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UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
2900 Crystal Drive
Arlington, Virginia 22202-3513

Zervas

Mailed: January 29, 2004

Cancellation No. 92024108

Galleon S.A., Bacardi-Martini U.S.A., Inc., and Bacardi & Company Limited

v.

Havana Club Holding, S.A., dba HCH, S.A., and Empresa Cubana Exportadora De Alimentos y Productos Varios, S.A., dba Cubaexport, joined as a defendant

Before Sams, Chief Administrative Trademark Judge, and Cissel and Walters, Administrative Trademark Judges.

By the Board.

On January 21, 2003, the Board (i) resumed proceedings and allowed the parties time to brief petitioners' motion (filed March 15, 2002) for summary judgment; (ii) joined Empresa Cubana Exportadora De Alimentos y Productos Varios, S.A. ("Cubaexport") as a defendant along with Havana Club Holding, S.A. ("HCH");

and (iii) denied HCH’s “Motion Pursuant to the Government in the Sunshine Act for (A) an Order Requiring Petitioners to Show Cause Why Their Claims Should Not be Dismissed Due to Improper Ex Parte Contacts Concerning an Adjudicatory Proceeding, (B) Full Disclosure by Petitioners, Governor Bush, USPTO Director James E. Rogan and Deputy Director Jon Dudas of the Extent and Nature of All Such Ex Parte Communications Related to This Proceeding, and (C) Suspension of This Proceeding Pending Resolution of the Foregoing” (filed September 10, 2002).

This case now comes up on the following motions:

1. Petitioners’ motion (filed March 15, 2002) for summary judgment;

2. HCH’s motion (filed February 19, 2003) for reconsideration of the Board’s denial of HCH’s “Motion Pursuant to the Government in the Sunshine Act …”; and

3. Cubaexport’s motion (filed April 25, 2003) “For an Order (1) Dismissing Bacardi’s Amended Petition to Cancel; (2) In the Alternative, Directing Bacardi To Show Cause Why Its Amended Petition Should Not Be Dismissed and Compelling Disclosure of All Ex Parte Communications; and (3) Suspending All Proceedings Pending Resolution of This Dispositive Motion.”

Respondents have opposed petitioners’ motion and petitioners have opposed the motions filed by HCH and Cubaexport. We have exercised our discretion and considered all reply briefs filed by the parties. See

Trademark Rule 2.127(a) and TBMP § 502.02(b) (2d ed. 2003) and authorities cited therein.

As requested by HCH and Cubaexport in their respective motions, we first turn to their motions before considering petitioners' motion for summary judgment.

1. HCH's Motion for Reconsideration of Board's Denial of HCH's "Motion Pursuant to the Government in the Sunshine Act …."

In our January 21, 2003 order, we found that if the Government in the Sunshine Act applies to this case, HCH's motion was without merit and denied the motion. We explained that the evidence filed by HCH in support of its contention that there were improper *ex parte* contacts, namely, (a) a June 13, 2002 letter from Florida Governor Jeb Bush to former Under Secretary of Commerce for Intellectual Property and United States Patent and Trademark Office ("PTO") Director James Rogan[1] written on behalf of Florida-based Bacardi-Martini, USA, Inc.; (b) a response from Director Rogan to Governor Bush dated July 3, 2002; and (c) a letter dated July 16, 2002 from Governor Bush in which Governor Bush thanked Director Rogan for the information he "passed along regarding the Bacardi case," were not relevant to the *merits* of this proceeding, as required by the statutory provisions under which HCH based its motion. We also addressed Governor Bush's statement in his July 16, 2002 letter that "[a]long with the continued assistance of Mr. Jon Dudas [formerly, Deputy Under Secretary of Commerce for Intellectual Property and PTO Deputy Director, now, acting Under Secretary of Commerce for Intellectual Property and acting PTO Director], your attention to this matter has been very helpful." HCH maintained that this statement indicated that there were "other and further *ex parte* communications." We stated that we were "unpersuaded by the record before us that such [*ex parte*] communications have occurred." Further, we noted that petitioners and respondent HCH had not briefed the applicability of the Government in the Sunshine Act to Board proceedings, and, after a lengthy discussion of certain relevant statutory provisions, expressed our reservations about the applicability of the Government in the Sunshine Act to Board *inter partes* proceedings.

