RECENT DEVELOPMENTS

Havana Club Holding, S.A. v. Galleon, S.A.: District Court Orders Up "One Havana Club Rum and Whatever Congress Is Having"

I. INTRODUCTION

Havana Club International, S.A. (HCI), owned in part by the Cuban government, has been exporting rum under the "Havana Club" trademark since early 1994.[1] Although HCI currently distributes the Cuban rum, Havana Club, throughout the world, it is prohibited from selling its rum in the United States because of the Cuban embargo.[2] In 1995, Bacardi-Martini, U.S.A. (together with Bacardi & Co., "Bacardi"), owner of the best-selling brand of liquor in the United States, began to distribute rum in the United States bearing the Havana Club trademark.[3] Bacardi claimed to be the successor-in-

1. *See* Havana Club Holding, S.A. v. Galleon, S.A., 62 F. Supp. 2d 1085, 1089 (S.D.N.Y. 1999). Since 1973, Havana Club rum, produced in Cuba, has been sold to over 20 countries, with its primary markets being Western Europe, Canada, and Mexico. *See* Havana Club Holding, S.A. v. Galleon, S.A., 974 F. Supp. 302, 305 (S.D.N.Y. 1997). Empresa Cubana Exportadora de Alimentos y Productos Varios (Cubaexport), established by the Cuban government, marketed Havana Club rum internationally from 1972 until 1993, at which time the business was reorganized to incorporate a French company, Pernod Ricard, S.A. (Pernod). *See Havana Club Holding*, 62 F. Supp. 2d. at 1090. In 1993, pursuant to an agreement (Convenio Asociativo) between Pernod and Havana Rum & Liquors, S.A. (HRL), both HCI and Havana Club Holding, S.A. (HCH) were formed. *See Havana Club Holding*, 974 F. Supp. at 305-06. According to the Convenio Asociativo, Pernod and HRL each own 50% of HCH, which entitles them to a 50% share in HCI. *See id.* at 306. By virtue of the reorganization, HCI held the exclusive right to sell Havana Club rum and use the Havana Club trademark. *See id.* Both HCI and HCH are the plaintiffs in the noted case.

2. *See Havana Club Holding*, 62 F. Supp. 2d at 1089. Approximately 30% of HCI's rum sales are made in Cuba, with the remainder exported to foreign countries excluding the United States. *See id.*

3. *See id.* at 1090. "Privately-held Bacardi is the largest distilled spirits brand in the United States, controlling 48.7 percent of the domestic market[.]" Heather Chaplin, *Gen X in Search of a Drink*, AMERICAN DEMOGRAPHICS, Feb. 1, 1999, *available in* LEXIS, IAC-ACC-NO: 54624813.

interest to the rights of the Cuban company that owned the Havana Club trademark prior to 1960, when the Cuban government forcibly took control of the company.[4] In an effort to prevent unfair competition and preserve its ability to compete in the United States in the future, HCI sought to enjoin Bacardi from selling rum in the United States under the "Havana Club" name.[5] HCI claimed that Bacardi's use of the Havana Club trademark infringed on its trade name and violated its trademark rights under both the General Inter-American Convention for Trademark and Commercial Protection and the Lanham Act.[6] The United States District Court for the Southern District of New York *held* that the plaintiffs were precluded from asserting trademark infringement claims by federal law and lacked standing to maintain a claim for false designation of origin under the Lanham Act. *Havana Club Holding, S.A. v. Galleon, S.A.*, 62 F. Supp. 2d 1085 (S.D.N.Y. 1999).

II. BACKGROUND

As economic markets become globalized, the need for corporations to protect their property rights and be protected from unfair competition at the international level has emerged.[7]

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4. *See Havana Club Holding*, 62 F. Supp. 2d at 1090. In 1995, Bacardi & Co. reached an agreement with the Arechabala family, the original owner of Jose Arechabala, S.A., a Cuban corporation, and the Havana Club trademark, to purchase any rights that the Arechabala family had in the Havana Club trademark, the goodwill of the business and any assets in the rum business that the Arechabalas still owned. *See id.* Accordingly, Bacardi-Martini U.S.A. began to distribute rum in the United States under the Havana Club trademark. *See id.* The rum was produced in the Bahamas by Galleon, S.A., which has been merged into Bacardi & Co. *See id.* Galleon, S.A., Bacardi-Martini U.S.A. & Bacardi & Co. are named defendants in the noted case.

5. *See id.* at 1088.

6. *See id.* The noted case addressed the final three issues of contention between the parties. HCI sought to permanently enjoin Bacardi from using the Havana Club trademark on three separate grounds: (1) defendants' sales of Havana Club rum infringe plaintiffs' trade name in violation of Chapter III of the General Inter-American Convention for Trademark and Commercial Protection (Inter-American Convention); (2) defendants' sales of Havana Club rum infringe plaintiffs' trade name in violation of §§ 44(g) and 44(h) of the Lanham Act, 15 U.S.C. § 1126(g) and (h); and (3) that defendants' use of "Havana Club" constitutes a false designation of origin, in violation of § 43(a) of the Lanham Act. *See id.* The defendants have asserted an affirmative defense of "unclean hands" to the claim of a violation of § 43(a), because of the amount of non-Cuban ingredients in the plaintiffs' own rum. *See id.* at 1088-89. Pending the outcome of this litigation, Bacardi stopped sales of Havana Club rum in the United States and has not distributed Havana Club rum since 1996, pursuant to an agreement with the plaintiffs. *See id.* at 1091.

7. *See* Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Annex 1C, LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND vol. 31, 33 I.L.M. 81 (1994) [hereinafter TRIPS Agreement] (evidencing the need for broad protection of international trade.); *see also* J.H. Reichman & David Lange, *Bargaining Around the TRIPS Agreement: The*

International trade and global marketing has taken on unprecedented commercial importance for companies seeking to maintain a competitive and economic advantage.[8] With an ever-expanding world market, the balance between international law and the domestic laws of competing nations plays a vital role in the stability and well-being of international trade.[9] The foreign policy of nations inexorably affects the economic opportunity and competitive ability of private corporations.[10] In an effort to encourage international trade, many countries have entered into trade agreements and have formed trade alliances, which are governed by various treaties among those nations.[11]

In 1929, several countries met to establish uniform trademark protection among the countries in the Western Hemisphere, or the "American States."[12] This was a formidable task due to the inherent differences between the civil law principles of the Latin American countries and the common law principles of the United States.[13] The

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Case for Ongoing Public-Private Initiatives to Facilitate Worldwide Intellectual Property Transactions, 9 DUKE J. COMP. & INT'L L. 11, 12-16 (1998).

8. *See* William H. Borghensani, Jr., et al., *Food for Thought: The Emergence of Power Buyers and Its Challenge to Competition Analysis*, 4 STAN. J.L. BUS. & FIN. 39 (1999).

> The daily consumer goods industry has changed dramatically in the 1990s and has moved towards a world of global marketing. Both retailers and suppliers now must make decisions on a global basis because converging consumer tastes, saturation in home markets, lower trade barriers and the opening of Latin American, Eastern European and Asian economies have combined to force retailers to expand their market view. . . . Viewed from an information technology perspective, some aspects of globalization can enhance operating efficiencies.

Id.; *see also* Isaiah A. Litvak, *Winning Strategies for Small Technology-Based Companies*, BUS. Q., Sept. 22, 1992, *available in* 1992 WL 3078150.

> Internationalization was critical to the success of the [entrepreneurial firms]. . . . The importance of international sales was reflected in the fact that in 1991 the survivors reported revenues from foreign sales ranging from 35% to 80% of total sales. Since inception, internationalization formed an integral element of the competitive strategies pursued by the [companies that were examined].

Id.

9. *See generally* Martin A. Rogoff, *Interpretation of International Agreements by Domestic Courts and the Politics of International Treaty Relations: Reflections on Some Recent Decisions of the United States Supreme Court*, 11 AM. U. J. INT'L L. & POL'Y 559 (1996) ("The politics of the future will be defined by the twin challenges of empowering people to shape their lives within communities . . . while presenting a peaceful world by bringing states together on a . . . global scale.").

10. *See id.* at 640-41; *see also* Borghensani et al., *supra* note 8, at 67 ("[G]overnmental intervention is deemed necessary to address market failures and to ensure that the competitive process is sound, and that dominant firms compete fairly.").

