STEALING BACARDI'S THUNDER:

WHY THE PATENT AND TRADEMARK OFFICE SHOULD STOP REGISTERING STOLEN TRADEMARKS NOW[♦]

INTRODUCTION

In a prepared statement submitted to the United States House of Representatives Committee on the Judiciary in 2010, Ramon Arechabala recounted the story of the expropriation of his family's Havana Club Rum company by Fidel Castro's strongman, Calixto Lopez:

> Calixto Lopez broke into [my family's Havana Club] offices and seized the company on December 31, 1959. Calixto pointed a machine gun at me and said from now on he was 'Pepe.' . . . Calixto meant he was now the boss. All [of Havana Club's] books and records were seized. . . . Eventually, I was thrown in jail by the Castro government . . . [and my] jailor gave me a choice, leave Cuba or face the prospect of staying in jail indefinitely on some phony charge. I left Cuba with my wife and infant son, Miguel. By then I had lost everything . . . [except for] my knowledge of the secret formula for making HAVANA CLUB rum."[1]

Unfortunately, Ramon Arechabala's troubles did not end there. His knowledge of his father's secret formula for making HAVANA CLUB[2] rum has become the subject of a trademark dispute that has spanned more than two decades; resulted in sixteen separate federal court cases in the United States; reached the Appellate Body ("AB") of the World Trade Organization ("WTO");[3] and prompted the United States Congress to enact the controversial Section 211 of the Omnibus Appropriations Act of 1999 ("Section 211").[4] And yet the dispute continues, with the HAVANA CLUB registration currently in limbo at the United States Patent and Trademark Office ("PTO").[5]

[1] *Domestic and International Trademark Implications of Havana Club and Section 211 of the Omnibus Appropriations Act of 1999: Hearing Before the H. Comm. on the Judiciary*, 111th Cong. 5–6 (2010) [hereinafter 2010 Section 211 Hearing] (prepared statement of Ramon Arechabala).

[2] This Note follows the convention of indicating a word or logo used as a trademark by displaying it in all capital letters.

[3] Appellate Body Report, *United States—Section 211 Omnibus Appropriations Act of 1998*, WT/DS176/AB/R (Jan. 2, 2002) [hereinafter Appellate Body Report].

[4] Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, Pub. L. No. 105–277, § 211, 112 Stat. 2681 (1998).

[5] Empresa Cubana Exportadora de Alimentos y Productos Varios ("Cubaexport"), a Cuban government entity, was the most recent holder of the HAVANA CLUB mark. On August 3, 2006, the Patent and Trademark Office formally denied Cubaexport's renewal application, stating that "the registration will be cancelled/expired." Letter from Sharon Granata, Trademark

What began as a trademark and trade name dispute between two private litigants, changed dramatically in 1998 when Congress passed Section 211 as a rider attached to an omnibus spending bill.[6] The first court to apply Section 211, the United States District Court for the Southern District of New York, applied it to a dispute between Bacardi, the successor-in-interest to the Arechabala family's HAVANA CLUB, and Havana Club Holdings.[7] Havana Club Holdings is a joint venture between Cubaexport, a Cuban government entity, and Pernod Ricard, a French liquor conglomerate, which also claims rights to HAVANA CLUB.[8] The court held that the joint venture had no right to the HAVANA CLUB trademark in the United States.[9] The Second Circuit affirmed the lower court's decision, and the Supreme Court refused certiorari.[10]

Dissatisfied with the outcome in American domestic courts, Pernod Ricard convinced the European Communities to challenge the validity of Section 211 with respect to the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS") at the WTO.[11] In 2002, the AB ruled that Section 211 violated the two overarching principles of non-discrimination in the TRIPS agreement[12]: (1) national treatment provisions that require each nation to treat foreigners no less favorably than it treats its own nationals with respect to intellectual property rights,[13] and (2) most-favored-nation treatment provisions requiring equal treatment with respect to intellectual property rights for nationals of all trading partners in the

Specialist, Post Registration Division of the United States Patent and Trademark Office, to Cubaexport (Aug. 3, 2006) (on file with author), *available at* http://tsdr.uspto.gov/. Cubaexport then filed a petition with the Director of the Patent and Trademark Office, requesting review of this decision. Letter from Janis Long, Attorney Advisor, Office of the Commissioner for Trademarks, to Vincent N. Palladino, Esq., Ropes & Gray L.L.P, Counsel for Cubaexport (May 29, 2009) (on file with author), *available at* http://tsdr.uspto.gov/. Currently, that petition is suspended pending the final outcome of litigation between Cubaexport and the U.S. Department of the Treasury on this matter. *Id.*

6 *See* Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 § 211.

7 Havana Club Holding, S.A. v. Galleon S.A, 62 F. Supp. 2d 1085 (S.D.N.Y. 1999)

8 *Id.* at 1088.

9 *Id.* ("[Havana Club Holding] currently ha[s] no rights to the use of the Havana Club trademark.").

10 Havana Club Holding, S.A. v. Galleon S.A., 203 F.3d 116, 135 (2d Cir. 2000), *aff'd* 62 F. Supp. 2d 1085 (S.D.N.Y. 1999), *cert. denied*, 531 U.S. 918 (2000).

11 See Ana Radelat, *Decision on Trademark Rights for a Rum Spurs a Global Dispute*, N.Y. TIMES, June 1, 1999, at C1 ("Pernod Ricard . . . [launched] an energetic campaign to persuade the 15-nation European Union to challenge the new trademark law at the World Trade Organization . . . .").

12 Appellate Body Report, *supra* note 3.

13 *See* Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, art. 3.1, 108 Stat. 4809, 869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement], *available at* http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm ("Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals.").

WTO.[14] Since the 2002 AB ruling, the United States has taken no action that would bring Section 211 into compliance with that decision. Although there is no immediate pressure on the United States to revise Section 211 because of the European Communities' decision not to press ahead with sanctions at this time,[15] two legislative proposals have been advocated to bring Section 211 into compliance with TRIPS and other international standards. The dueling approaches pit the prospect of a "narrow fix"[16] against the "sledgehammer fix" of a full-fledged repeal of Section 211.[17]

Perhaps not surprisingly, but certainly mistakenly, the supporters and opponents of each of these fixes are divided along a "pro-Cuban embargo" and "anti-Cuban embargo" line. This Note explores Section 211 and the proposed methods for complying with the AB decision, arguing that Section 211 does not and should not boil down to whether or not one supports the embargo against Cuba; on the contrary, Section 211 boils down to whether or not the United States ought to allow registration in the PTO of stolen trademarks.

Part I of this Note provides an overview of the dispute between Pernod Ricard and Bacardi, chronicling the shift from what began as a private dispute between two parties to one involving national and international actors and institutions. Part II analyzes the various proposals that have been put forward in Congress to amend or repeal Section 211 and thereby bring the United States into compliance with the TRIPS Agreement. Part III argues that repealing Section 211 is contrary to the principle—firmly established in our law and the laws of virtually all Western nations[18]—that foreign confiscatory measures will not be given extraterritorial effects and that Section 211 is a much-needed rule of decision for courts and the PTO. Part IV proposes that Congress pass legislation similar to that introduced by Rep. Darrell Issa, the No Stolen Trademarks Honored in America Act, which would narrowly amend Section 211 so that it not only denies the registration in the United States of confiscated trademarks, but also

[14] *See id.* art. 4.
[15] 2010 Section 211 Hearing, *supra* note 1, at 1–2 (testimony of John Conyers, a Representative in Congress from the State of Michigan, and Chairman, Committee on the Judiciary) ("The European Union court, in effect, has held off taking any action on their part as they wait to determine what it is that we are going to do.").
[16] *See, e.g.*, No Stolen Trademarks Honored in America Act, H.R. 1166, 112th Cong. (2011); S. 603, 112th Cong. (2011).
[17] *See, e.g.*, Cuba Reconciliation Act, H.R. 255, 112th Cong. (2011); Free Trade With Cuba Act, H.R. 1887, 112th Cong. (2011); Promoting American Agricultural and Medical Exports to Cuba Act of 2011, H.R. 1888, 112th Cong. (2011).
[18] *See An Examination of Section 211 of the Omnibus Appropriations Act of 1998: Hearing Before the S. Comm. on the Judiciary*, 108th Cong. 96, 103 (2004) [hereinafter 2004 Section 211 Hearing] (prepared statement of Nancie G. Marzulla, President of Defenders of Property Rights); *see also infra* Part III.a.

is in compliance with United States obligations under TRIPS.[19]

I. BACKGROUND

A. *The Cuban Revolution and the United States' Response*

Fidel Castro Ruz, an anti-American revolutionary, seized power in Cuba on January 1, 1959, following his successful revolt against the American-backed Cuban leader, Fulgencio Batista.[20] With the Castro regime expropriating U.S. properties and investments, and, in 1961, officially embracing a one-party communist system of imposed government, "relations between the United States and Cuba deteriorated rapidly."[21] "On October 19, 1960, the United States enacted an embargo against Cuba. Soon after, in response to Castro's expropriations and arrests of American citizens, the United States officially ended its diplomatic relations with Cuba.[22] But the tension between the two nations reached a pinnacle in October 1962 when the United States revealed the presence of Soviet missiles in Cuba.[23] As a result, the United States imposed a naval blockade against Cuba, and "the weapons were withdrawn and the missile bases dismantled, thus resolving one of the most serious international crises since World War II."[24] Subsequently, the United States and Soviet Union signed an agreement ending what became known as the Cuban Missile Crisis and prohibiting the United States from attacking Cuba in the future.[25] In 1963, in response to the Cuban revolution, and what President Kennedy perceived to be "Cuban attempts to destabilize governments throughout Latin America,"[26] the Secretary of the Treasury implemented the Cuban Assets Control Regulations ("CACR"), under Section 5(b) of the Trading with the Enemy Act ("TWEA").[27] TWEA authorizes the President to impose and administer trade embargoes during wartime.[28] Pursuant to TWEA, the President delegated rulemaking authority to the Office of Foreign Assets Control