HCH contends that our decision is erroneous in several respects and has submitted "documents obtained subsequent to the filing of the Motion – some 150 pages of letters, e-mails, and other communications obtained from freedom of information laws in Florida and the

[1] Director Rogan departed the PTO on January 12, 2004.

federal FOIA [i.e., the Freedom of Information Act]."[2] According to HCH, the documents "confirm what was already apparent from the slim – but startling – factual material available when the motion was filed: Bacardi set out to enlist Governor Bush to apply political pressure to obtain the cancellation it was seeking, and used that relationship to facilitate numerous *ex parte* communications by its own staff, and by the Governor and his staff." Because a motion for reconsideration may not properly be used to introduce additional evidence, see TBMP Section 518 (2d ed. 2003), we do not consider the "some 150 pages of letters, e-mails, and other communications" submitted by HCH and its arguments based on such letters, emails and other communications.

We next turn to HCH's arguments that are not based on the "some 150 pages of letters, e-mails, and other communications," mindful that a motion for reconsideration should not be devoted simply to a reargument of the points presented in a brief on the original motion, but rather should be limited to a demonstration that, based on the facts before it and the

[2] HCH submitted the documents as a part of Charles Sims' declaration, which was filed with HCH's motion for reconsideration. (Mr. Sims is one of HCH's attorneys.)

applicable law, the Board's ruling is in error and requires appropriate change. *Id*.

A. Applicability of Government in the Sunshine Act to this Proceeding.

We addressed this issue at length in our January 21, 2003 decision. Nevertheless, HCH maintains -– in a footnote nonetheless -– that it "need not address the [Board's] suggestion that the Government in the Sunshine Act does not apply to this proceeding, since the Board made no such holding and decided the Motion on its merits." HCH, however, cannot prevail on its original motion if we are not persuaded that the Government in the Sunshine Act indeed applies to this proceeding.[3] We are unaware of any precedent holding that the Government in the Sunshine Act is applicable to Board proceedings, and HCH has not cited any such precedent in its motion for reconsideration, even after we had raised questions about the statute's applicability to this proceeding. Thus, we

[3] The manner in which HCH has chosen to address this vital concern regarding the viability of its motion, i.e., cursorily in a footnote, without addressing 5 U.S.C. § 554(a) (which limits the statute's application to particular proceedings), without addressing prior court precedent, and without discussing the statute's legislative history, suggests to us that HCH is aware that the basis for its motion is questionable.

remain unconvinced that the Government in the Sunshine Act applies to this proceeding.[4]

B. "The Showing In This Proceeding Was More Compelling Than In Every Reported Case Where Disclosure Was Required"[5]

HCH complains that it "made a much stronger showing [in this case] of *ex parte* contacts than in those cases [cited by HCH] where disclosure was ordered"[6] in view of the "actual *ex parte* communications, urging the Director (a statutory member of the PTO[7]) to grant Bacardi the ultimate relief it was seeking, and to do expeditiously [sic]." According to HCH, the cases cited in HCH's motion for reconsideration provide that disclosure is "mandatory … [and] require *a fortiori* that it be directed here." Also, HCH argues that the Board committed plain error by "skipping over the first step required by the Government in the Sunshine Act, obtaining the full record

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[4] HCH also contends that "[e]ven if the Act did not apply, due process and basic norms of administrative law would effectively require the same result here." Cubaexport has made essentially the same argument in its motion, which is discussed below. This argument is not well taken for the reasons identified below in the discussion of Cubaexport's motion.

[5] Subsection heading, HCH's motion for reconsideration, at p. 5.

[6] For example, HCH cites to the news articles of *Portland Audubon Soc'y v. Endangered Species Comm*., 984 F.2d 1534 (9th Cir. 1993) and the "third-party declarations professing *suspicions* of *ex parte* contacts" of *Professional Air Traffic Controllers Organization v. Federal Labor Relations Authority*, 672 F.2d 109 (D.C. Cir. 1982) (*"PATCO I"*).

– [and rushing] to the second step, evaluation of what remedy is required, when the factual basis to assess what had happened had not yet been compiled."

Initially, we advise HCH that this case must be decided on its record, and not by comparison to unrelated cases. But even if we consider HCH's contention that HCH "has made a much stronger showing of *ex parte* contacts than in those cases where disclosure was ordered," we do not agree. HCH's "showing" was quite unpersuasive. First, the correspondence in the record before us when we considered HCH's original motion was between Governor Bush and Director Rogan, not the actual decision-makers in this case. Although Director Rogan was a statutory member of the Board, see 15 U.S.C. § 1067(b), his work at the PTO was not limited to Board matters, see 35 U.S.C. § 3(a), and he did not author any of

[7] We assume that HCH intended to refer to the Board and not the PTO.