11. *See e.g.*, TRIPS Agreement, *supra* note 7.

12. *See* General Inter-American Convention for Trademark and Commercial Protection, Feb. 20, 1929, 46 Stat. 2907, *cited in* Bacardi Corp. v. Domenech, 311 U.S. 150, 157-58 (1940).

13. *See Domenech*, 311 U.S. at 158.

General Inter-American Convention for Trademark and Commercial Protection (Inter-American Convention or the Treaty) was signed on February 20, 1929, and later ratified by both the United States and Cuba.[14] In *Bacardi Corp. v. Domenech*, the Supreme Court explained that the Inter-American Convention had become part of our law upon ratification and noted that "[n]o special legislation in the United States was necessary to make it effective."[15] Thus, the Inter-American Convention is a self-executing treaty, and as such is equivalent to a constitutional act of Congress.[16]

This treaty, like all other treaties, must be construed liberally to give effect to its intended purpose.[17] The Treaty purportedly gave every mark that was duly registered and legally protected in one of the Contracting States legal protection in the other Contracting States, upon compliance with domestic laws of that Contracting State.[18] Article III of the Treaty covers commercial or trade names and allows a party in a Contracting State to "obtain an injunction against the use of any commercial name . . . by proving: (a) that the commercial name or trade mark . . . is identical or deceptively similar to his commercial name already legally adopted and previously used in any of the Contracting States[.]"[19] Since the Treaty is self-executing, its application is subject only to the constraint that relief is sought "in accordance with the law and procedure of the country where the proceeding is brought," an express term of the Inter-American Convention.[20]

International treaties are not the only source of regulation for international trade. Domestic laws may also serve to stimulate,

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14. *See id.* at 165.

15. *Id.* at 161.

16. The distinction between self-executing and nonself-executing treaties serves as a guidepost for courts to determine when a treaty should be recognized as a rule of law. If the treaty is self-executing the treaty has the effect of law immediately, but where the treaty is not self-executing it will have no effect until the necessary implementing legislation is enacted. *See* Whitney v. Robertson, 124 U.S. 190, 194 (1888). The Court first made the distinction in Foster v. Neilson, 27 U.S. 253 (1829), when it held that courts should recognize treaties as equivalent to an act of Congress when it operates without the benefit of federal implementing legislation: "But when the terms of the stipulation import a contract, when either of the parties engages to perform a particular act, the treaty addresses itself to the political, not the judicial department; and the legislature must execute the contract before it can become a rule for the Court." *Id.* at 314; *see also* JOHN E. NOWAK & RONALD D. ROTUNDA, CONSTITUTIONAL LAW § 6.7, at 220 (5th ed. 1995).

17. *See* Jordan v. Tashiro, 278 U.S. 123, 127 (1928); DeGeofroy v. Riggs, 133 U.S. 258, 271 (1890).

18. *See Domenech*, 311 U.S. at 163.

19. *Havana Club Holding*, 62 F. Supp. at 1092 (citing General Inter-American Convention for Trademark and Commercial Protection ch. III, art. 18).

20. *Id.* at 1093.

facilitate, and protect international commerce. United States federal unfair competition law contemplates trademark protection for foreign-based international companies.[21] Seventeen years after the ratification of the Inter-American Convention, Congress passed the Lanham Act (the Act) partly to correct the United States' failure to carry out its treaty commitments to protect foreign trademark rights.[22] As indicated by the text and history of the Lanham Act, the purpose of section 44 "was to execute all treaty obligations respecting trademarks and trade names."[23] Any citizen of a foreign nation that has a treaty with the United States for the repression of unfair competition may have a cause of action arising under the combination of that treaty and section 44 of the Lanham Act.[24] Plaintiffs who have standing under section 44 are afforded the benefits of the Lanham Act necessary to give effect to the appropriate treaty provisions.[25] Thus, while the Lanham Act is to be construed liberally to give broad protection from unfair competition, its effect is limited by the terms of the applicable treaty.

Addressing the scope of the Lanham Act, the Second Circuit has explicitly recognized that "any right accorded to foreign nationals under Section 44 'has its source in, and is subject to the limitations of, American law, not the law of the foreign national's own country.'"[26] Although the Lanham Act may serve as implementing legislation for treaties that are not self-executing, the original version of section 44 explicitly referenced and gave effect to the Inter-American Convention, a self-executing treaty.[27] The Lanham Act in its current form, which includes the 1988 amendments, makes no distinction between self-executing treaties and those treaties that rely on the Lanham Act for implementation.[28] Rather, section 44 covers claims arising under "*any* convention or treaty relating to trademarks, trade

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21. *See generally* 15 U.S.C. § 1126 (1999) (providing traders from foreign countries protection for their trademarks and trade names and from unfair competition in the United States).

22. "There has been no serious attempt to fully secure to nationals of countries signatory to the conventions their trademark rights in this country and to protect them against the wrongs for which protection has been guaranteed by the conventions." *See Havana Club Holding*, 62 F. Supp. 2d at 1092-93 (citing S. Rep. No. 1333, 79th Cong., 2d Sess. 5 at 1276 (1946)).

23. *Id.* at 1093 (referring to the text and legislative history of 15 U.S.C. § 1127).

24. Litton Systems, Inc. v. Ssangyong Cement Industrial Co., 1997 U.S. App. LEXIS 2386, at *11-*12 (interpreting 15 U.S.C. § 1126 and citing Toho Co. v. Sears, Roebuck & Co., 645 F.2d 788, 792-93 (9th Cir. 1981)).

25. *See Litton Systems*, 1997 U.S. App. LEXIS 2386, at *11-*14.

26. Berni v. International Gourmet Restaurants of Am., Inc., 838 F.2d 642, 646 (2d Cir. 1988) (citing Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 641 (2d Cir.), *cert. denied*, 352 U.S. 871 (1956)).

27. *See* 15 U.S.C.A. § 1126.

28. *See id.*

or commercial names, or the repression of unfair competition, to which the United States is also a party[.]"[29] Therefore, any rights asserted under the Inter-American Convention necessarily implicate the Lanham Act.

Section 43 of the Lanham Act may also be used to protect market competitors from unfair competition. The statute provides protection against "any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion."[30] Specifically, section 43(a) prohibits the false designation of a product's geographic origin.[31] Violators of section 43(a) are subject to claims brought by "any person who believes that he or she is likely to be damaged by such act."[32] The Lanham Act provides for much broader protection against unfair competition than that provided by the common law.[33] By including a provision on statute, the Act has been interpreted as providing broad protection against unfair competition without the constraints of the common law requirements of proving actual monetary damages causally linked to a defendant's actions.[34] Furthermore, section 43(a) allows injunctive relief if the plaintiff can prove that there is "a likelihood of damage or confusion" resulting from the defendant's actions.[35] However, the Lanham Act does not give relief to every person who has suffered an injury due in part to the actions of the defendant. The statute provides standing only to persons or entities that suffer a *commercial* injury as a result of the defendant's actions.[36]

To ensure that the law provides protection to those Congress sought to protect, the Second Circuit has developed a two-prong test to determine standing under section 43 of the Lanham Act. As set

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29. *See id.* (emphasis added).
30. 15 U.S.C. § 1125 (1999).
31. *See id.*
32. *Id.*
33. *See id.* The Third Circuit was the first to recognize the broad application possibilities of the Lanham Act. *See* L'aiglon Apparel, Inc. v. Lana Lobell, Inc., 214 F.2d 649, 651 (3d Cir. 1954).
34. *See* 15 U.S.C. § 1125 (1999); Norwich Pharmacal Co. v. Hoffman-LaRoche, Inc., 180 F. Supp. 222, 224-25 (D.N.J. 1960); Zandelin v. Maxwell Bentley Mfg. Co., 197 F. Supp. 608, 612 (S.D.N.Y. 1961).
35. It is still necessary to prove a causal link between specific actual damage and defendant action in order recover monetary relief. *See* Smith-Victor Corp. v. Sylvania Elec. Products Inc., 242 F. Supp. 302, 312 (N.D. Ill. 1965).
36. Although consumer confusion is at the heart of a Lanham Act claim, consumers are not afforded standing under the statute. In *Berni*, the Second Circuit limited standing under the Lanham Act to a "purely commercial class" of plaintiffs. 838 F.2d at 648; *see also* Colligan v. Activities Club of N.Y., Ltd., 442 F.2d 686, 692-93 (2d Cir.) *cert. denied*, 404 U.S. 1004 (1971).