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19 *See* No Stolen Trademarks Honored in America Act, H.R. 1166, 112th Cong. (2011); S. 603, 112th Cong. (2011).
20 Mark P. Sullivan, CONG. RESEARCH SERV., R41617, CUBA: ISSUES FOR THE 112TH CONGRESS 4 (2011).
21 *Country Profile: Cuba*, THE LIBRARY OF CONGRESS, FEDERAL RESEARCH DIVISION 3 (Sept. 2006), http://lcweb2.loc.gov/frd/cs/profiles/Cuba.pdf.
22 *Id.*
23 *Id.*
24 *Id.*
25 *Id.*
26 Empresa Cubana Exportadora de Alimentos y Productos Varios v. U.S. Dep't of Treas., 606 F. Supp. 2d 59, 63 (internal quotations and citations omitted).
27 Havana Club Holding, S.A. v. Galleon S.A., 974 F. Supp. 302, 305 (S.D.N.Y. 1997). Congress later removed peacetime emergencies from TWEA's scope, but permitted the President to maintain existing embargoes, including the embargo against Cuba. Regan v. Wald, 468 U.S. 222, 228–29 (1984).
28 12 U.S.C.A. § 95a (West 2010).

("OFAC") of the Department of the Treasury, which then promulgated the CACR.[29]

In general, the CACR prohibit transfers of property in which a Cuban entity has an interest, *except when specifically authorized by the Secretary of the Treasury*.[30] The Secretary, through OFAC, authorizes such transactions in two ways: with general licenses and specific licenses.[31] General licenses broadly authorize entire classes of transactions.[32] When no general license applies, "[a]ny person having an interest in a transaction or proposed transaction may file an application [with OFAC] for a [specific] license."[33] Prior to 1998, the CACR included a general license for trademark registration and renewal by Cuban nationals.[34]

The Cold War tensions between Cuba and the United States continued relentlessly during the 1990s, with human rights and illegal immigration to the United States remaining delicate issues between the two nations.[35] In 1996, the U.S. Congress passed the Helms–Burton law, which deepened economic sanctions against Cuba.[36] "The most controversial part of this law, which led to international condemnation of U.S. policy toward Cuba," imposes sanctions against any third party that engages in trade with Cuba.[37]

On October 21, 1998, through the passage of Section 211, Congress exempted a defined class of transactions from the general license.[38] In effect, exempting this class of transactions from the

[29] *See Havana Club Holding*, 974 F. Supp. at 305.
[30] *See* 31 C.F.R. §§ 515.201(b), 515.311 (2012) (emphasis added).
[31] *See id.* § 501.801 (2012).
[32] *See id.* § 501.801(a).
[33] *Id.* § 501.801(b)(2). This regulation for specific licenses does not in any way outline how OFAC should review such applications. "It provides only that denial of a license does not preclude the reopening of an application or the filing of a further application, and that an applicant or other interested party may at any time request explanation of the reasons for a denial by correspondence or personal interview." Empresa Cubana Exportadora de Alimentos y Productos Varios v. U.S. Dep't of Treas., 516 F. Supp. 2d 43, 47 (2007) (internal quotations omitted).
[34] 31 C.F.R. § 515.527(a)(1) (1997) ("Transactions related to the registration and renewal in the United States Patent and Trademark Office or the United States Copyright Office of patents, trademarks, and copyrights in which the Government of Cuba or a Cuban national has an interest are authorized.").
[35] *Country Profile: Cuba*, *supra* note 21, at 4.
[36] *Id.*
[37] *Id.*
[38] Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, Pub. L. No. 105–277, § 211, 112 Stat. 2681 (1998), provides:

> (a)
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> (1) Notwithstanding any other provision of law, no transaction or payment shall be authorized or approved pursuant to section 515.527 of title 31, Code of Federal Regulations, as in effect on September 9, 1998, with respect to a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of the mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.
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> (2) No U.S. court shall recognize, enforce or otherwise validate any assertion of rights

general license meant that a Cuban national who wished to renew a trademark registration was now required to obtain a *specific license* from OFAC if either of the following conditions were met: (a) the mark had been used in connection with property expropriated by the Cuban government; or (b) the original owner (or his successor-in-interest) had not consented to or received compensation for the use of the trademark.[39] Section 211 "limits the registration and renewal of, and the assertion of trademark and trade name rights in, marks that were used in connection with property confiscated by the Cuban government."[40] In essence, if a trademark was used in connection with assets confiscated by the Cuban government, the failure to obtain the consent of the original owner or his successor-in-interest has the practical effect of denying trademark registration.[41] The Secretary of the Treasury is responsible for promulgating the regulations implementing the exception to the general license,[42] which the Secretary does through OFAC. As such, OFAC amended 31 C.F.R. section 515.527, retaining the general license as part (a)(1) and implementing Section 211 through part (a)(2).[43] OFAC did not, however, establish any procedure for determining whether part (a)(1) or part (a)(2) applies to a given mark; and Section 211 and the CACR

> by a designated national based on common law rights or registration obtained under such section 515.527 of such a confiscated mark, trade name, or commercial name.
>
> (b) No U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national or its successor-in-interest under sections 44 (b) or (e) of the Trademark Act of 1946 (15 U.S.C. 1126 (b) or (e)) for a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of such mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.
>
> (c) The Secretary of the Treasury shall promulgate such rules and regulations as are necessary to carry out the provisions of this section.
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> (d) In this section:
> (1) The term "designated national" has the meaning given such term in section 515.305 of title 31, Code of Federal Regulations, as in effect on September 9, 1998, and includes a national of any foreign country who is a successor-in-interest to a designated national.
> (2) The term "confiscated" has the meaning given such term in section 515.336 of title 31, Code of Federal Regulations, as in effect on September 9, 1998.

39 *Id.*

40 Havana Club Holding, S.A. v. Galleon, S.A., 62 F. Supp. 2d 1085, 1091 (S.D.N.Y. 1999).

41 *See* Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 § 211.

42 *Id.* at § 211(c).

43 Part (a)(2) states:

No transaction or payment is authorized or approved pursuant to paragraph (a)(1) of this section with respect to a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated, as that term is defined in § 515.336, unless the original owner of the mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.

31 C.F.R. § 515.527(a)(2) (2012).

remain silent on whether OFAC is invested with the authority to make such a determination.[44]

B. *The Arechabala Family's Havana Club Rum*

In one sense, the HAVANA CLUB saga began in 1878, when the Arechabala family established a rum company, Jose Arechabala S.A. ("JASA"), which produced HAVANA CLUB brand rum in Cuba.[45] The Arechabala family sold its HAVANA CLUB rum locally and exported it for sale in the United States.[46] JASA registered the mark with the PTO in 1935.[47]

In 1960, following the Communist revolution in Cuba, the Cuban government expropriated the Arechabala family's business.[48] The confiscation depleted not only the family's business assets, but also its personal assets.[49] Because JASA did not own any rum-making facilities outside of Cuba, and after the confiscation had only limited financial resources, it was unable to rebuild the company's operations outside Cuba.[50] In 1973, JASA's PTO registration expired due to faulty legal advice; the family mistakenly believed that it was unable to renew the mark because it no longer had the resources it needed to make rum, due to the unlawful expropriation.[51] Under the Lanham Act, a trademark is deemed abandoned when "use has been discontinued with intent not to resume such use."[52] In addition, "nonuse for [*three*] *consecutive years* is prima facie evidence of abandonment."[53]

Therefore, in 1973, under a general license in the CACR,[54] the Cuban government applied to the PTO for the registration of the HAVANA CLUB trademark in the name of a Cuban government entity, Cubaexport.[55] Three years later, despite the fact that the embargo prevents the use of the trademark in commerce in the United States, Cubaexport obtained a registration from the PTO.[56] The reason Cubaexport was able to obtain a trademark registration for HAVANA CLUB is that under sections 44 and 45 of the Lanham Act, a foreign

44 Empresa Cubana Exportadora de Alimentos y Productos Varios v. U.S. Dep't of Treas., 516 F. Supp. 2d 43, 48 (D.D.C. 2007).
45 2010 Section 211 Hearing, *supra* note 1, at 4.
46 Pernod Ricard U.S.A., L.L.C. v. Bacardi U.S.A., Inc., No. 10-2354, 2011 WL 3332604, at *1 (3d Cir. 2011).
47 2010 Section 211 Hearing, *supra* note 1, at 4.
48 *Id.*
49 *Id.*
50 *Id.* at 2–4.
51 *Id.*at 2.
52 15 U.S.C.A. § 1127 (West 2010).
53 *Id.*
54 *See supra* text accompanying notes 30–44.
55 HAVANA CLUB, Registration No. 1031651.
56 *Id.*

applicant need only have a good faith *intent to use* the mark applied for in commerce in the United States.[57] A foreign national who registers a mark under section 44 of the Lanham Act must use the registered mark in commerce in the United States within a reasonable period after filing an application under section 44 of the Lanham Act.[58] Cubaexport has never sold rum in the United States under the HAVANA CLUB mark, but has claimed that its failure to use the trademark is excused by the Cuban embargo under the excusable non-use doctrine codified in Section 8(b)(2) of the Lanham Act.[59]