the orders written thus far in this case. Second, HCH filed just *three* letters between Governor Bush and the PTO as evidence of *ex parte* communications. (HCH did not include the "some 150 pages of letters, e-mails, and other communications" filed with its motion for reconsideration.) In these letters, HCH points to just two phrases; i.e., Governor Bush's statement in his June 13, 2002 letter seeking cancellation and his statement in his July 16, 2002 letter thanking Director Rogan for the "continued assistance" of Mr. Dudas. Thus, HCH's evidence in support of its original motion was limited. Third, the three letters that HCH did file with its motion do not discuss or refer to petitioners' claims in this proceeding. As we noted in our January 21, 2003 decision, the statutory sections under which HCH brought its motion all require that the *ex parte* communications be *on the merits*. See 5 U.S.C. §§ 557(d)(1)(A)-(C). HCH has failed to satisfy one of the key requirements of a statute under which HCH bases its motion.

We also disagree with HCH's contention that we committed plain error by evaluating "what remedy is required, when the factual basis to assess what had happened had not yet been compiled." Assuming the Government in the Sunshine Act empowers us to grant the relief HCH seeks, we must first be satisfied that there is cause to believe that an impermissible *ex parte* communication indeed has been made. In this case, HCH has not persuaded us that there have been any *ex parte* communications on the merits, has not asserted that there have been any *ex parte* communications with any of the actual decision-makers in this case, and has not offered any evidence that there has been any *ex parte* communications with such actual decision-makers. Simply put, the evidence submitted with HCH's original motion does not persuade us that there is cause to grant the relief HCH seeks, i.e., issuing a show cause order or requiring full disclosure by petitioners, Governor Bush, Director Rogan and Mr. Dudas – even assuming we have the authority to do so.[8]

C. "The Communications Already Presented To The Board Were Clearly Relevant To the Merits Of This Proceeding, And Cannot Be Dismissed As Mere Status Inquiries"[9]

HCH's arguments are largely based on the statement in Governor Bush's letter of June 13, 2002 that "[t]he

[8] In footnote no. 4 of our January 21, 2003 order, we noted that HCH did not cite to any authority under which the Board may compel Governor Bush to provide "full disclosure." HCH has not informed us of any such authority in its motion for reconsideration. In view thereof, we conclude that there is no authority for us to compel Governor Bush to provide "full disclosure."

out-dated registration belongs to a company owned by Fidel Castro called CubaExport and should be cancelled immediately." HCH contends that a "request that the relief one party seeks be granted cannot be construed as a mere procedural inquiry, regardless of the recipient's portrayal of the request, and is plainly relevant to the merits."

HCH ignores that there is more to the letter than simply the request for immediate cancellation of the registration. The letter also states that Bacardi-Martini, USA, Inc. is headquartered in Miami, "has a workforce of more then 300 Floridians," and has "faced … a process mired in lengthy bureaucratic procedures, with no end in sight"; and invites contact with the Governor's Office if there are further questions. Thus, despite HCH's arguments, we still conclude that if the letter is considered as a whole, it is a complaint on behalf of a Florida-based business about delays in the cancellation process with a request for status information, rather than an *ex parte* communication on the merits.

Also, in arguing that our decision was erroneous, HCH addressed our citation to *Professional Air Traffic Controllers Org. v. FLRA*, 685 F.2d 547 (D.C. Cir. 1982)

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[9] Subsection heading, HCH's motion for reconsideration, at p. 7.

(*“PATCO II”)*, in which the court found, inter alia, that two phone calls by the Secretary of Transportation to two members of the Federal Labor Relations Authority (“FLRA”) were not *ex parte* communications on the merits.[10] HCH points out that unlike ***PATCO II*** where the Secretary of Transportation limited his statements to procedural matters, in this case, Governor Bush “expressly requested that this proceeding be decided in Bacardi’s favor.” HCH further contends that the ***PATCO II*** court’s treatment of a dinner conversation between American Federation of Teachers President Albert Shanker and a member of the FLRA is “more similar to the type [of *ex parte* contact] at issue in this proceeding.” HCH states that “the labor leader expressed his views as to what type of punishment should be meted out to a union that participates in an illegal strike … without even directly referring to the pending proceeding”; and that the court in ***PATCO II*** “found this communication clearly improper, as it was a blatant attempt to influence the member’s decision.”

We are not persuaded by petitioners’ arguments. First, we cited the court’s conclusion concerning the Secretary’s phone calls in our discussion of Governor Bush’s request for “quick, decisive action” or

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[10] The Secretary had stated in one phone call the “the Department of Transportation would appreciate expeditious handling of the case.” In the other phone call, he expressed “his concern that the case not be delayed.” The court, after considering the substance of the communications, commented that

declaration that “a swift resolution to this matter is imperative” in his first letter

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the Secretary “did not in fact discuss the merits of the case.” *Id*. at 118.