forth in *Ortho Pharmaceutical Corp. v. Cosprophar, Inc.*,[37] to have standing, a plaintiff must first show a "reasonable interest to be protected," and second, there must be a "reasonable basis" for believing that this interest is likely to be damaged by the acts of the defendant.[38] Moreover, where competition between the plaintiff and defendant is not evident, "a plaintiff must make a 'more substantial showing' of injury and causation[.]"[39] The Second Circuit does not presume a likelihood of injury or causation in cases of indirect competition, but rather requires a specific showing of consumer confusion resulting from the defendant's misrepresentations.[40] Significantly, a plaintiff may be able to establish standing by merely showing a "*potential* for a commercial or competitive injury."[41] However, the nature of this showing may not be so remote as to amount to unreasonable speculation.[42] Thus, while the Lanham Act certainly provides substantial protection, it does not afford every person or entity standing to bring a claim of unfair competition.[43]

Treaties such as the Inter-American Convention and federal legislation like the Lanham Act are designed to increase the economic opportunities and benefits for international corporations and domestic markets.[44] While the bottom line for the competing international corporations is purely economic benefit and profit, the governmental objectives of trade nations are not always so easily defined. The Cuban embargo, which the United States has imposed since the early 1960s, is the most obvious example of a governmental objective in direct contradiction with the enhanced economic benefits of free trade relations.

In October of 1960, the Castro-led Cuban government issued Cuban Law No. 890 (Law No. 890), whereby the physical assets, accounts, property, and business records of all Cuban industrial and commercial corporations were expropriated for the Cuban government.[45] Prior to this law, armed forces had forcibly entered and confiscated all business property and assets for the Castro-led Cuban

37. 32 F.3d 690 (2d Cir. 1994).

38. *See* PDK Labs, Inc. v. Friedlander, 103 F.3d 1105, 1111 (2d Cir. 1997) (citing *Ortho Pharm. Corp.*, 32 F.3d at 694).

39. *See* 103 F.3d at 1111.

40. *See* Johnson & Johnson v. Carter-Wallace, Inc., 631 F.2d 186, 190 (2d Cir. 1980).

41. *Berni*, 838 F.2d at 648 (emphasis added).

42. *See* D.M. & Antique Import Corp. v. Royal Saxe Corp., 311 F. Supp. 1261, 1270 (S.D.N.Y. 1969).

43. *See Berni*, 838 F.2d at 649.

44. *See* Rogoff, *supra* note 9, at 626-46.

45. *See Havana Club Holding*, 62 F. Supp. 2d at 1090.

government.[46] Law No. 890 was an effort by the Cuban government to nationalize the Cuban economy.[47] National control of private corporations was seen as imperative to attain the objectives of "the revolutionary transformation of the national economy."[48] In response to the Cuban efforts to destabilize Latin American governments, the United States placed an embargo on trade with Cuba.[49] As the Supreme Court explicitly recognized in *Regan v. Wald*, the executive branch has "broad authority to impose comprehensive embargoes on foreign countries as one means of dealing with both peacetime emergencies and times of war." [50] Acting under section 5b of the Trading with the Enemy Act of 1917 (TWEA), President John F. Kennedy implemented the Cuban Assets Control Regulations (CACR) in 1963.[51] Currently, the Office of Foreign Assets Control (OFAC) executes and enforces economic embargoes and sanctions programs against several countries, including Cuba. Thus, the responsibility for administering the Cuban embargo pursuant to the CACR rests with the OFAC.[52]

As recently as 1996, the United States reinforced the Cuban embargo with the enactment of the Cuban Liberty and Democratic Solidarity Act (the Libertad Act or the Helms-Burton Act) which requires certain political conditions in Cuba to be met before the President can lift the embargo.[53] The President is no longer required

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46. *See id.*
47. *See id.*
48. *Id.* at 1090 n.3.
49. *See Havana Club Holding*, 974 F. Supp. at 305.
50. 468 U.S. 222, 225-26 (1984).
51. *Havana Club Holding*, 974 F. Supp. at 309. Judge Scheindlin summarized the underlying policies of the CACR as: "(1) to limit funds which Cuba may use to promote activities that may be harmful to the United States; (2) to use blocked funds for leverage for negotiations with the Cuban Government; and (3) to retain control over blocked funds for possible use or vesting in settlement of American claims." *Id.* at 309. The CACR, which have been recently codified in the Libertad Act of 1996, have been construed by the district court as a "temporary substitute for the Inter-American Convention," and other treaties (perhaps surprisingly including the TRIPS agreement, which was only enacted two years prior to the Libertad Act). *Id.* Therefore, the CACR must be lifted before transactions pursuant to the treaty will be recognized. *Id.* If the district court's conclusion is accepted, then the need for Congress to implement section 211 to abrogate such trademark rights may seem questionable.
52. *See Havana Club Holding*, 974 F. Supp. at 305. The President delegated his powers under TWEA to the Secretary of Treasury in 1942. Later, in 1962, the Secretary delegated the administration of the regulation of foreign assets control to the Office of Foreign Assets Control.
53. *See* 22 U.S.C. §§ 6021-6091 (1999). Michael Ranneberger, Coordinator for Cuban Affairs, stated that

> [o]ur goal is to promote a peaceful transition to democracy and respect for human rights. We do this through four essential elements: pressure on the Cuban Government through the embargo and the Libertad Act; development of a multilateral effort to promote democracy; support for the Cuban people consistent with the 1992 Cuban

to revisit the embargo issue each year. Instead, the Cuban embargo will remain in effect indefinitely or at least until the requisite reforms take place in Cuba.[54] While the Cuban embargo is stronger than ever, there has been much criticism concerning the wisdom of the embargo and the Helms-Burton Act, which purportedly enforces the economic sanctions.[55] Although United States foreign trade policy with Cuba has been tightened in an effort to stifle the Castro-led government, its administration has led to the imposition of hardships and restrictions on U.S. allies that regularly trade with Cuba.[56] Consequently, these

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> Democracy Act (CDA) and the Libertad Act; and measures to keep migration in safe, legal, and orderly channels. We also seek, through the Libertad Act, to protect the legitimate interests of U.S. citizens whose property has been expropriated in Cuba.

Michael Ranneberger, Statement Before the House International Relations Committee Subcommittee on International Economic Policy and Trade, *Overview of U.S.-Cuban Policy* <http://www.ciponline.org/sd31298.htm> [hereinafter Ranneberger, *Overview of U.S.-Cuban Policy*]; *cf.* Havana Club Holding, S.A. v. Galleon, S.A., 961 F. Supp. 498, 501 (S.D.N.Y. 1997) ("This new legislation reiterates some standard rationales for the embargo—among them protecting national security and ending Castro's regime—rationales that, according to its detractors, have endured longer than the embargo's success justifies and outlived whatever usefulness they may once have possessed.").

54. *See* 22 U.S.C. § 6061(13) (1999).

55. *See Havana Club Holding*, 961 F. Supp. at 501. Judge Scheindlin recognized the growing criticism and controversy surrounding the embargo and the Helms-Burton Act in a prior opinion: "The wisdom of maintaining the Cuban embargo that the CACR embody some 35 years after its inception has come under serious attack from many camps and on many grounds . . . . Much of the controversy has been churned up in the wake of the recent passage of the [Helms-Burton Act]." *Id.* at 501. Judge Scheindlin noted that critics of the Helms-Burton Act view it "as a profoundly misguided attempt to topple the Castro regime." *Id.* Critics of the embargo assert that the embargo has led to suffering and death in Cuba, and that the Helms-Burton Act will only add to these conditions. *See id.* Another issue of contention is the embargo's "relevance to and impact on our national security." *Id.* Some construe the embargo to be counterproductive to its original purpose because it merely provides Castro with an excuse for all of Cuba's hardships. *See id.*

56. The European Union challenged the Helms-Burton Act in 1996 in the World Trade Organization (WTO). This eventually led to the "Understanding" between the U.S. and the EU, in which the EU suspended its WTO claim while the U.S. agreed to develop principles of conflicting jurisdiction (i.e. protect EU companies from penalties). *See* Ranneberger, Overview of U.S.-Cuban Policy, *supra* note 53. There is a current dispute between Spain and the United States concerning the Helms-Burton Act as applied to Sol Media (a Spanish company with investments in Cuba). If the United States acts unfavorably towards the Spanish company, then retaliatory measures will be taken by the EU and the Spanish government. *See generally Sanctions: EU, Spain Warns U.S. of Action over Helms-Burton Cuba Measure*, 16 ITR 1364 (Aug. 18, 1999).