In 1993, the Cuban government and French liquor conglomerate Pernod Ricard S.A. entered into a joint venture, Havana Club Holdings, pursuant to which they created Havana Club Holdings S.A. (HCH) to hold the HAVANA CLUB trademark, and Havana Club International S.A. (HCI) to operate the Havana Club rum business through an exclusive license.[60] Although Cubaexport's and Pernod Ricard's actions may have effected a transfer of the trademark in other jurisdictions, in the United States the transfer of Cubaexport's HAVANA CLUB was governed by the CACR.[61] As a result, in October 1995, HCH "applied to OFAC for a specific license authorizing the assignment of the [HAVANA CLUB] trademark" from Cubaexport to HCH, and OFAC granted the specific license.[62] Subsequently, on January 18, 1996, HCH filed a renewal application for HAVANA CLUB along with an excusable non-use declaration.[63] This declaration explained that HCH's non-use of the HAVANA CLUB mark in the United States was solely due to the Cuban embargo, and that therefore, HCH's non-use ought to be excused.[64] On June 18, 1996, HAVANA CLUB was renewed by the PTO for an additional term of ten years.[65] Also around this time, Pernod Ricard approached the Arechabala family and offered to buy whatever rights to the HAVANA CLUB trademark it might have, but the Arechabala family, appalled by the "ridiculously low" offer, rejected any deal with Pernod.[66]

On April 17, 1997, OFAC retroactively revoked the license authorizing the transfer of HAVANA CLUB to HCH, citing as the

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57 *See* Lanham Act §§ 44–45, 15 U.S.C.A. §§ 1126–1127.
58 Lanham Act § 44, 15 U.S.C.A. § 1126.
59 15 U.S.C.A. § 1058(b)(2) (2010).
60 *See* 2010 Section 211 Hearing, *supra* note 1, at 21 (prepared statement of Bruce A. Lehman, former Assistant Secretary of Commerce and Expert Counsel for Bacardi, USA).
61 Havana Club Holding, S.A. v. Galleon S.A., 974 F. Supp. 302, 305 (S.D.N.Y. 1997).
62 *See id.* at 306.
63 *See* Galleon S.A. v. Havana Club Holding, S.A., Cancellation No. 92024108, 2004 WL 199225, at *9 (T.T.A.B. Jan. 29, 2004).
64 *Id.*
65 *Id.*
66 *See* 2010 Section 211 Hearing, *supra* note 1, at 6 (prepared statement of Ramon Arechabala).

reason for the revocation "facts and circumstances that have come to the attention of this Office which were not included in the application of October 5, 1995."[67] OFAC did not further explain the "facts and circumstances" but did state that any action taken under the license is "null and void as to matters under [its] jurisdiction."[68] It is likely that the "facts and circumstances" in OFAC's investigation revealed "that the attempted [assignment] of the trademark registration [to HCH] was not merely an internal reorganization of the Cuban rum industry as Cubaexport had represented, but rather a transaction that had involved the transfer of hard currency to the Cuban partner in the joint venture in violation of" the CACR.[69]

While Cubaexport and Pernod were working on their joint venture, the Arechabala family was still trying to reestablish its rum business outside of Cuba, and entered into an agreement with Bacardi, whereby Bacardi purchased from the Arechabala family any rights it might have to the HAVANA CLUB trademark.[70] The partnership was rather fitting: in 1960 Fidel Castro's forces had not only seized the Arechabala family's HAVANA CLUB distilleries, but also "expropriated the Bacardi family's rum enterprise."[71] As a result, the "prerevolutionary rivals" in rum, the Arechabalas and the Bacardis, were united in the common cause of rescuing HAVANA CLUB from Castro's grip.[72] Soon after the Arechabalas and Bacardi reached an agreement, Bacardi began distilling Havana Club rum and distributing it in the United States.[73]

C. *Havana Club Holdings and Bacardi Litigate in the United States*

In December 1996, HCH and HCI had sued Bacardi in United States federal court for federal trademark infringement.[74] On October 21, 1998, prior to the trial but well into the commencement of Pernod's litigation against Bacardi, Congress passed and the President

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67 *Galleon*, 2004 WL 199225, at *10.
68 *Id.*
69 2010 Section 211 Hearing, *supra* note 1, at 21 (prepared statement of Bruce A. Lehman, former Assistant Secretary of Commerce and Expert Counsel for Bacardi, USA); *see also* Havana Club Holding, S.A. v. Galleon S.A., 974 F. Supp. 302, 309-10 (S.D.N.Y. 1997) ("Although the facts are not entirely clear, Pernod engaged in a transaction with Havana Rum & Liquors in order to gain a 50% percent [sic] interest in both HC Holding, the intended assignee of the trademark, and HCI, the intended licensee of the mark. Such a transaction, in which Pernod exchanged currency for rights to the mark, flies in the face of the CACR's aim to limit the flow of funds into Cuba.").
70 *See* 2004 Section 211 Hearing, *supra* note 18, at 8 (testimony of Ramon Arechabala).
71 Arian Campo-Flores, *Rum Warriors: Bacardi and Pernod's Nasty Battle Over a Label and a Legacy*, AM. LAW., Jan. 2000, at 55.
72 *Id.*
73 2010 Section 211 Hearing, *supra* note 1, at 21 (prepared statement of Bruce A. Lehman, former Assistant Secretary of Commerce and Expert Counsel for Bacardi, USA).
74 *Havana Club Holding*, 974 F. Supp. at 302.

signed Section 211 into law.[75] Relying on the then-newly enacted statute, the District Court for the Southern District of New York entered judgment in favor of Bacardi, which the Second Circuit affirmed.[76] HCI alleged: (1) that Bacardi's sales infringed on the Havana Club trade name in violation of Chapter III of the General Inter-American Convention for Trademark and Commercial Protection ("IAC"); (2) that Bacardi's sales infringed on its Havana Club trade name; and (3) that Bacardi's rum violated Section 43 of the Lanham Act as it is "geographically misdescriptive because it leads consumers to erroneously believe that it originates in Cuba."[77]

As for the Inter-American Convention claim, the district court held that Section 211(2)(b)'s language specifying that "[n]o U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national or its successor-in-interest . . ."[78] precluded that claim, because of the later in time rule. The later in time rule stands for the proposition that "an Act of Congress . . . is on a full parity with a treaty, and . . . when a statute which is subsequent in time is inconsistent with a treaty, the statute to the extent of the conflict renders the treaty null."[79] With respect to the second claim for trade name infringement, the district court held that the plain language of Section 211 prevents HCI from asserting its claims for trade name infringement.[80] As to HCI's false designation of origin claim, the district court maintained that that claim was unaffected by Section 211 because it "[did] not arise out of any ownership rights that HCI [was] asserting in the [HAVANA CLUB] name confiscated by the Cuban government."[81] Rather, the court stated, "it [arose] out of HCI's claim that as a producer of Cuban rum, it [was] likely to be damaged by defendants' allegedly false designation of Cuban origin on its product."[82] Ultimately, however, the court held that HCI did not have standing to bring its false designation of origin claim, because it is not in competition with Bacardi due to the embargo; its ability to enter the market in the United States in the future is too remote; and it is unlikely that travelers to Cuba "seeking genuine Cuban rum would be deterred by sales of [Bacardi's Havana Club] rum in the United

[75] Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, Pub. L. No. 105–277, § 211, 112 Stat. 2681 (1998).
[76] *See* Havana Club Holding, S.A. v. Galleon, S.A., 62 F. Supp. 2d 1085, aff'd, 203 F.3d 116 (2d Cir. 2000).
[77] *Id.* at 1088.
[78] Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, §211(b).
[79] Reid v. Covert, 354 U.S. 1, 18 (1957).
[80] *Havana Club Holding*, 62 F. Supp. 2d at 1094 ("Because § 211 requires that HCI obtain the consent of the original owners of the Havana Club business, and because they do not have this consent, § 211 prevents HCI from asserting its claims for trade name infringement.").
[81] *Id.*
[82] *Id.*

States."[83]

D. *The Agreement on Trade-Related Aspects of Intellectual Property Rights*

A few years prior to the Bacardi-HCH litigation in the United States, the United States became a party to the TRIPS Agreement,[84] one of the international agreements that nations must sign in order to gain WTO membership.[85] The TRIPS Agreement was adopted on April 15, 1994 as an annex to the Agreement establishing the WTO.[86] It came into force on January 1, 1995.[87] Notably, Article 3 of the Agreement contains a national-treatment commitment that obliges each Member of the WTO "to accord to the nationals of others Members treatment no less favorable than it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided" in the Paris, Berne, and Rome Conventions, and in the Treaty on Intellectual Property in Respect of Integrated Circuits.[88] The national treatment principle would have been imported to the Agreement anyway, in Article 2, which seeks to incorporate by reference the relevant general principles from the Paris, Berne, and Rome conventions.[89] In its redundancy, Article 3 plays a symbolic role of "emphasizing the continuation of a long established principle of intellectual property protection."[90] The TRIPS Agreement also contains a most-favored-nation treatment clause in Article 4, under which any advantage a party gives to the nationals of another country must be extended "immediately and unconditionally to the nationals of all other" parties to the Agreement, even if such treatment is more favorable than that which it gives to its own nationals.[91] The United States, Cuba, and the European Communities, are all signatory nations to TRIPS.[92] TRIPS is not a self-executing treaty, and therefore requires implementing legislation by Congress before it can be applied by American courts.[93]

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83 *Id.* at 1096, 1099, 1100.