–- we did not cite the case in addressing Governor Bush's statement that the "out-dated registration … should be cancelled." We dealt with Governor Bush's statement regarding cancellation separately in a subsequent paragraph in the order. Second, we note that in the cited case, Mr. Shanker's comments in his dinner meeting were not made in a vacuum; they came after repeated public advocacy on his views of the PATCO strike, in support of PATCO. According to the court, "[h]e spoke frequently on this subject, was interviewed about the PATCO strike on a nationally televised news program, and published a number of columns in the New York Times discussing the PATCO situation." *Id*. at 570. Thus, there was no secret as to Mr. Shanker's view on the *PATCO* case and his advocacy for a particular result, and it is not surprising that he took the opportunity to advocate for his views in a private dinner with a member of the FLRA who was involved in deciding the case. The court evidently realized this too, and advised that the FLRA member should have terminated his discussion with Mr. Shanker when the conversation turned to the discipline appropriate for a striking union.

The facts in the case at hand are remarkably different. Here, we consider statements made in an unsolicited *letter* (not in a private dinner meeting or similar encounter) complaining of bureaucratic delays in a matter involving a Florida constituent, where Florida's Governor requested that the relief the constituent seeks be granted. There is no evidence in the record of a history of public advocacy for petitioners by Governor Bush or his staff, or public statements made by him or his staff on this matter. Thus, we are not persuaded that the court's treatment of a dinner conversation between a union head with a history of public advocacy of a pro-union position in a case before the FLRA with an actual decision-maker in the FLRA case is in any way analogous to the case before us.

D. "Even If The Communications Presented To The Board Were Status Inquiries, They Were Still Improper Under The Government In The Sunshine Act"[11]

HCH also argues that even if the communications were status inquiries, they still were improper because "even a procedural inquiry may be a subtle effort to influence an agency decision," citing the ***PATCO II*** decision.[12] It adds that the communications in issue here are "more egregious than the communications found improper in

[11] Subsection heading, HCH's motion for reconsideration, at p. 10.

[12] As HCH acknowledges, despite its statements regarding procedural inquiries, the ***PATCO II*** court did not remand the case for a new proceeding.

PATCO" because in *PATCO II*, it was the Secretary of Transportation who made the status inquiries, but in this case, the communications came on behalf of a private party, seeking "a quick, favorable decision for Bacardi from the Director"; and that the "Director is a statutory member of the TTAB, with power to select members of TTAB panels and substantial influence over their work and careers."

Because HCH does not contend that any of the actual decision-makers in this case, i.e., those individuals who authored or participated in the decisions rendered thus far in this case, were asked about the status of this case, or that Director Rogan or Mr. Dudas contacted any of the actual decision-makers in this case, HCH's argument is not well taken.

In view of the foregoing, we find that HCH has not demonstrated that our decision of January 21, 2003 was in error based on the facts before us and the applicable law. HCH's motion for reconsideration is therefore denied.

2. Cubaexport's Motion to Dismiss or, in the Alternative, for an Order to Show Cause and Compelling Disclosure, and to Suspend.

Before turning to the merits of the motion, we address petitioners' objection on the basis that the Board's order of April 15, 2003 did not encompass Cubaexport's filing the instant motion. Specifically, petitioners contend that our order of April 15, 2003 only recognized the decision of the Department of Treasury's Office of Foreign Assets Control ("OFAC") on Fish &

Neave’s (Cubaexport’s attorneys in the proceeding) application for a specific license to respond to petitioners’ summary judgment motion. Because Eric Huang, one of Cubaexport’s attorneys employed by Fish & Neave, states in his cover letter accompanying Cubaexport’s motion that the motion is made “pursuant to the Board’s April 15, 2003 order allowing respondent Cubaexport to respond to the motion for reconsideration filed by” HCH, and because the motion is based, at least in part, on the same facts and statute as HCH’s motion, petitioners’ objections are not well taken and we proceed to consider Cubaexport’s motion.

According to Cubaexport, from January 2002 through at least September 2002, Governor Bush's office and petitioners acted in concert and in secret to persuade the PTO to act in petitioners' favor. As evidence, Cubaexport offers the declaration of Mr. Huang, which encloses a duplicate copy of (a) the declaration of Gregg Reed, one of HCH’s attorneys, filed with HCH’s motion under the Government in the Sunshine Act and enclosing, inter alia, a copy of the three communications between Governor Bush and Director Rogan discussed above, and (b) Mr. Sims’ declaration which was filed with HCH’s motion for reconsideration and encloses a copy of the “some 150 pages of letters, e-mails, and other communications.”