Foreign investment in Cuba has only become a problem for the United States since the end of the Cold War, which prompted the end of substantial subsidies for Cuba from the Soviet Union. *See id.* The end of communism in Eastern Europe signaled the end of Soviet subsidies and aid to Cuba. *See* Richard D. Porotsky, Note, *Economic Coercion and the General Assembly: A Post-Cold War Assessment of the Legality and Utility of the Thirty-Five-Year Old Embargo Against Cuba*, 28 VAND. J. TRANSNAT'L L. 901, 903, 950 (1995). According to the United States State Department, the subsidies reached $6 billion per year. *See id.* at 903 n.1. The need for foreign investment was readily met, in large part by the emerging European Union. *See id.*

trade restrictions have not met with overwhelming international approval. In fact, tensions between the United States and its traditional trade allies concerning trade policies have increased as the embargo against Cuba has been bolstered.[57] With strong congressional and presidential support for the continuation of the Cuban embargo, as evidenced by its recent reinforcement in the Helms-Burton Act,[58] a lift of the embargo is not likely to occur in the foreseeable future.

One particular result of the Helms-Burton Act is that it has strained trade relations with the European Union (EU), a major trade partner.[59] Title IV of the Helms-Burton Act has the effect of prohibiting executives of foreign companies who invest in property in Cuba from entering the United States[60] This legislation has come under intense scrutiny for what some consider its impermissible extraterritorial application.[61] It has been construed as enfranchising

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"Companies from Mexico, Canada, Spain, Great Britain, France, and Australia have all begun to invest in Cuba and to support its development." *Id.* at 953-54. Since Cuba conducts business with virtually every other economic power, the international effects of the Helms-Burton Act are evident and have increased the already-high tensions between the European Union and the United States about trade policies and regulations.

57. *See id.* The response from major U.S. allies, such as Canada, Mexico, and the EU has been nothing short of "outrage." *See Havana Club Holding*, 961 F. Supp. at 501 at n.5. Recently, there have been quite a few transatlantic trade disputes. The United States imposed an economic sanction on the EU, after the WTO determined the EU's trade policy disadvantaged U.S. companies. *See Foreign Trade/Payments: US Imposes Sanctions Over EU Ban*, COUNTRY REP., at P34, *available in* 1999 WL 25894393 (Aug. 12, 1999). The EU has been reluctant to lift a ban on hormone-treated beef, effectively shutting the U.S. cattle industry out of the EU market. This may be perceived as an excuse to favor the EU cattle industry. *See id.*

58. The Helms-Burton Act and section 211 of the Omnibus Appropriations Act have reinforced the Cuban embargo. Judge Scheindlin noted that "[t]he recent passage of legislation reinforcing the embargo attests to its continued viability for the foreseeable future." *See* 961 F. Supp. at 502.

59. *See* Ranneberger, Overview of U.S.-Cuban Policy, *supra* note 53; *see also Sanctions: EU, Spain Warn U.S. of Action over Helms-Burton Cuba Measure*, 16 ITR 1364 (Aug. 18, 1999).

60. *See* Ranneberger, Overview of U.S.-Cuban Policy, *supra* note 53; 22 U.S.C. § 6091 (1999); *see also* Robert L. Muse, Prepared Statement Before the House Ways and Means Committee Trade Subcommittee, FEDERAL NEWS SERV. (May 7, 1998), *available in* LEXIS, News Group File.

61. *See* Ranneberger, Overview of U.S.-Cuban Policy, *supra* note 53. British Prime Minister Tony Blair recognized the need for a solution to "European complaints about the 'illegal and extraterritorial' aspects of Helms-Burton." *See U.S.-EU Agree to Plan Ending Dispute Over Helms-Burton, but Helms Disagrees*, BNA INT'L TRADE DAILY, May 19, 1998, *available in* LEXIS. Proponents of the Act disagree and analogize it to the well-established U.S. Sherman Act. *See European Union: GOP Staffer Says U.S.-EU Deal on Expropriated Property Falls Short*, BNA INT'L TRADE DAILY, Aug. 6, 1998, *available in* LEXIS. According to House International Relations chief counsel, Steve Rademaker, "Title III of Helms-Burton is an extraterritorial measure in exactly the same degree as the U.S. Sherman Act[.]" *Id.* Rademaker warns that if the U.S. concedes that the Helms-Burton Act is extraterritorial, "it better be prepared to revisit the extraterritorial application of the Sherman Act[.]" *Id.* Some countries perceive the

Cuban-Americans who previously owned property in Cuba that was expropriated by the Castro regime, with claims against foreign companies investing in Cuba.[62] If the executives of these foreign companies enter the United States, then there is a high probability that they will be sued for the trafficking of confiscated property under Title IV of the Helms-Burton Act.[63] Although the legislation still has strong congressional support, its validity is sure to be tested often.[64]

Another strong indication of the Cuban embargo's viability was the passage of section 211 of the Omnibus Appropriations Act (section 211) in 1998. The statute provides:

> (2) 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.
>
> (b) No U.S. court shall recognize, enforce or otherwise validate any assertion of rights by a designated national or its successors-in-interest under sections 44(b) or (e) of the Trademark Act of 1946 . . . for a mark,

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Helms-Burton Act as an attempt by the United States to make other countries accept U.S. foreign policy as their own. *See* Muse, *supra* note 60; *see also Canada to Join EU in Challenging U.S. Anti-Cuba Law* (Oct. 3, 1996) <http://www.sosland.com/oldnews/articles/100396_6.htm> (Canadian minister for international trade said, "It (the Helms-Burton Act) says our foreign policy must be your foreign policy . . . [Canadian] foreign policy must be made in Ottawa, not Washington.").

62. *See* Ranneberger, Overview of U.S.-Cuban Policy, *supra* note 53; *see also* Muse, *supra* note 60.

63. *See* 22 U.S.C. § 6091.

64. *See Sanctions: EU, Spain Warn U.S. of Action Over Helms-Burton Cuba Measure*, 16 ITR 1364 (Aug. 18, 1999). Recognizing the difficulties created by the Helms-Burton Act, the United States and the European Union tried to reach an agreement that would appease both sides. *See* Ranneberger, Overview of U.S.-Cuban Policy, *supra* note 53. To lessen the punitive impact on EU companies, the agreement provided waivers for applying international companies. See Muse, *supra* note 60. While this selective enforcement seemed to provide an acceptable elixir for European concerns initially, it is doubtful that the "Understanding" will provide a meaningful remedy for either side in the debate over Helms-Burton. On April 11, 1997, the United States and the EU reached an agreement of "Understanding," which

> led the EU to suspend, and eventually withdraw, its World Trade Organization case against the United States over extraterritorial aspects of the Helms-Burton law. In exchange, the United States and European Union agreed to work toward binding disciplines on acquisitions and dealings in property confiscated by Cuba and other governments in contravention of international law.

European Union: GOP Staffer says U.S.-EU Deal on Expropriated Property Falls Short, BNA INT'L TRADE DAILY, Aug. 6, 1998, *available in* LEXIS. The "Understanding" has been largely dismissed as an ineffective fix to the problem of international trade disputes arising from the Helms-Burton Act. *See id.*; *see also* Muse, *supra* note 60. Republican supporters of the Helms-Burton law immediately denounced the "Understanding." Senator Jesse Helms (R.-N.C.) declared that the agreement "legitimizes the EU's theft of American property in Cuba." *U.S., EU Agree to Plan Ending Dispute Over Helms-Burton, but Helms Disagrees*, BNA INT'L TRADE DAILY, May 19, 1998, *available in* LEXIS.