84 *See Treaties in Force: A List of Treaties and Other International Agreements of the United States in Force on January 1, 2011*, U.S. DEP'T OF STATE 474 (2011), http://www.state.gov/documents/organization/169274.pdf.

85 *Understanding the WTO: The Agreements*, WORLD TRADE ORGANIZATION, http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm1_e.htm (last updated Jan. 2012).

86 MICHAEL BLAKENEY, TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS: A CONCISE GUIDE TO THE TRIPS AGREEMENT v (1996).

87 DANIEL GERVAIS, THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS pt. 1, § B, ¶ 1.30 (3d ed. 2008).

88 *See* TRIPS Agreement, *supra* note 13, at art. 3.

89 *See* TRIPS Agreement, *supra* note 13, at art. 2.

90 BLAKENEY, *supra* note 86, at 40.

91 *See* TRIPS Agreement, *supra* note 13, at art. 4.

92 *See Treaties in Force*, *supra* note 84, at 474.

93 *See* S. REP. NO. 103–412, at 13 (1994) (accompanying the Uruguay Round Agreements Act, Pub. L. No. 103–465, 108 Stat. 4809 (1994)) (stating that TRIPS and other GATT agreements

E. Pernod Ricard Lobbies for a Rematch Against Bacardi through Proxies at the World Trade Organization

In 2000, dissatisfied with the outcome of the HAVANA CLUB dispute in United States courts, Pernod Ricard convinced the European Communities to bring a claim against the United States at the WTO, alleging that Section 211 violated various aspects of TRIPS.[94] Ultimately, in 2002, the claim reached the Appellate Body of the WTO, which ruled in favor of the United States in all respects but two[95]: the AB concluded that Section 211 violated the "national treatment"[96] and "most favored nation" principles in the TRIPS agreement.[97]

There are two separate national treatment provisions in the TRIPS Agreement. One of those provisions, Article 2(1) of the Paris Convention (1967),[98] is incorporated by reference into Article 2.1 of TRIPS.[99] The second national treatment provision can be found in Article 3.1.[100] The European Communities claimed that Section

"are not self-executing and thus their legal effect in the United States is governed by implementing legislation"); *see also* ITC Ltd. v. Punchgini, Inc., 482 F.3d 135, 172 (2d Cir. 2007); In re Rath, 402 F.3d 1207, 1209 n.2 (Fed. Cir. 2005).

94 See Panel Report, *United States—Section 211 Omnibus Appropriations Act of 1998*, WT/DS176/R (Aug. 6, 2001); see also Appellate Body Report, *supra* note 3.

95 Appellate Body Report, *supra* note 3.

96 *See* TRIPS Agreement, *supra* note 13; *see also* Appellate Body Report, *supra* note 3 ¶¶ 233–96.

97 *See* TRIPS Agreement, *supra* note 13 at art. 4; *see also* Appellate Body Report, *supra* note 3 ¶¶ 297–319.

98 Article 2(1) states:

Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specially provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.

Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, 13 U.S.T. 2, 828 U.N.T.S. 107, as last revised at the Stockholm Revision Conference, July 14, 1967, 21 U.S.T. 1538, 828 U.N.T.S. 303 [hereinafter Paris Convention], *available at* http://www.uspto.gov/web/offices/pac/mpep/documents/appxp_2.htm#parart2.

99 Appellate Body Report, *supra* note 3, ¶ 238.

100 Article 3.1 states:

> Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.

TRIPS Agreement, *supra* note 13, at art. 3.1 (footnote omitted). The footnote to Article 3.1 explains that "protection" as used in Articles 3 and 4 includes "matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement." *Id.* at art. 3.1 n.3.

211(a)(2)[101] violated both of these national treatment obligations "by treating non-United States nationals less favorably than United States nationals in two different situations to which the measure applies: first, that of . . . *bona fide* successors-in-interest to original owners; and, second, that of original owners."[102] With respect to successors-in-interest to original owners, the European Communities argued that Section 211(a)(2) violated national treatment provisions on its face because it applies to non-United States successors-in-interest and does not apply to United States successors-in-interest.[103] Section 211(a)(2) provides that no United States courts are to "recognize, enforce or otherwise validate any assertion of rights by a designated national based on . . . registration" of trademarks obtained through a license from OFAC.[104] A "designated national" is defined in Section 211(d)(1) to include (1) Cuba, (2) any Cuban national, (3) "a specially designated national," or (4) "a national of any foreign country who is a successor-in-interest to a designated national."[105] The United States explained that Section 211 is inapplicable to United States nationals because United States nationals are prohibited by the CACR from becoming successors-in-interest to property that was taken by the Cuban Government without compensation.[106] Further, the United States argued that while OFAC could, in theory, authorize specific licenses that would allow United States nationals to become successors-in-interest to trademarks used in connection with confiscated assets, "OFAC has never issued such a license to a United States national."[107]

Nonetheless, the AB found that non-United States nationals face an "extra hurdle" procedurally that United States nationals do not face.[108] United States nationals who are successors-in-interest have only one hurdle to leap over: namely, the OFAC procedure; Section 211(a)(2)'s hurdles do not apply to them.[109] In contrast, non-United States nationals must go through two hurdles: they must go through the OFAC procedure and must also proceed under Section

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101 *See* Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, Pub. L. No. 105–277, § 211(a)(2), 112 Stat. 2681 (1998) ("No U.S. court shall recognize, enforce or otherwise validate any assertion of rights by a designated national based on common law rights or registration obtained under such section 515.527 of such a confiscated mark, trade name, or commercial name.").

102 Appellate Body Report, *supra* note 3, ¶ 244.

103 *Id.* ¶¶ 275-77.

104 *See* Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, § 211(a)(2).

105 *See id.* § 211(d)(1); *see also* 31 C.F.R. §§ 515.305, 515.306 (2012).

106 Appellate Body Report, *supra* note 3, ¶ 249.

107 *Id.*

108 Appellate Body Report, *supra* note 3, ¶ 255.

109 *Id.* ¶ 256.

211(a)(2).[110] Consequently, the AB held that "by applying the 'extra hurdle' imposed by Section 211(a)(2) only to non-United States successors-in-interest . . . the United States violates the national treatment obligation in Article 2(1) of the Paris Convention (1967) and Article 3.1 of the *TRIPS agreement*."[111]

In terms of original owners, as opposed to successors-in-interest, the AB held that Sections 211(a)(2) and (b)[112] violate both the national treatment provisions and the most favored nation provision in Article 4 of the TRIPS Agreement.[113] The AB explained that Sections 211(a)(2) and (b) are discriminatory on their face because they apply to "designated nationals."[114] A "designated national" is defined as "Cuba and any national thereof . . . ."[115] Therefore, because original owners who are United States nationals are not included in the definition of "designated national," they are "not subject to the limitations of Sections 211(a)(2) and (b)."[116] Accordingly, the AB held, Sections 211(a)(2) and (b)—by discriminating between "Cuban nationals and United States nationals, both of whom are original owners of trademarks registered in the United States which are composed of the same or substantially similar signs as a Cuban trademark used in connection with a business or assets that were confiscated in Cuba"—violate the national treatment and most favored nation principles in the TRIPS Agreement.[117]

Hence, the problem with Section 211, according to the WTO Appellate Body, is that on its face it subjects non-United States nationals to an extra hurdle that holders of trademark rights in the United States are not subject to and also on its face discriminates against Cuban nationals, thereby violating the overarching most-favored-nation[118] and national treatment principles[119] in TRIPS. As a

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110 *Id.*
111 *Id.* ¶ 268.
112 Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, § 211(b) ("No U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national or its successor-in-interest . . . for a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of such mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented."); *see* Appellate Body Report, *supra* note 3, ¶ 281.
113 TRIPS Agreement, *supra* note 13, at art. 4 (footnote omitted). Article 4 states that "with regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members. *Id.*
114 *See* Appellate Body Report, *supra* note 3, ¶ 279.
115 Cuban Assets Control Regulations, 31 C.F.R. § 515.305 (2012) ("For the purposes of this part, the term 'designated national' shall mean Cuba and any national thereof including any person who is a specially designated national."); 31 C.F.R. § 515.306 (2012) (defining "specially designated national" as a person acting for or on behalf of the Cuban government).
116 *See* Appellate Body Report, *supra* note 3, ¶ 279.
117 *Id.* ¶ 281.
118 Appellate Body Report, *supra* note 3, at ¶ 299 ("Section 211(a)(2) and Section 211(b) are

result, the United States must either amend or repeal Section 211 in order to bring itself back into compliance with its obligations under TRIPS.

