until such time as the rightful owners can successfully assert their claim."

Id. "In other words, Congress sought to discourage business arrangements like Cubaexport's joint venture with Pernod…" *Id.*

OFAC's decision to authorize Cubaexport's renewal of the stolen HAVANA CLUB mark, however, *encourages* exactly the type of joint venture that Congress plainly intended to discourage and makes it easier for Cuba and its business partner Pernod to traffic in JASA's stolen property.

Finally, I would like to note that there are no valid foreign policy reasons for authorizing Cuba to renew its registration in a confiscated mark nearly a decade after that mark was cancelled and expired. The Administration cannot lift the embargo or repeal Section 211 without Congressional action. While the Administration has announced certain changes in the United States' relationship with Cuba, the Administration has stated that those changes are intended to "support the ability of the Cuban people to gain greater control over their own lives and determine their country's future" by increasing diplomatic relations, improving travel between our countries, authorizing sales of certain lower-priced goods to the Cuban people, increasing access to the internet, and generally assisting the Cuban people in gaining greater economic independence from the state. None of these changes remotely suggest that the United States will set aside well-established law and ignore the Congressional mandate of Section 211 in order to recognize Cuba's ownership in stolen property!

Conclusion

To the contrary, permitting Cubaexport and its non-Cuban business partner Pernod to claim rights in a United States trademark registration associated with a business that was illegally confiscated without compensation will not help the Cuban people "gain greater control over their own lives" or "gain greater economic independence from the state" – it will, rather, enrich and empower the Cuban state to the detriment of the true owners of confiscated property who, like the Arechabala family, were forced out of their country at gunpoint. Whether the Cuban embargo is strengthened or weakened, it will always be important to ensure that the United States does not become a party to Cuba's illegal confiscation of private property. Recognizing Cuba's ownership of the U.S. HAVANA CLUB registration – as OFAC and the PTO have now done – will only serve to legitimize Cuba's thievery.

The Cuban government seized JASA, a viable business with a well-known mark, and, without any interruption in the business, began making and selling rum under the HAVANA CLUB brand. What occurred was a forcible confiscation at gunpoint. Pernod, knowing all of this sordid history, chose to invest with Cuba in this stolen brand. For decades, the United States has prevented Cuba and its business partners from profiting off of the United States HAVANA CLUB registration – it should continue to do so. Well-settled United States law and policy, as reaffirmed by Section 211, ensures that the United States will always protect the creators and owners of intellectual property, like JASA and Bacardi, and not reward those rogue states, like Cuba, which use force of arms to steal such property and enrich itself at the expense of its citizens. The sudden and unexplained decision of OFAC and the PTO to permit Cuba's renewal of the HAVANA CLUB mark flies in the face of these legal and policy principles.

I thank the Committee for holding this hearing to address this important topic.