> trade name or commercial name that is the same 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 a mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.[65]

In effect, the statute revokes the protection of registered trademarks of Cuban corporations under U.S. law.[66] This statute illustrates another measure by Congress to increase the sanctions imposed on Cuba. The text of the statute is clear in its purpose and effect.[67] The language of section 211 directly contradicts the reciprocal trademark rights between the United States and Cuba as protected by the Inter-American Convention.[68] There has been a strong negative international response to the legislation and has become another point of contention in the World Trade Organization (WTO) talks between the European Union and the United States.[69]

When there are contradictory rules of law, the courts must decide which law to enforce and which law must fall. According to Article VI, Clause 2 of the United States Constitution, both international treaties and constitutional federal legislation are the supreme "Law of the Land."[70] In *Whitney v. Robertson*,[71] the Supreme Court specifically addressed the issue of federal legislation that modified an existing treaty:

> When a treaty and statute: "relate to the same subject, the courts will always endeavor to construe them so as to give effect to both, if that can be done without violating the language of either; but if the two are inconsistent, the last one in date will control the other[.]"[72]

Because treaties are like acts of Congress, they may be amended or repealed.[73] However, the Court has long recognized that legislative silence is not sufficient to abrogate or modify a treaty. The intent of

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65. *Havana Club Holding*, 62 F. Supp. 2d at 1091 (citing Pub. Law 105-177 (1998)).

66. *See id.*

67. Judge Scheindlin had no difficulty finding that the congressional intent to repeal the trademark rights of Cuban nationals had been clearly expressed. *See id.* at 1092.

68. *See generally id.*

69. The WTO talks concerning the trade problems between the EU and the United States are to be included in a new round of trade negotiations. *See* Daniel Pruzin, *Intellectual Property: EU Seeks WTO Talks with U.S. on Cuba Trademark Provisions*, 16 ITR 1189 (July 14, 1999). "[T]he EU charged that Section 211 . . . violates various provisions of the WTO's Agreement on [TRIPS]." *Id.*

70. U.S. CONST. art. VI, cl. 2.

71. 124 U.S. 190 (1888).

72. NOWAK ET AL., *supra* note 16, § 6.8, at 221 (citing *Whitney*, 124 U.S. at 194).

73. *See* Chae Chan Ping v. United States, 130 U.S. 581, 600 (1889). When there is a conflict between a treaty and a federal statute, "the last expression of the sovereign will control."

Congress to modify treaty rights, through federal legislation, must be clearly expressed.[74]

III. NOTED CASE

In the noted case, Judge Scheindlin, writing for the district court of the Southern District of New York, began his analysis with the express recognition that the plaintiffs currently do not have any rights to the use of the Havana Club trademark.[75] The court then disposed of the trade name claims by applying section 211 of the Omnibus Appropriation Act.[76] The court relied on the text of the statute, which provides in relevant part that "[n]o U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national based on common law rights or registration obtained under section 515.527 of such a confiscated mark, trade name or commercial name."[77] The court agreed with the defendants' argument that section 211 prevented the court from recognizing any trade name right in the Havana Club trademark that the plaintiffs may claim to hold.[78] The Cuban government's part ownership of HCI makes the company a "designated national" within the meaning of section 211.[79] Since the Havana Club trademark was shown to be part of a business whose property and assets had been confiscated by the Cuban government, section 211 expressly prevented HCI from asserting any trade name claim to Havana Club.[80]

By accepting the defendants' argument, the court expressly rejected the plaintiffs' assertion that because of the limiting text of section 211 and the nature of the Inter-American Convention, section 211 is not controlling law in this case.[81] Judge Scheindlin rejected the notion that section 211 did not preclude the plaintiffs' trade name

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74. NOWAK ET AL., *supra* note 16, § 6.8, at 221 (citing Cook v. United States, 288 U.S. 102, 120 (1933)).

75. *See Havana Club Holding*, 62 F. Supp. 2d at 1088. According to the three previous opinions in this case, the plaintiffs' claim to ownership by means of assignment was invalid and the plaintiffs' do not have any trademark rights to cancel. *See* Havana Club Holding, S.A. v. Galleon, S.A., 961 F. Supp. 498, 506 (S.D.N.Y. 1997); Havana Club Holding, S.A. v. Galleon, S.A., 974 F. Supp. 302, 315 (S.D.N.Y. 1997); Havana Club Holding, S.A. v. Galleon, S.A., 1998 U.S. Dist. LEXIS 4065, *22-*23 (Mar. 31, 1998).

76. *See Havana Club Holding*, 62 F. Supp. 2d at 1091-96. A designated national for the purposes of 31 C.F.R. § 515.527 is either the country of Cuba or a Cuban national, including specially designated nationals. *See* 31 C.F.R. §§ 515.305, 515.306.

77. *Havana Club Holding*, S.A., 62 F. Supp. 2d at 1091.

78. *See id.* at 1094.

79. *Id.* at 1092.

80. *See id.* at 1094.

81. *See generally id*. at 1091-95.

claim since it was brought under the Inter-American Convention, instead of section 44(b) of the Lanham Act.[82] Rather, Judge Scheindlin stated that the plaintiffs' argument would strain "the language of § 211 and would lead to an illogical result."[83] Although section 211 explicitly refers to section 44(b) of the Lanham Act,[84] the court explained that the legislation does not distinguish certain treaties from others.[85] The court found that the clear intent of Congress when it enacted the Lanham Act "was to execute all U.S. treaty obligations respecting trademarks and trade names."[86] While the Lanham Act may serve as implementing legislation for nonself-executing treaties, section 44(b) expressly "provide[s] the framework for the assertion of *all* trademark and trade name treaty rights."[87] Judge Scheindlin noted that "there is no principled or logical reason for finding that § 211 abrogates rights derived from those treaties that required statutory implementation but does not have the same effect on treaties that were self-executing."[88]

After applying section 211, the court found that since HCI failed to obtain the consent of the original owner of the Havana Club name, as required by section 211, HCI was not permitted to assert its claims for trade name infringement.[89] The court held that abandonment of the Havana Club trade name by its original owner, Jose Arechabalas, S.A. (JASA) was not a defense available to HCI, and section 211 did not require continuous use of the trade name by the proprietor.[90] According to the court, parties labeled "designated nationals" simply may not assert rights to a trademark that is the same or similar to one that was used by a confiscated business, such as JASA.[91] The court also held that section 211, as applied, would not retroactively effect or impair prior trade name rights held by HCI because HCI only sought future injunctive relief.[92] The court also noted that HCI's investment

82. *See id.* at 1094.
83. *See id.*
84. "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[.]" *See id.* at 1091 (citing section 211(2)(b)).
85. *See* 62 F. Supp. 2d at 1093.
86. *Id.* at 1093 (citing 15 U.S.C. § 1127).
87. *Id.* at 1093 (emphasis added); *see also* 15 U.S.C. § 1126 (1999).
88. 62 F. Supp. 2d at 1093.
89. *See id.* at 1094.
90. *See id.*
91. *See id.*
92. *See id.* Injunctive relief does not operate as a remedy but rather seeks to affect the future. *See generally* American Steel Foundries v. Tri-City Central Trades Council, 257 U.S. 184, 201 (1921). Legislation may not retroactively effect property rights, unless there is clear

and expectations would not be unfairly impaired since the Cuban embargo has always prevented HCI from selling its rum in the United States.[93] HCI's business and reputation was based on and remains dependent upon sales in countries other than the United States.[94] While section 211 prevented HCI from asserting any claims arising out of ownership rights, it did not prevent other unfair competition claims.[95]

Concluding its analysis of section 211, the court held that the federal legislation did not violate the separation of powers doctrine by impermissibly interfering with the role of the judiciary.[96] According to the district court, section 211 was not an attempt by Congress "to dictate how this Court must rule in this case."[97] The Supreme Court has recognized that Congress may change the law applicable to pending litigation without violating the separation of powers doctrine.[98] The district court explained that Congress changed the applicable law in the case, but did not direct any findings of fact or application of law to the facts.[99] Specifically, Congress did not simply prescribe a different outcome for the case, but rather, it effected a change in the underlying law of treaty rights in trademarks for Cuban nationals.[100] Thus, recognized by the court as good law, section 211 prevented the plaintiffs from asserting any trade name claims in Havana Club.