II. PROPOSED METHODS OF COMPLYING WITH THE WTO APPELLATE BODY DECISION

The WTO Appellate Body issued its ruling on Section 211 over a decade ago[120] and the United States still has not implemented its recommendations.[121] On March 28, 2002, the United States agreed to take legislative action to bring Section 211 into compliance with the AB decision by January 3, 2003.[122] However, no legislative action was taken by the January 2003 deadline, and as a result, the deadline was extended multiple times. Subsequently, in a 2005 "Understanding between the European Communities and the United States," the European Union agreed that it would not, "at this stage," request authorization from the WTO Dispute Settlement Body (DSB) to "suspend concessions," or otherwise retaliate against the United States for its failure to comply with the AB decision. However, the E.U. reserved the right to request authorization to retaliate "at some future date," and the United States in return agreed not to block such a future request.[123] While the European Union has not chosen to press forward with sanctions yet, it is nonetheless important for the United States to continue to demonstrate its commitment to private property rights and the rule of law by ensuring its nation is in compliance with the AB ruling.

Two different approaches have been proposed in Congress to bring Section 211 into compliance with the WTO ruling. Some interest groups and advocates on this matter support a narrow fix in which Section 211 would be amended so that it also applies to any United States trademark registration of a mark stolen by the Cuban government, instead of its current limit to registrations by Cuban nationals and their successors-in-interest.[124] Advocates of this

inconsistent with Article 4 [(the most-favored-nation provision)] of the TRIPS Agreement").

[119] *Id.* at ¶ 296 ("Thus, we conclude that Sections 211(a)(2) and (b) are inconsistent with the national treatment obligation of the United States under the Paris Convention (1967) and the TRIPS Agreement.").

[120] *Id.* at ¶ 360.

[121] Status Report by the United States, *United States—Section 211 Omnibus Appropriations Act of 1998*, WT/DS176/11/Add.107 (Oct. 14, 2011) ("The US Administration will continue to work on a solution that would resolve this matter."), *available at* http://trade.ec.europa.eu/doclib/docs/2011/november/tradoc_148343.pdf.

[122] *See* MARK P. SULLIVAN, *supra* note 20, at 35.

[123] Understanding between the European Communities and the United States, *United States—Section 211 Omnibus Appropriations Act of 1998*, WT/DS176/16 (July 1, 2011), available at http://trade.ec.europa.eu/doclib/docs/2005/november/tradoc_126069.pdf; *see also* MARK P. SULLIVAN, *supra* note 20, at 35.

[124] 2010 Section 211 Hearing, *supra* note 1, at 8 (testimony of Debbie Wasserman Schultz, a

approach rightly argue that it would affirm that the United States "will not give effect to a claim or right to U.S. property if that claim is based on a foreign confiscation."[125] Others argue that Section 211 should be repealed altogether because "it endangers over 5,000 trademarks of over 500 United States companies registered in Cuba."[126]

More than a few pieces of legislation were introduced during the 111th Congress reflecting these two methods of amending Section 211, but Congress did not act on any of these measures.[127] In the current, 112th Congress, two bills have been introduced—S. 603 and H.R. 1166—that would apply the narrow fix, thereby maintaining the principle underlying Section 211, that the United States will not allow the registration or renewal of stolen trademarks.[128] In contrast, three broader bills—H.R. 255, H.R. 1887, and H.R. 1888—would completely lift United States sanctions on Cuba, and each includes a provision repealing Section 211 altogether.[129] As of date, H.R. 255, the Cuba Reconciliation Act, has zero cosponsors; H.R. 1887, the Free Trade with Cuba Act, has only three cosponsors; and H.R. 1888, the Promoting American Agricultural and Medical Exports to Cuba Act of 2011, has only two cosponsors.[130] While an outright repeal of Section 211 would certainly bring the United States into compliance with the WTO, it would do so at the expense of bringing the United States out

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Representative in Congress from the State of Florida, and Member, Committee on the Judiciary) ("[T]his narrow technical fix . . . clarifies that these well-founded principles of equity in Section 211 apply to all parties claiming rights in confiscated Cuban trademarks regardless of nationality.").

[125] *See* 2004 Section 211 Hearing, *supra* note 18, at 95 (prepared statement of Bruce Lehman, Former Assistant Secretary of Commerce and Commissioner of Patents and Trademarks).

[126] Press Release, USA-Engage Commits to Fight Ineffective Cuba Policies, USA-ENGAGE (Mar. 27, 2002), http://archives.usaengage.org/archives/resources/2002%20Press%20Release/cuba_policies.html.

[127] MARK P. SULLIVAN, *supra* note 20, at 36.

[128] *See* No Stolen Trademarks Honored in America Act, H.R. 1166, 112th Cong. (2011); S. 603, 112th Cong. (2011). H.R. 1166 provides:

> Section 211 of the Department of Commerce and Related Agencies Appropriations Act, 1999 (as contained in section 101(b) of division A of Public Law 105-277; 112 Stat. 2681-88) is amended . . . (A) by striking 'by a designated national' . . . . [and] by inserting after subsection (c) the following:
>
> '(d) Subsections (a)(2) and (b) of this section shall apply only if the person or entity asserting the rights knew or had reason to know at the time when the person or entity acquired the rights asserted that the mark, trade name, or commercial name was the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated.'

Id.

[129] *See* Cuba Reconciliation Act, H.R. 255, 112th Cong. (2011); Free Trade With Cuba Act, H.R. 1887, 112th Cong. (2011); Promoting American Agricultural and Medical Exports to Cuba Act of 2011, H.R. 1888, 112th Cong. (2011).

[130] *Thomas*, LIBRARY OF CONGRESS, http://hdl.loc.gov/loc.uscongress/legislation.112hr255 (last visited Apr. 7, 2012); *Thomas*, LIBRARY OF CONGRESS, http://thomas.loc.gov/cgi-bin/bdquery/z?d112:H.R.1887:@@@P (last visited Apr. 7, 2012); *Thomas*, LIBRARY OF CONGRESS, http://thomas.loc.gov/cgi-bin/bdquery/z?d112:H.R.1888:@@@P (last visited Apr. 7, 2012).

of compliance with its own traditional core value: that foreign confiscations without adequate compensation are wrong, and should have no effect on United States property.

Policymakers and other thought leaders can take delight in the fact that the United States need not tackle a problem as enormous as balancing its interest in complying with TRIPS against its interest in preserving its core values on property rights; for an outright repeal of Section 211 is not necessary to ameliorate the small technical problem with Section 211, as identified by the WTO. Rather than "launch a missile to kill a mouse,"[131] as Congress would be doing with an outright repeal, the United States need only make a technical, narrow correction to Section 211. The narrow fix approach, as codified in the No Stolen Trademarks Honored in America Act, has thirty-nine House co-sponsors and eight Senate co-sponsors to date.[132] Unlike the repeal approach, the narrow fix simply amends Section 211 to prohibit U.S. courts from "recogniz[ing], enforc[ing,] or otherwise validat[ing] any assertion of rights" *by any person* (under current law, by *a designated Cuban national*) of a "mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated [by the Cuban Government] unless the original owner of the mark, trade name, or commercial name, or the bonafide successor-in-interest has expressly consented."[133] It applies this prohibition only if the individual asserting the rights "knew or had reason to know at the time when the person or entity acquired the rights asserted that the mark, trade name, or commercial name was the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated."[134] Such a technical correction will bring the United States into full compliance with TRIPS, prevent the European Communities from applying trade sanctions against the United States, and maintain the United States' core value of refusing to give extraterritorial effects to uncompensated confiscations of property.[135]

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131 Lucas v. South Carolina Coastal Council, 505 U.S. 1003, 1036 (1992) (Blackmun, J., dissenting) (criticizing the Court for "going beyond what is necessary" in its crafting of a rule regarding regulatory takings).

132 *Thomas*, LIBRARY OF CONGRESS, http://thomas.loc.gov/cgi-bin/bdquery/z?d112:H.R.1166:@@@P (last visited Apr. 7, 2012); *Thomas*, LIBRARY OF CONGRESS, http://thomas.loc.gov/cgi-bin/bdquery/z?d112:S.603:@@@P (last visited Apr. 7, 2012).

133 No Stolen Trademarks Honored in America Act, H.R. 1166, 112th Cong. § 2(4) (2011); S. 603, 112th Cong. § 1(4) (2011); see also 31 C.F.R. § 515.208 (defining the word "confiscated" as "the nationalization, expropriation, or other seizure by the Cuban Government" under particular circumstances).

134 No Stolen Trademarks Honored in America Act, H.R. 1166, 112th Cong. § 2(4) (2011); S. 603, 112th Cong. § 1(4) (2011).

135 *See* 2004 Section 211 Hearing, *supra* note 18, at 95–96 (prepared statement of Bruce Lehman, Former Assistant Secretary of Commerce and Commissioner of Patents and Trademarks).

