A ‘Rum Do’ For Bacardi Regarding Havana Club Brand in the US

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Havana Club rum was first created in Cuba in 1936. It is now one of the bestselling brands of rum in the world. Both the Bermuda-based Bacardi and French-based Pernod Ricard sell rum under the trademark ‘HAVANA CLUB’ ("Mark") and have been involved in a lengthy dispute over who owns the Mark in the US.

In the latest developments regarding ownership and use of the Mark, Pernod Ricard and the Cuban government have been given rights to the Mark in the US and Bacardi has requested the reversal of that decision.

Use of the Mark

Jose Arechabala founded the Havana Club distillery in Cardenas, Cuba in 1934 and sold rum under the Mark locally. Following the 1959 revolution in Cuba, the company was nationalised by the Castro regime and placed into government ownership in a government controlled company called CubaExport.

Soon after the revolution and following the imprisonment of one of Jose’s kin the Arechabala family fled to Spain. In 1973 they let their claim to the Mark in the US lapse. Around the same time US imposed a trade embargo against Cuba making it illegal to import Cuban goods into the US. Despite a recent thawing of relations between the two nations and calls from President Obama to lift the embargo (only Congress being empowered to do so) the embargo remains in force today.

Three years later, CubaExport secured the Mark at the US Patent and Trade Marks Office ("USPTO") but because of the embargo and the fact that the rum bearing the Mark was made in Cuba it could not be sold in the US. It did, however, prevent others from selling rum featuring the Mark in the US.

In 1993 CubaExport entered into a 50/50 joint venture with French drinks company Pernod Ricard under the terms of which Pernod Ricard was granted the exclusive right to sell rum bearing the Mark. The right to use the Mark was granted worldwide except in the US. It is worth noting that after this time they started to buy up rights to the Mark around the world and at present hold rights in over 120 countries.
Dispute

When Pernod and the Cuban Government acquired rights in the US, Bacardi started a dispute which has continued for over 20 years.

Bacardi dominates rum sales in the US and has been selling its own rum bearing the Mark since the 1990s. Bacardi claims it purchased the remaining rights to the Mark including any related goodwill in the business from the Arechabala family in 1997. The rum Bacardi sells is distilled in Puerto Rico, not Cuba, therefore does not fall foul of the trade restrictions imposed by the embargo.

Due to the conditions of the embargo the Cuban government must apply to the US Office of Foreign Assets Control (“OFAC”) every ten years to renew a US trade mark. In 1998 Congress included a clause on the subject in a far wider ranging appropriations bill (which quickly became known as the ‘Bacardi bill’). When the Mark came to be renewed in 2006, Bacardi argued that the renewal should not be accepted, citing section 211 of the Omnibus Appropriations Act of 1998 which prevents the renewal of a mark if the mark was previously abandoned by the trade mark owner whose business and assets were confiscated by the Cuban government without payment of compensation. Consequently the OFAC rejected the Cuban government's application to renew its trademark.

There then followed a period of political vitriol and legal uncertainty as Pernod Ricard complained to the EU and the matter was escalated to the World Trade Organisation (“WTO”). The WTO reluctantly ruled that the US has the power to make its own rules on the application of trademarks therefore the Bacardi bill and section 211 were valid.

Pernod also filed a false advertising suit claiming that the words HAVANA CLUB mislead customers into believing that the rum sold by Bacardi is produced in Cuba. The court found in Bacardi’s favour finding that using the Mark does not have the same as stating “made in Havana” and therefore it does not mislead consumers.

The battle seemed to have ended in 2012 when the US Supreme Court declined to hear Pernod’s appeal.

Renewal of Trademark

In January this year the USPTO awarded CubaExport a “specific licence” meaning Pernod and CubaExport could apply for the renewal of registration of the Mark in the US. Registration was subsequently granted and Pernod and CubaExport have submitted a further renewal with the USPTO to secure the rights to the Mark until 2026.

Lifting the Trade Embargo

In his final State of the Union address in January this year, President Obama urged Congress to lift the embargo. Only Congress has the power to lift the embargo and there is argument on both sides of the political spectrum as to whether or not this should happen.

Whilst the embargo remains in place the Pernod manufactured rum cannot be sold into the US as it is made in Cuba. If the OFAC allows the mark to remain registered, CubaExport and Pernod will be allowed to sell rum with the Mark exclusively in the US if the embargo is finally lifted. For now though they can take comfort from knowing that others cannot legally sell drinks in the US bearing the Mark.
As an aside, it is worth noting that in preparation for the potential lifting of the embargo and before the decision to allow them to renew the Mark, Pernod and CubaExport registered an alternative mark for rum, ‘HAVANISTA’, at the USPTO. It remains to be seen what Pernod and CubaExport will do regarding sales in the US if the embargo is finally lifted.

Given the background it seems as though there is a good deal of fight left in both parties and the matter will rumble on but it seems inevitable that of them will end up with a nasty hangover…

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Steven studied at Northumbria University completing the Solicitors Exempting Degree graduating with First Class Honours in 2008. Steven then trained at full-service international law firm, Pinsent Masons, based at their office in Leeds.

On qualification Steven returned to the North East and worked for two years as a corporate finance solicitor at large, regional firm Muckle. Steven is experienced in all types of company related matters including sales/acquisitions of businesses (including in the pharmaceutical, motor, insurance and commercial property investment and development sectors), refinancing arrangements, investments, corporate governance advice (for plc’s), general company law advice, company formation and shareholder arrangements.

Steven joined McDaniel & Co. in 2012 and has broadened the scope of work he deals with to include commercial litigation and commercial contracts. As well as advising on corporate/company related matters, Steven can draft and advise on complex commercial contracts including supply and manufacture agreements, indemnities, licences and terms and conditions. Steven has also advised clients on commercial disputes including shareholder disputes (including s.994 petitions), a large and complex claim for breach of confidentiality and design right infringement.