The court next examined the claim that Bacardi's use of the Havana Club trademark falsely designated the origin of its product and thus violated section 43(a) of the Lanham Act.[101] The Court recognized that Bacardi's direct competitors could be entitled to remedies if consumers relied on the Cuban designation and there was a loss of sales directly attributable to the defendants' actions.[102] Although the plaintiffs conceded that they were not direct competitors

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legislative intent to have such an effect. *See* Landgraf v. USI Film Products, 511 U.S. 244, 264, 286 (1994).

93. *See Havana Club Holding*, 62 F. Supp. 2d at 1095.

94. *See id.* at 1095.

95. *See id.* at 1094.

96. *See id.* at 1095.

97. *Id.*

98. Congress may not usurp the adjudicative authority of the federal court under Article III of the Constitution. *See* United States v. Klein, 80 U.S. 128, 146-47 (1871); *see also* Axel Johnson, Inc. v. Arthur Andersen & Co., 6 F.3d 78, 81 (2d Cir. 1993).

99. *See Havana Club Holding*, 62 F. Supp. 2d at 1095.

100. *See id.* "The Court must still determine whether the facts of the case satisfy the statutory requirements of section 211."

101. *See id.* at 1096-1100.

102. *See id.* at 1099-1100.

with Bacardi's Havana Club brand in the United States and that they had not lost any sales in the U.S. market, they contended that the Lanham Act would provide standing in a suit for injunctive relief if they could prove that the false designation of origin was likely to cause commercial or competitive injury to their business.[103] The plaintiffs in this case were found to lack standing to bring such a claim.[104] The court focused its analysis on the plaintiffs' inability to sell their rum in the United States in the foreseeable future and the remoteness of a foreseeable injury due to the defendants' actions.[105]

Judge Scheindlin noted that the language of section 43(a) before the 1988 amendments specifically recognized standing for persons "doing business in the locality falsely indicated."[106] The court then held that the 1988 amendments to the Lanham Act were not intended to affect the applicable decisional law in any way.[107] However, due to the unique factual circumstances of this case related to the Cuban embargo, the court had no such applicable decisional law, nor could it find a case where a court found standing merely because the plaintiffs did business in the locality falsely designated by the defendant's product.[108] Judge Scheindlin recognized the plaintiffs' intent to enter and compete in the U.S. market as soon as the embargo is lifted as a "laudable capitalist goal."[109] He noted, however, that the nature and strength of the Cuban embargo made the "plaintiffs' ability to enter the U.S. market too remote . . . to confer standing."[110]

The plaintiffs also argued that if those United States citizens who are allowed to visit Cuba have purchased the defendants' rum in the United States, then they would be less likely to purchase the plaintiffs'

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103. *See id.* at 1097. The plaintiffs argued that they have standing under section 43(a) because of their status as Cuban-based exporters of Cuban rum, their intent to enter the U.S. market and the loss of sales to U.S. visitors to Cuba likely to occur. *See id.* at 1097.

104. *See id.* at 1100. Justice Scalia noted in *Bennet v. Spear*, 520 U.S. 154, 162 (1997), that "[t]he question of standing 'involves both constitutional limitations on federal-court jurisdiction and prudential limitations on its exercise.'" (citing Warth v. Seldin, 422 U.S. 490, 498 (1975)). In order to satisfy the constitutional minimum of standing, a plaintiff must show that he has suffered an injury that is "fairly traceable" to the actions of the defendant and that the injury will likely be remedied by a favorable decision. *See id.* at 162. The prudential component of standing, which may be modified by Congress, is an effort to limit the exercise of federal jurisdiction. *Id.* Among the prudential principles of standing is that the plaintiff's claim must fall within the "zone of interests" sought to be protected or regulated by the federal law. *Id.*

105. *See* 62 F. Supp. 2d at 1098-99; *see also* 15 U.S.C. § 1125 (1999).

106. 62 F. Supp. 2d at 1098.

107. *See id.*

108. *See id.*

109. *See id.* at 1100.

110. *See id.* at 1099.

rum when visiting Cuba.[111] On this issue, the court found that the travel restrictions for visits to Cuba provided these U.S. travelers with sufficient notice of the embargo against Cuban goods.[112] In sum, the court held that the plaintiffs' inability to fairly compete with the defendants in the U.S. market was not caused by the defendants' actions, but rather the foreign policy decision of the federal government to continue the enforcement of the Cuban embargo.[113]

IV. ANALYSIS

The district court's decision in the noted case constitutes nothing more than judicial deference to the foreign policy decisions of the legislative and executive branches of the United States government. The court has ignored the important international implications of its decision. Judge Scheindlin apparently does not consider external factors such as treaty obligations or trade implications. The substantial deference that this court affords Congress may be warranted because of the traditionally broad powers granted to the political branches in the area of foreign policy. However, the lack of consideration given to international obligations exposes U.S. corporations in foreign countries to retaliatory measures that threaten trademark protection.[114]

Analysis of this decision must not be confined to this court's federal judicial obligations, but should also consider its international ramifications. It is well accepted that a nation's stability is linked to its economic strength.[115] Furthermore, in a capitalist society, the economic strength of a nation is conditionally dependent upon open markets and free trade.[116] It has also been suggested that federal judges in the United States are uniquely positioned to develop

111. *See id.*
112. *See id.* at 1099-1100.
113. *See id.* at 1100.
114. When countries perceive that they are the victims of unfair trade practices, they often institute retaliatory measures against offending countries. Often, these retaliatory measures are represented in claims filed with the WTO and economic sanctions imposed on the offending country. The United States has instituted sanctions for its problems with the EU trade policies concerning bananas and beef. *See Foreign Trade/Payment: US Imposes Sanctions over EU Ban*, Country Rep. P34, 1999 WL 25894393 (Aug. 12, 1999); *EU/US: US Pushes Ahead with Beef Hormone Sanctions*, Eur. Rep., 1999 WL 8306681 (July 21, 1999). It does not seem speculative to think that if the United States repeals trademark protection for Cuban corporations, then Cuba would retaliate by repealing any trademark protection afforded to U.S. companies in Cuba. However, the repeal of trademark protection in the United States may also adversely affect European investors in Cuban companies leaving open the possibility of EU sanctions against the United States.
115. *See* Rogoff, *supra* note 9, at 635.
116. *See id.* at 635-36.

international law and the concept of the international community, "which emphasize interdependence, multilateralism, and cooperation."[117] Ideally, the concept of domestic jurisdiction would account for the national setting while adhering to the duty of upholding international law.[118] The development of the European Union illustrates the shift from a system of independent sovereigns to a system based on interdependency among its member nations.[119] The European Court of Justice (ECJ) has decided that community law is the supreme law of the European Community and therefore must be given priority over the national law of the Member States.[120] According to the ECJ, the objectives of the Treaty of Rome cannot be accomplished if each Member State's law varies from one Member State to the next.[121] This new concept of international law has displaced the sovereignty of the member nations.[122] Similarly, but not to the level of the European Union, the United States has "evolved from a state sovereignty paradigm, with an analytical focus on power and territoriality, to a focus . . . on the optimal implementation of governmental policy in situations where the policies of more than one governmental unit may be relevant."[123]

At the international level, the sovereignty of the United States remains the guiding principle for its policy.[124] As such, Congress has an implied foreign affairs power attributable to the sovereign nature of the Nation.[125] In *United States v. Curtiss-Wright Export Co.*,[126] the

117. *Id.* at 632.

118. *See id.* at 632 n.304. Optimally, the U.S. courts would exercise their power over matters within their judicial purview by accounting for U.S. law and policy while adhering to international agreements. Specifically, in the noted case, the court would give more attention to the possible conflicts with the international obligations of the United States. This would not necessarily change the outcome of the case, but it might illuminate conflicts that warrant legislative reconsideration.

119. *See id.* at 650-52.

120. "The Community constitutes a new legal order of international law for the benefit of which the states have limited their sovereign rights . . . . Community law not only imposes obligations on individuals but is also intended to confer upon them rights which become part of their legal heritage." *See id.* at 652 (quoting Case 26/62 Van Gend en Loos v. Nederlandse Administratie der Belastingen, 1963 ECR 1, 12).

121. *See* Rogoff, *supra* note 9, at 653 (citing Case 6/64 Costa v. Ente Nazionale per l'Energia Electrica (ENEL), 1964 ECR 585, 586).