III. SECTION 211 IS A CRITICAL PART OF AMERICA'S TRADEMARK REGIME AND SHOULD BE RETAINED AND AMENDED TO COMPLY WITH THE TRIPS AGREEMENT

A. *Section 211 Codifies Common Law's "Extraterritoriality Exception" to the Act of State Doctrine and Provides the United States Patent and Trademark Office with a Much-Needed Rule of Decision*

"Congress enacted Section 211 to protect United States trademark[] . . . owners from the effects of . . . confiscations . . . by the Cuban government."[136] It acted on an exception to the Act of State Doctrine: that foreign expropriation measures need not been given effect on properties situated in the United States.[137] The Act of State Doctrine is "a rule of conflict of laws"[138] in which "courts in the United States will generally refrain from examining the validity of a taking by a foreign state of property *within its own territory*."[139] Thus, it is commonly agreed that the Act of State Doctrine applies only to a taking by a foreign sovereign of property within its own territory.[140] However, "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."[141]

Justice Harlan first suggested that there could be limitations to the Act of State Doctrine by using narrow and limited language in his majority opinion in *Banco Nacional de Cuba v. Sabbatino*:

> [R]ather than laying down or reaffirming an inflexible and all-encompassing rule in this case, we decide only that the (Judicial Branch) will not examine the validity of a taking of property within its own territory by a foreign sovereign government, extant and recognized by this country at the time of suit, in the absence of a treaty or other unambiguous agreement regarding controlling legal principles, even if the complaint alleges that the taking violates customary international law.[142]

In other words, the Act of State Doctrine was held to apply only to confiscations by a foreign government of property within that

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[136] 2010 Section 211 Hearing, *supra* note 1, at 8 (testimony of Debbie Wasserman Schultz, a Representative in Congress from the State of Florida, and Member, Committee on the Judiciary).
[137] Donald T. Kramer, Annotation, *Modern Status of the Act of State Doctrine,* 12 A.L.R. FED. 707 §3(a) (1972).
[138] *Id.*
[139] RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW § 443 (1987) (emphasis added).
[140] Kramer, *supra* note 137, §3(a).
[141] Republic of Iraq v. First Nat'l City Bank, 353 F.2d 47, 51 (2d Cir. 1965) (internal quotations and citations omitted).
[142] Banco Nacional de Cuba v. Sabbatino,376 U.S. 398, 428 (1964).

foreign government's territory.[143] Trademarks, in particular, have been held to be strictly territorial in the state of registry, so that owners of marks registered in the United States could claim rights to their mark in the United States, even if a foreign state is claiming rights to that United States mark under an act of that foreign state (such as an expropriation).[144] In this vein, courts have repeatedly held that "the situs" of the right to use a trademark is in the nation granting the right to use the trademark; not the nation in which the company that manufactures the product is located.[145] In *F. Palicio y Compania, S.A. v. Brush*, for example, after stating that acts of nationalization without compensation are inconsistent with the policy and law of the United States, the court examined whether, for the purposes of this "extraterritoriality exception" to the Act of State Doctrine, a trademark registered at the PTO was property within the United States.[146] The court went on to state that there was ample authority in support of the notion that American trademarks on goods produced abroad have a separate legal existence apart from that of the foreign manufacturer:

> [T]rademarks registered in this country are generally deemed to have a local identity— and situs— apart from the foreign manufacturer . . . . The rights of the former owners to conduct their businesses [in the United States] include the right to make use of the good-will [sic] long established in this country of which the trademarks are an integral part. These trademark rights cannot be 'detached' from the good-will [sic] and the right to conduct the

143 *See id.*

144 *See* Maltina Corp. v. Cawy Bottling Co., 462 F.2d 1021, 1025-27 (5th Cir. 1972); *see also* Zwack v. Kraus Bros. & Co., 237 F.2d 255 (2d Cir. 1956); F. Palicio y Compania, S.A. v. Brush, 256 F. Supp. 481, 490-93 (S.D.N.Y. 1966), *aff'd*, 375 F.2d 1011 (2d Cir. 1967).

145 For example, in *Zwack*, the court held that while it could not inquire into the legality of the Hungarian government's right to the trade names and marks of a Hungarian business in Hungary, it did not follow, that United States courts had to recognize Hungarian claims of right to the trademarks registered in the United States, when they were acquired only by coercion without substantial consideration. 237 F.2d at 259. Similarly, in *F. Palicio y Compania,* five Cuban cigar manufacturers brought suit against the former owners of the companies for trademark infringement. 256 F. Supp. at 490–93. Prior to 1960, the five Cuban companies had manufactured cigars and tobacco products in Cuba and had sold such products in the United States and held trademarks for their products, registered in the PTO. *See id.* In 1960, however, the Castro government in Cuba took possession of the businesses, ousted the owners, and designated new owners for each of the companies, who operated the businesses on behalf of the Cuban government. *See id.* After the takeovers of the companies involved, the new owners continued to manufacture cigars in the Cuban plants and to sell the products under the same names and trademarks to various importers in the United States until the implementation of the CACR. *See id.* The importers accepted and retained the cigars shipped by the new owners, but wary of double liability, they did not pay for the cigars. The Court stated that although the Act of State Doctrine "is plainly applicable here and proscribes this court from questioning the validity of the Cuban decrees," it does not necessarily follow, that the Act of State Doctrine is dispositive of this case, "[f]or 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." *See id.*

146 *F. Palicio y Compania*, 256 F. Supp. at 490–93.

> businesses by giving impermissible extraterritorial effect to the Cuban decrees through a holding that the interventors rather than the former owners are entitled to enforce claims for infringement.[147]

Consequently, the court held, "because 'the law of trade-marks rests upon the doctrine of territoriality . . . the scope of protection to be afforded such trademarks is to be determined *by the law of the country in which protection for the marks is sought*;" in this case, the United States.[148] Thus, Section 211 codifies the United States' position, reflected in longstanding United States case law and public policy, that foreign confiscations should have no effect on property in the United States.

As a result of American courts' seemingly unwavering application of the extraterritoriality exception, some have suggested that the codification in Section 211 of the principle that the United States will not recognize the expropriation of property within its territory, at best is unnecessary, and at worst, gives ammunition for retaliation by foreign governments.[149] Those espousing the repeal of Section 211 further argue that the issue of expropriation as it relates to trademark rights in the United States should be kept in the courts.[150] However, these calls for repeal are premature, as Section 211 provides a much-needed rule of decision not only for federal courts, but also for the PTO.

As discussed above, there is a common law principle that courts will not give effect in the United States to a foreign confiscatory measure that purports to affect American property, including trademarks.[151] In the case of a victim of a confiscation (such as Arechabala family) requesting the cancellation of the confiscator's trademark registration (such as Cubaexport's registration), the Lanham Act specifically grants courts the power to determine "the right to registration, order the cancellation of registrations, in whole or in part, restore cancelled registrations, and otherwise rectify the register with

147 *Id.*
148 *Id.* at 492 (emphasis added).
149 Testifying before the House Committee on the Judiciary, Mark Esper stated:

> Few realize that the United States is the largest supplier of food and agricultural products to the Cuban people, with American companies exporting approximately $500 million in food and agricultural goods each year. For U.S. companies exporting branded foods to the Cuban people, a threat by the Cuban government to retaliate over this issue remains a concern. Any retaliation would, of course, endanger their trademarks as well as the status of other U.S. brand owners' marks currently registered in Cuba.

2010 Section 211 Hearing, *supra* note 1, at 25 (testimony of Mark T. Esper, Executive Vice President, Global Intellectual Property Center, U.S. Chamber of Commerce).
150 2010 Section 211 Hearing, *supra* note 1, at 32 (testimony of William Reinsch, President of the National Foreign Trade Council) ("[T]rademark[] decisions properly are the responsibility of the Patent and Trademark Office and the courts.").
151 *See supra* Part III.a.

respect to the registrations of any party to the action."[152]

Arguably, then, it is enough to simply repeal Section 211 and let the courts continue to enforce the common law and Lanham Act principles. The problem with this argument is that "[a] party seeking to cancel a registration may not bring suit on [trademark registration cancellation] ground alone."[153] In order to seek cancellation of a registration alone, the only recourse a party in that situation has is to file a petition for cancellation with the PTO, thus exhausting administrative remedies first.[154] The Lanham Act provides no subject matter jurisdiction for a claim for cancellation as the sole basis for a suit in federal court.[155] Further, the PTO is authorized to refuse registration and renewal of trademarks solely on the grounds specified in 15 U.S.C. §§ 1052 and 1059, which do not include a foreign confiscation.[156] In other words, the legitimate owners of confiscated trademarks have been left with no practical judicial forum to assert those rights, even though they have clear rights under common law to the American trademarks.[157] Section 211 has corrected this undesirable situation by providing the legitimate owners with a clear statutory remedy.

Section 211 has proven to be important in the face of a PTO that is reluctant to apply even well settled non-statutory doctrines that relate to trademark registration.[158] This may be due to the nature of the precedent that is binding on PTO. While matters purely concerning federal *registration* of trademarks are within the jurisdiction of the PTO and the federal courts which review its trademark decisions (principally, but not always, the Court of Appeals for the Federal Circuit); the federal and state courts of general jurisdiction hear the trials and appeals of *infringement suits*, in which they pass upon *the right to use a contested trademark*.[159] In other words, any case law that comes out of trademark infringement suits, such as the case law carving out an exception to the Act of State Doctrine for trademarks registered in the United States,[160] is at best

[152] 15 U.S.C.A. § 1119 (West 2012).
[153] SIEGRUN D. KANE, KANE ON TRADEMARK LAW § 17:4.3 (Practising Law Institute ed. 2012).
[154] *Id.*
[155] *See* Nike, Inc. v. Already, L.L.C., 663 F.3d 89, 98 (2d Cir. 2011) ("Under the Lanham Act, district courts are authorized to cancel registrations, but only '[i]n any action involving a registered mark.' The limiting phrase '[i]n any action involving a registered mark' plainly narrows the circumstances in which cancellation may be sought—namely, in connection with a properly instituted and otherwise jurisdictionally supportable action involving a registered mark."); *see also* Univ. Sewing Mach. Co. v. Standard Sewing Equip. Corp., 185 F. Supp. 257, 260 (S.D.N.Y. 1960).
[156] 15 U.S.C.A §§ 1052, 1059 (West 2012).
[157] *See supra* Part III.a.
[158] 2004 Section 211 Hearing, *supra* note 18, at 105.
[159] JOHN GLADSTONE MILLS III ET AL., PATENT LAW FUNDAMENTALS, § 15:134 (2011).
[160] *See supra* Part II.a.

persuasive authority upon the PTO, and at worst, ignorable authority (unless the decision is from the United States Supreme Court).[161] Section 211—the only statute that protects United States trademarks and their legitimate owners from the effects of confiscations without adequate compensation—provides statutory authority which is binding upon the PTO, and therefore requires the PTO to deny the registration of a stolen trademark.

In fact, the need for Section 211 as a rule of decision that is binding on the PTO has already proven to be true for the Trinidad U.S.A. Corporation.[162] TTT Trinidad is a tobacco brand used by the Trinidad family company whose assets were also confiscated by the Castro government.[163] When Trinidad U.S.A. Corporation discovered that the Cuban government registered its trademarks in the United States, Trinidad filed a petition to cancel the Cuban government's registrations with the U.S. Trademark Trial and Appeal Board (TTAB).[164] While their petition was pending, Section 211 became law.[165] On July 16, 2001, the TTAB cancelled Cuba's registration.[166] As Diego Trinidad wrote to the Chairman of the Senate Judiciary Committee in 2004: "[d]ue to Section 211, my family has been able to hold onto our trademarks in the United States and enter into a productive license agreement to produce our products."[167] Section 211 saved Diego Trinidad and his family from having to endure what the Bacardis and Arechabalas are all too familiar with: decades of expensive domestic and international litigation in an as-of-yet unsuccessful attempt to reclaim from Castro a trademark they rightfully own.[168] Simply stated, Section 211 brings the effect of Cuban confiscations to a screeching halt at the U.S. border and preserves the original owners' rights to their U.S. trademarks. Make no mistake, the law does not prohibit or interfere with the Cuban government's registration of trademarks that it legitimately owns, as distinguished from those it has acquired through confiscation.[169]

B. *The Argument in Favor of Repeal, that Section 211 Prevents the Courts from Adjudicating on Issues of Abandonment and Creates "Zombie Trademarks," is Misplaced*

In arguing for a narrow fix, rather than a slash-and-burn

161 JOHN GLADSTONE MILLS III ET AL., *supra* note 159.
162 Letter from Diego Trinidad, Trinidad U.S.A. Corporation, to United States Senators Orin Hatch and James Sensenbrenner (June 18, 2004) (on file with author).
163 *Id.*
164 *Id.*
165 *Id.*
166 *Id.*
167 *Id.*
168 *Id.*
169 *See* 2004 Section 211 Hearing, *supra* note 18.

approach, it would be remiss to ignore one of the most prominent arguments made by those who favor the slash-and-burn repeal of Section 211: namely, that Section 211 prevents the defense of abandonment and creates "zombie trademarks."[170] Zombie trademarks are "previously-abandoned, newly-revived trademarks that still enjoy a measure, sometimes an extraordinary measure, of consumer recognition and loyalty."[171] Excluded from this zombie trademark category are "marks that still have a pulse," or those marks "for which there is no clear factual and legal abandonment."[172]

The trademarks covered by Section 211 were all used in businesses that were confiscated by the Cuban Government.[173] These confiscations caused a break in use of these marks by their original owners. Abandonment through non-use is an equitable doctrine that can only be asserted by a party who relied on the prolonged non-use of a mark to conclude *reasonably* that the original owner had no intention of ever using that mark again.[174] To appeal to equity, a party itself must act fairly.[175] The "unclean hands" doctrine prohibits an appeal for equitable relief by those whose claims to ownership rest upon a forcible seizure without compensation.[176]

Consequently, abandonment is not a defense to Section 211, because Cuba and those claiming title through Cuba have "unclean hands" as Cuba relied on force, not non-use, as the basis for asserting rights in the United States trademarks used by the businesses Cuba confiscated in 1960.[177] Confiscation of U.S. marks by foreign nations does not result in good title;[178] therefore, Cuba never had good title to the confiscated marks and could not convey good title to anyone else. Thus, abandonment is an equitable defense to claims of trademark infringement that can be asserted in appropriate circumstances, by those who do not trace their claims of ownership of similar marks to a

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170 2010 Section 211 Hearing, *supra* note 1, at 40 (testimony of William Reinsch, President of the National Foreign Trade Council).

171 Jerome Gilson and Anne Gilson LaLonde, *The Zombie Trademark: A Windfall and A Pitfall*, 98 TRADEMARK REP. 1280, 1282 (2008). "Zombie brands are also called ghost brands, orphan brands, dinosaur brands, antique brands, and graveyard brands." *Id.*

172 *Id.*

173 *See* Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, Pub. L. No. 105–277, § 211(d)(2), 112 Stat. 2681 (1998) (adopting the definition of "confiscation" in 31 C.F.R. § 515.208); *see also* 31 C.F.R. § 515.208 (defining "confiscation" as "[t]he nationalization, expropriation, or other seizure by the Cuban Government of ownership or control of property, on or after January 1, 1959.").

174 Section 45 of the Lanham Act states that "[a] mark shall be deemed to be "abandoned" . . . [w]hen its use has been discontinued with intent not to resume such use . . . Nonuse for 3 consecutive years shall be prima facie evidence of abandonment." 15 U.S.C.A. § 1127 (West 2012).

175 2010 Section 211 Hearing, *supra* note 1, at 56 (testimony of John K. Veroneau, Partner, Covington & Burling, LLP).

176 *See id.*

177 *See id.*

178 *See supra* Part III.a.

confiscation by a foreign government.[179] In accordance with these principles of equity, Section 211 bars the Cuban Government and its successors-in-interest from asserting this equitable doctrine to gain U.S. exclusivity over marks that were obtained by confiscation.[180] Therefore, proponents of the repeal of Section 211 who cite "zombie trademarks," or dead trademarks that can be revived more than 30 years after they have been abandoned,[181] as an undesirable result of the legislation are misguided.

Such criticism relies on the false assumption that Section 211 resurrects "dead" trademarks. Section 211 is directed to claims to ownership of United States trademarks by confiscatory governments, when the trademarks are truly owned by the victims of the confiscation.[182] No Cuban-owned trademark has ever been lawfully used in the United States since President Kennedy put the embargo on trade with Cuba in place.[183] This admitted non-use of over fifty years has not resulted in those marks owned by Cuban state enterprises being abandoned, because the PTO has decided that the excusable non-use doctrine kept all such marks alive despite the admitted non-use.[184] The same excusable non-use doctrine applies to any non-use of the HAVANA CLUB mark by JASA, or to the non-use of marks by other victims of Castro's expropriations.[185] A lack of abandonment of a mark necessarily precludes a mark from becoming zombie trademark.[186] Thus, neither marks legitimately owned by the Cuban government, nor marks owned by the victims of Castro's

179 *See id.*

180 Havana Club Holding, S.A. v. Galleon, S.A., 62 F. Supp. 2d 1085, 1094 (S.D.N.Y. 1999) ("[Section 211] does not . . . provide a defense of abandonment.").

181 2010 Section 211 Hearing, *supra* note 1, at 40 (testimony of William Reinsch, President of the National Foreign Trade Council). Zombie marks, as described vividly, if not comically:

> Beware trademark owners! Protect yourselves from the attack of the undead brands! Yes, zombie trademarks, spawned by trademark abandonment and the cachet of still-remembered brand names, walk among us. A zombie business scavenges in the trademark graveyard for one that still has marketing potential. It then resurrects one, for little or no cost, that the public still associates with the original product, and applies it to an entirely new one. The public's memory of the original mark, also known as residual goodwill, has a twofold zombie advantage. It can trigger instant (if mistaken) demand for the new product, reduce advertising costs and raise profits. Yes, zombie businesses roam the countryside, trafficking in trademarks, and thriving by feeding, not on human flesh, but on residual goodwill. Beware! . . . [U]nless the newcomer duplicates the original branded product, and its quality . . . the use of the mark is almost certain to deceive and confuse the public.

Gilson, *supra* note 171, at 1280.

182 *See generally* Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, Pub. L. No. 105–277, § 211, 112 Stat. 2681 (1998).

183 *See* 31 C.F.R. § 515.201 (2012).

184 *See* Havana Club Holding, S.A. v. Galleon, S.A., 203 F.3d 116, 125 n.8 (2d Cir. 2000) ("Congress amended the Lanham Act to allow applications for renewing registered trademarks to show that any nonuse of the mark is due to special circumstances which excuse such nonuse and it is not due to any intention to abandon the mark.") (internal quotations and citations omitted).