122. *See id.* at 629-33. It should be noted that the sovereignty of European countries may be undercut as members of the European Union, but the European Union acts in a sovereign capacity with nonmember countries.

123. *See id.* at 647-48 (noting the development of jurisdictional doctrine from *Pennoyer v. Neff*, 95 U.S. 714 (1878) to *Shaffer v. Heitner*, 433 U.S. 186 (1977)).

124. *See* United States v. Curtiss-Wright Export Corp., 299 U.S. 304, 318-19 (1936); Burnet v. Brooks, 288 U.S. 378, 396 (1933).

125. *See Curtiss-Wright Export Corp.*, 299 U.S. at 318-19; Kennedy v. Mendoza-Martinez, 372 U.S. 144, 159-60 (1963).

Supreme Court recognized that the foreign affairs power expanded the legislative authority of Congress in matters of international relations.[127] In *Baker v. Carr*,[128] Justice Brennan recognized that "[t]he conduct of the foreign relations of our Government is committed by the Constitution to the Executive and Legislative—'the political'—Departments of the Government, and the propriety of what may be done in the exercise of this political power is not subject to judicial inquiry or decision."[129]

While it has been accepted that the political branches dominate foreign policy, the Supreme Court "is in a position to wield substantial power in international affairs."[130] In *The Paquete Habana*, the Court affirmed the federal judiciary's power to ascertain and administer international law because "[i]nternational law is a part of our law[.]"[131] Significantly, the federal courts have chosen judicial restraint over actively shaping U.S. foreign affairs.[132] By taking this more restrained role in international affairs, the court has increased the importance of the judgment of the political branches pertaining to international relations. The power structure in international affairs enables the political branches to control the effect and impact of international law on the United States. Although treaties are the "law of the land," they are only equal to constitutional federal law and may be modified or repealed by subsequent constitutional federal legislation.[133] Thus, while adherence to international law may be necessary for a truly open global market and free international trade, due to the sovereign nature of the United States, its adherence to

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126. 299 U.S. at 318-19.

127. *See id.* at 318-19; Regan v. Wald, 468 U.S. 222, 242 (1984) (citing Harisiades v. Shaughnessy, 342 U.S. 580, 589 (1952)).

128. 369 U.S. 186 (1962).

129. *See id.* at 211 n.31 (citing Oetjen v. Central Leather Co., 246 U.S. 297, 302 (1918)).

130. NOWAK ET AL., *supra* note 16, § 6.4, at 212; *see also* U.S. CONST. art. III, § 2.

131. 175 U.S. 677, 700 (1900). The Court in *Whitney v. Robertson*, 124 U.S. 190, 194 (1888), stated that "the courts will always endeavor to construe [a treaty and a statute, relating to the same matter,] so as to give effect to both, if it can be done without violating the language of either[.]" *See, e.g.*, Martin v. Hunter's Lessee, 14 U.S. 304 (1816) (enforcing treaty provisions).

132. The Court explained that "[m]atters relating 'to the conduct of foreign relations . . . are so exclusively entrusted to the political branches of government as to be largely immune from judicial inquiry or interference.'" Regan v. Wald, 468 U.S. 222, 242 (1984) (citing Harisiades v. Shaughnessy, 342 U.S. 580, 589 (1952)). It has also noted that "Congress has broad power under the Necessary and Proper Clause to enact legislation for the regulation of foreign affairs." *Mendoza-Martinez*, 372 U.S. at 160; *see also* Zemel v. Rusk, 381 U.S. 1, 17 (1965); Haig v. Agee, 453 U.S. 280, 292 (1981); *Curtiss-Wright Export Corp.*, 299 U.S. at 318-19.

133. *See* Reid v. Covert, 354 U.S. 1, 17-18 (1957); *see also* NOWAK ET AL., *supra* note 16, § 6.8, at 221.

international law remains subordinate to its domestic law and foreign policy.

The district court's textual application of section 211 of the Omnibus Appropriations Act evidenced the federal judiciary's deference to the political branches of government regarding foreign affairs. At the same time, the court's decision reflects the less than controlling status that international law has attained in the United States. In the area of foreign policy, the courts are not willing to question the wisdom of the legislation, merely its constitutionality.[134] Although section 21l expressly abrogates treaty rights asserted under the Lanham Act, Judge Scheindlin astutely noted that the scope and purpose of the Lanham Act relate to *all* trademark and trade name treaty rights.[135] While the Lanham Act has the added effect of providing implementing legislation for nonself-executing treaties, there is no sound basis to construe section 211's reference to the Lanham Act as distinguishing between self-executing treaties and nonself-executing treaties.[136] The legislative history and broad purpose of section 44 of the Lanham Act combined with the unwavering foreign trade policy with Cuba make clear the intent of Congress to repeal trademark treaty rights when those marks meet the criteria of section 211.[137] Since no distinction between treaties should be made, the court correctly found that section 211 abrogated treaty rights under the Inter-American Convention.[138] Although there is no legislative history supporting the enactment of section 211, strong congressional support for the rigid foreign policy with Cuba, as demonstrated by the long standing Cuban embargo and the more recent Helms-Burton Act, provides ample support to infer the existence of such legislative intent.[139] In the noted case, the court can confidently proclaim that the enactment of section 211 has the effect of nullifying the trademark rights of plaintiffs under the Inter-American Convention.

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134. *See id.*; *see also Reid*, 354 U.S. at 17-18, 20-21; *DeGeofroy*, 133 U.S. at 267.

135. *See Havana Club Holding*, 62 F. Supp. at 1093 (emphasis added).

136. *See id.* at 1093-94; *see also* 15 U.S.C. § 1125; Litton Sys. v. Ssangyong Cement Indus. Co., 1997 U.S. App. LEXIS 2386 (Fed. Cir. Feb. 13, 1997); Toho Co. v. Sears, Roebuck & Co., 645 F.2d 788 (1981).

137. Courts are only willing to abrogate treaty rights when it is clear that it was the intent of the legislature to do so. *See* Trans World Airlines, Inc. v. Franklin Mint Corp., 466 U.S. 243, 252 (1984); *Havana Club Holding*, 62 F. Supp. 2d at 1091-92.

138. *See Havana Club Holding*, 62 F. Supp. 2d at 1092.

139. The courts will imply an abrogation of a treaty when the subsequent legislation is "in irreconcilable conflict" or "is intended as a substitute." Posadas v. National City Bank of N.Y., 296 U.S. 497, 503 (1936).

It is well understood that Article III of the Constitution affords the judiciary the authority to "say what the law is."[140] Another well accepted principle is judicial deference to federal legislation in the area of foreign affairs.[141] The political branches of government are granted broad powers, both express and implied, to conduct the foreign policy of the nation.[142] Therefore, the ease with which this court accepted the change in law and applied the new statute does not violate precedent. Courts often find themselves in the precarious position of weighing international concerns against the foreign policy of the United States.[143] Historically, as long as the legislation is constitutional, the courts will defer to the judgment of the political branches of government.[144] The broad powers of the executive and legislative branches in the area of foreign affairs enables them to shape foreign policy and give as much, or as little, effect to international agreements as they deem necessary.

While congressional foreign affairs powers are broad in scope, they are not limitless in application.[145] In shaping foreign policy, Congress must take care not to interfere with the power of the judiciary. As long as the legislation only effects the present law and does not direct the judiciary how to decide the case, the federal legislature has not violated the separation of powers doctrine.[146] Section 211 exemplifies the broad power of Congress to change underlying law in order to meet its foreign policy needs. Section 211 does not violate the separation of powers doctrine because it does not purport to direct judicial findings. The court must still determine in its sole discretion if the facts in the noted case meet the statutory requirements.[147]

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140. Marbury v. Madison, 5 U.S. 137, 177 (1803).

141. *See* NOWAK ET AL., *supra* note 16, § 6.4, at 212.

142. *See id.* at 213.

143. *See generally Curtiss-Wright Export Corp.*, 299 U.S. at 304 (recognizing broad executive power recognized during national emergency); Dames & Moore v. Regan, 453 U.S. 654, 674 (1981) (recognizing broad executive power recognized during an international crisis) (quoting Youngstown Sheet & Tube Co. v. Sawyer, 343 U.S. 579, 637 (Jackson, J., concurring)); Zemel v. Rusk, 381 U.S. 1, 17 (1965) (noting broad legislative and executive authority in the area of foreign affairs); Haig v. Agee, 453 U.S. 280, 282 (1981) (recognizing broad executive power when activities are likely to cause serious damage to national security).