185 *Id.*

186 *See supra* Part III.a.

expropriations, are turned into "zombie marks" by Section 211.

This law reinforces the fundamental principle that property rights must be respected and governments may not take property from individuals and companies, whether nationals or foreigners, without payment of prompt, adequate, and effective compensation.[187] Beyond the common law, Section 211 provides a bright-line rule on trademark ownership regarding confiscated property.[188] Such a law is desirable and wholly in line with American intellectual property values.

C. *Section 211 is About Stolen Trademarks; Not Embargo Politics*

Surprisingly, some opponents of Section 211 have argued that Section 211, although it is clearly focused on trademark law, is nonetheless an embargo politics issue.[189] These arguments are attenuated and unreasonable. Section 211 "is not an embargo issue; it is a property-ownership issue. The debate on the embargo centers on whether it helps or hinders Cuba's transition to a free-market economy. This goal is not advanced by giving effect to Cuban confiscatory measures in the United States."[190] It has long been United States policy that all foreign confiscations go against core American property values and should not be recognized within U.S. borders.[191] Whether one supports the embargo or not, for the foregoing reasons, these are property values we should continue to uphold.

CONCLUSION

This Note has argued that Section 211 has proven to be highly beneficial to the United States trademark regime and that a complete repeal of Section 211 would be harmful to the United States trademark

187 *See* Maltina Corp. v. Cawy Bottling Co., 462 F.2d 1021, 1025-27 (5th Cir. 1972) ("We hold that it is our duty to assess . . . the compatibility with the laws and policy of this country of depriving the original owners of the . . . trademark of that property without compensating them for it. We conclude that such a deprivation without compensation would violate bedrock principles of this forum, embodied in the Fifth Amendment to the Constitution."); *see also* Republic of Iraq v. First Nat'l City Bank, 353 F.2d 47, 51-52 (2d Cir. 1965) ("Cur [sic] Constitution sets itself against confiscations . . . not only by the general guarantees of due process in the Fifth and Fourteenth Amendments but by the specific prohibitions of bills of attainder in Article I."); *see also* Zwack v. Kraus Bros. & Co., 237 F.2d 255 (2d Cir. 1956) (explaining that giving extraterritorial effect to a confiscation would "emasculate the public policy of the forum against confiscation."); *see also* F. Palicio y Compania, S.A. v. Brush, 256 F. Supp. 481, 488 (S.D.N.Y. 1966) ("Acts of intervention and nationalization which do not afford compensation to the persons adversely affected are undoubtedly inconsistent with our policy and laws."), *aff'd*, 375 F.2d 1011 (2d Cir. 1967).

188 *See generally* Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, Pub. L. No. 105–277, § 211, 112 Stat. 2681 (1998).

189 *See* 2004 Section 211 Hearing, *supra* note 18, at 96 (prepared statement of Bruce Lehman, Former Assistant Secretary of Commerce and Commissioner of Patents and Trademarks).

190 *See id.*

191 *See supra* text accompanying notes .

regime. However, being out of compliance with our obligations under TRIPS is not beneficial, and perhaps even is detrimental to our position as a global leader in the push for more robust international trademark protections. As a result, Congress should pass and the President should sign into law an amended version of H.R. 1166, the No Stolen Trademarks Honored in America Act.[192]

This valuable legislation is currently the only legislation in Congress that not only maintains the principles of Section 211, but also strengthens Section 211 by bringing it into compliance with the TRIPS Agreement. H.R. 1166 makes clear that Section 211 shall apply to all parties claiming rights in American trademarks confiscated by the Cuban Government, regardless of nationality, and prevents the confiscatory government from extending the effects of its expropriations to trademarks that the confiscation victims own in the United States.[193] This law protects true intellectual property owners from piracy and serves as a deterrent to those who seek to profit from uncompensated confiscations. If Congress repeals Section 211 completely, the United States would not only send a message to the international community that the United States permits, in effect, the registration of stolen trademarks, but also, and perhaps even worse, it would signal that the United States is only concerned with protecting trademarks when it is politically expedient to do so—or more concretely, when it relates to confiscations by Cuba, but not with respect to confiscations by any other government.

That being said, H.R. 1166 has room for improvement. Congress should amend H.R. 1166 so that it is clear that OFAC has authority to determine whether a particular "mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name . . . was used in connection with a business or assets that were confiscated."[194] As the United States District Court for the District of Columbia has pointed out, "nothing in Section 211 or the CACR expressly invests OFAC with authority to make this determination."[195] Making it clear in the statutory language that OFAC is to make this determination would help ensure that one of the major benefits of Section 211—that it gives OFAC a rule of decision it can easily apply[196]—comes to fruition.

Additionally, Section 211, as it currently stands, applies only to

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192 *See* No Stolen Trademarks Honored in America Act, H.R. 1166, 112th Cong. (2011); S. 603, 112th Cong. (2011).
193 *See* No Stolen Trademarks Honored in America Act, H.R. 1166, 112th Cong. (2011); S. 603, 112th Cong. (2011).
194 31 C.F.R. § 515.527(a)(2) (2012).
195 Empresa Cubana Exportadora de Alimentos y Productos Varios v. U.S. Dep't of Treasury, 516 F. Supp. 2d 43, 48 (D.D.C. 2007).
196 *See supra* text accompanying notes 158–62.

those claims of rights to a trademark confiscated by the Cuban Government, *by a designated national*.[197] A designated national, for the purposes of Section 211, refers to "Cuba and any national thereof including any person who is a specially designated national."[198] H.R. 1166 amends Section 211 so that it applies to any claim of rights to a trademark confiscated by the Cuban government, by *a national of any country*.[199] From a public policy viewpoint, and with the common law principle of not giving effect to foreign confiscations of property situated in the United States in mind, H.R. 1166 ought to further amend Section 211 so that it applies to *any national's claim* of rights to a trademark registered in the United States, which has been *confiscated by any nation*.

However, it would be necessary to add a caveat to such a broad rule, because one can imagine situations where such a rule might be over-inclusive to the extent that it could create problems of national security or cause diplomatic crises. To that extent, H.R. 1166 ought to include an exception for situations where the application of Section 211 could create a diplomatic crisis or fan a threat to national security. For example, application of such a broad rule, without an exception for diplomatic crises, might not be appropriate in the case of Libya.[200] Depending on national security and diplomatic necessities, it might be preferable to give effect in the United States to a law enacted by the Transitional National Council of Libya, Libya's interim government, that purported to confiscate property—including a trademark whose "situs" is in the United States—that was owned by the deceased former dictator of Libya, Muammar Gaddafi.[201]

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197 *See* Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, § 211.

198 31 C.F.R. § 515.305 (2012).

199 *See* No Stolen Trademarks Honored in America Act, H.R. 1166, 112th Cong. (2011); S. 603, 112th Cong. (2011).

200 *See generally*, Kareem Fahim et al., *Qaddafi, Seized by Foes, Meets a Violent End*, N.Y. TIMES, Oct. 21, 2011, at A1.

201 *See supra* text accompanying note 145. Such a scenario is not far-fetched. For example,

> [t]hroughout the twentieth century revolutionary governments frequently nationalized property, including American property in the nationalizing State and [purporting to include] property of citizens and corporations of the nationalizing State in the United States. . . . The United States has typically reacted to confiscatory nationalizations by revolutionary governments by freezing the assets of those governments and their nationals in the United States. The United States and the revolutionary government then have frequently settled the outstanding . . . claims . . . through a "lump sum claims agreement" under which . . . the revolutionary government agrees to pay compensation to the United States in respect of the nationalized property of U.S. citizens. The amount paid has often been the same as the amount of frozen assets held in the United States.

BARRY E. CARTER & ALLEN S. WEINER, INTERNATIONAL LAW 207 (Vicki Been et al. eds., 6th ed. 2011). In *United States v. Pink*, 315 U.S. 203 (1942), for example, the United States reached such an agreement with the Soviet Union, called the Litvinov Assignment, whereby the United States agreed to give effect to a Soviet nationalization decree within the territory of the United States. The United States agreed to allow "the Soviets [to assign] . . . to the U.S. . . . its claims to certain nationalized assets in the United States . . . . The U.S. government in turn planned to use those assets to pay American nationals whose property in Russia had been seized." The Supreme

Therefore, while this Note strongly urges the broadening of the scope of Section 211 so that it applies to confiscations of trademark rights by any nation, this expansion must come along with a national security and diplomacy exception, whereby the President may temporarily suspend Section 211 as it applies to marks traceable to a particular confiscating nation. By making these changes to Section 211, the United States would demonstrate to the international community that its status as a beacon of intellectual property rights is well deserved, for it is wholeheartedly committed to protecting private property rights within its borders. It would send a loud and clear message to the international community that when it comes to being a global leader on intellectual property rights, no nation can steal its thunder, and perhaps more importantly, no nation can steal its trademarks.

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Court held that "[t]he powers of the President in the conduct of foreign relations included the power . . . to determine the public policy of the United States with respect to the Russian nationalization decrees." 315 U.S. at 229. It is in cases such as this, where there are paramount diplomatic or national security concerns, that the President should be able to temporarily suspend Section 211.

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