144. *See, e.g.*, *Curtiss-Wright Export Corp.*, 299 U.S. at 318-19; Baker v. Carr, 369 U.S. 186, 211 n.31 (1962).

145. Federal legislation must be constitutional and within the scope of congressional power. *See Klein*, 80 U.S. at 128, 146-48; *Reid*, 354 U.S. at 17-18; *and DeGeofroy*, 133 U.S. at 267.

146. *See Axel*, 6 F.3d at 81; *cf.* City of Boerne v. Flores, 521 U.S. 507, 536 (1997) (finding that Congress exceeded its legislative authority when it enacted RFRA).

147. *See Havana Club Holding*, 62 F. Supp. 2d at 1095.

The second part of the court's opinion has less dramatic implications for international trade because the court applied the well-established principles of section 43(a) of the Lanham Act to the facts of the unfair competition claim.[148] Here, the court was not willing to forecast the likelihood of injury to plaintiffs, who were neither present competitors of the defendants nor likely to compete with the defendants in the foreseeable future.[149] Thus, the court held that the plaintiffs did not have standing, conveniently adding a disclaimer at the end of the opinion:

> There is no doubt that plaintiffs seek a laudable capitalist goal—to compete fairly, to maximize their sales and perhaps even to protect American consumers. Their inability to do so at this time, however, is not caused by the defendants' actions, however fair or unfair they may be, but by the executive and legislative determination that the Cuban embargo continues to be a component of our foreign policy.[150]

With this sentence, Judge Schiendlin recognized the plaintiffs' quandary and washed his hands of the case, leaving any possibility of a remedy to Congress.

The court's decision should be considered in light of the international obligations of the United States under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) and the recent transatlantic trade disputes between the United States and the European Union. Critics of the general application of section 211 cite the obligation of the United States to protect intellectual property rights under the General Agreement on Tariffs and Trade (GATT) Uruguay Round Agreements.[151] The TRIPS agreement provides for the broad protection of intellectual property rights.[152] The industrial and commercial property protection which is afforded to the proprietors of a member state must also be afforded to the proprietors of other signatory states.[153] The TRIPS Agreement also provides for most favored nation treatment with regard to the protection of intellectual property, among signatories.[154] If the TRIPS Agreement is designed "to reduce impediments to international trade"

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148. Federal unfair competition law is well defined by the Lanham Act and its supporting case law. *See L'Aiglon Apparel*, 214 F.2d at 654; CBS, Inc. v. Springboard Int'l Records, 429 F. Supp. 563 (S.D.N.Y. 1976); *and Colligan*, 442 F.2d at 686.

149. *See Havana Club Holding*, 62 F. Supp. 2d at 1099.

150. *Id.* at 1100.

151. *See* Pruzin, *supra* note 69, at 1189.

152. *See* TRIPS Agreement, *supra* note 7.

153. *See id.* pt. 1, art. 3 (Cuba and the United States are contracting members of the TRIPS agreement).

154. *See id.* pt. 1, art. 4.

and to consider the need for "adequate protection of intellectual property rights," then the court's decision in the noted case coupled with its support of the purpose and language of section 211 contradicts the purpose of the TRIPS Agreement.[155] Thus, section 211 is not a good faith effort by Congress to further the objectives of the TRIPS Agreement.[156] Section 211 erects an impediment to international trade because it discourages foreign investment in Cuba. Foreign investors are less likely to invest money in a Cuban company whose trademark is unprotected in the profitable American market.

Recently, trade relations between the European Union and the United States have been strained because of foreign policy decisions by both sides.[157] For over a decade, the European Union has imposed an effective ban on the United States' beef industry.[158] In addition, the European Union's trade policy concerning the importation of bananas has been deemed unfavorable to the United States by the WTO.[159] In response, the United States has imposed economic sanctions on the EU traders.[160] In an effort to resolve the differences, instead of resorting to retaliatory WTO claims against each other, the United States and the European Community have decided to settle their differences with a new round of trade negotiations.[161] After the *Havana Club* decision, the plaintiffs found support for their trademark protection claims from the EU representatives attending the WTO talks in Seattle.[162] The European Union seemed quite willing to make allies with the French-Cuban corporation, in the midst of its transatlantic trade disputes with the United States.[163] The broad sense of international distaste for section 211 stems from the restraints it effectively puts on foreign investment. Also, as in the case of the Helms-Burton Act, section 211 may be construed as an effort by the United States to bully the rest of the world into adopting its foreign policy with Cuba. The district court's deference to the federal

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155. *See id.* pmbl.

156. *See* Pruzin, *supra* note 69, at 1189.

157. *See Foreign Trade/Payment: US Imposes Sanctions Over EU Ban*, 8/12/99 Country Rep. P34, 1999 WL 25894393; *EU/US: US Pushes Ahead With Beef Hormone Sanctions*, 7/21/99 Eur. Rep., 1999 WL 8306681.

158. *See id.*

159. *See Foreign Trade/Payments: US Imposes Sanctions Over EU Ban*, 8/12/99 Country Rep. P34, 1999 WL 25894393 (Aug. 12, 1999); *EU/US: US Pushes Ahead with Beef Hormone Sanctions*, 7/21/99 Eur. Rep., 1999 WL 8306681.

160. *See Foreign Trade/Payments: US Imposes Sanctions over EU Ban*, 8/12/99 Country Rep. P34, 1999 WL 25894393 (Aug. 12, 1999).

161. *See* Pruzin, *supra* note 69, at 1189.

162. *See id.*

163. *See id.*

legislature, and its application of section 211 to the plaintiffs' trademark claims, may have exposed many American corporations with trademarks in Cuba to future unfavorable Cuban law.[164] If Cuban companies are not afforded trademark protection under American law, then it is likely that Cuba will enact retaliatory legislative measures and leave approximately four hundred American companies with trademarks in Cuba unprotected.[165]

V. CONCLUSION

The judicial application of section 211 seems to be in accordance with the traditional notions of the federal legislature's power concerning foreign affairs. However, its international implications are much more controversial and cannot be ignored. After performing a judicial balancing act with the international considerations and aspects of congressional authority, it seems that the strong political support for the current Cuban foreign policy made the court's decision to defer to the political branches an easy one.[166] The effects of the court's deference to Congress may prove to be the catalyst for political debate about the desirability of such a statute. Lobbyists' efforts to maintain broad, stable, and predictable trademark protection are likely to increase because of the decision by the court to apply section 211 with full force. Although this legislation reinforces the already potent Cuban embargo, it may also have the undesirable effect of adversely impacting the economic interests of American companies and international trade, specifically in Cuba. Section 211 may warrant legislative reconsideration by Congress due to the possible restraints on U.S. trade, as well as the vulnerable position in which some U.S. companies may find themselves after retaliatory measures are enforced.

Since the court's decision is in accordance with applicable jurisprudence, the plaintiffs are not likely to obtain a remedy through the judiciary. Relief, if any, is more likely to come from the legislature.[167] Considering the courts' deference to the judgment of the political branches regarding foreign affairs, the judiciary would

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164. *See U.S.-Cuba Trade and Economic Council, Inc.* <http://www.cubatrade.org/99hlights.htm>.

165. *See id.*

166. *See, e.g.*, Dames & Moore v. Regan, 453 U.S. 654, 674 (1981) (recognizing broad political power during the hostage crisis with Iran).

167. Subsequent to the completion of this note, the Second Circuit Court of Appeals affirmed the district court's decision in the noted case. *See* Havana Club Holding, S.A. v. Galleon S.A., 203 F.3d 116 (2d Cir. 2000).

prefer any relief obtained by the plaintiffs in contravention of section 211 originate in Congress. Although there is strong support for the current Cuban foreign policy, this specific provision may fall out of popular favor when its negative international implications are realized. As world markets become integrated through globalization and the goal of international free trade becomes a reality, it will become more difficult to practice a purely bilateral trade policy. If judicial application of section 211 proves to have undesirable effects on international trade, Congress is likely to reconsider the law's utility. After such legislative reconsideration, plaintiffs, like those in the noted case, might obtain the valuable trademark protection they seek in the competitive U.S. markets.

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