From the documents submitted with Mr. Huang’s declaration, Cubaexport concludes as follows:

- Two of Governor Bush's aides, on February 20, 2002, met in secret with PTO attorney Eleanor Meltzer [of the PTO’s Office of Legislation and International Affairs] to discuss Bacardi's cancellation petition.

- On February 25, 2002, Bacardi Vice President Jorge Rodriguez-Marquez met secretly with PTO officials, including Deputy Director Jon Dudas and Ms. Meltzer, to discuss the cancellation and press Bacardi's case. That second meeting focused specifically on Bacardi’s arguments as to why the HAVANA CLUB registration [that is, the registration which is the subject of this proceeding] should be cancelled.

- Bacardi later complained that, in the February 25 meeting, Ms. Meltzer revealed "personal negative feelings about [Bacardi's] case."

- On March 19, 2002, Governor Bush's office informed Deputy Director Dudas of [the] summary judgment motion that Bacardi filed.

- On March 20, 2002, Bacardi's vice president sent to Travis Thomas, Director of the Commerce Department's Office of Business Liaison, an e-mail with copies of Bacardi's summary judgment motion, along with Bacardi's arguments as to why Cubaexport is not entitled to the HAVANA CLUB registration. In his e-mail, Bacardi's vice president discussed "Bacardi's rights under the law" and argued (incorrectly) that Cubaexport allowed the registration to lapse. He argued that "Cubaexport willingly gave up all their rights in 1993 when they transferred them to HCH" and that "Cubaexport's 20 year registration ended in 1996 and they chose not to renew it…."

- On March 21, 2002, after speaking with

> Bacardi's vice president, [Mr.] Thomas forwarded to Deputy Director Dudas the March 20 e-mail. (Citations omitted.)

Further, Cubaexport maintains that petitioners, "seemingly frustrated with the progress of [their] *ex parte* efforts … decided to up the ante," and contends as follows:

- Bacardi's vice president requested that Governor Bush help put more pressure on the PTO "where possible." From April through the beginning of June 2002, Bacardi and the Governor's staff prepared a letter from Governor Bush himself to "get this resolved." The decision was made by the Governor's staff to "move up the food chain" to the PTO Director James Rogan, a member of the Board.

- On June 13, 2002, Governor Bush personally demanded that the registration be cancelled in a letter to Director Rogan.

- On September 3, 2002, Deputy Director Dudas met with Bacardi representatives to discuss the cancellation proceeding. There is no information now available to respondents as to what was specifically discussed. (Citations omitted.)

Cubaexport represents that neither Cubaexport nor HCH were copied on any of these letters and e-mails, nor were they informed of, or invited to attend, the meetings mentioned above.

Cubaexport first maintains that "Bacardi's concerted effort to force a particular outcome in this action through secret meetings and correspondence with PTO officers violates the most basic concepts of fairness in adversary proceedings." In support, Cubaexport notes that the PTO Director and Deputy Director "have substantial influence over the Board members' work and careers"; that they both are statutory members of the Board; and that they both have the power to cancel a registration in a cancellation proceeding, citing 15 U.S.C. § 1067(b), 15 U.S.C. § 1068 and 35 U.S.C. § 3. Second, Cubaexport maintains that "Bacardi's *ex parte* communications" constitute improper *ex parte* communications under the Government in the Sunshine Act.

Cubaexport seeks dismissal, or, in the alternative, a show cause order why petitioners' supplemental and amended petition to cancel should not be dismissed. Cubaexport also requests that petitioners be compelled to disclose fully the amount, context and impact of *ex parte* communications. According to Cubaexport, full disclosure will "afford the Board a more complete picture of exactly what transpired than even the current record, and will allow respondent to respond fully to the arguments presented *ex parte* to the PTO."

We have carefully considered each of Cubaexport's and petitioners' arguments in connection with

Cubaexport’s motion.[13] Assuming we have the authority to grant what Cubaexport seeks, we are not persuaded that Cubaexport is entitled to the relief it requests.

First, Cubaexport is incorrect in contending that the Deputy Director is a statutory member of the Board. Neither 15 U.S.C. § 1067(b) nor 35 U.S.C. § 3, cited by Cubaexport, nor any other statute, states that the Deputy Director is a member of the Board. Even though 35 U.S.C. § 3 authorizes the Deputy Director to act in the capacity of the Director

[13] The Board has not received a response to Cubaexport’s motion from HCH.

when the Director is absent, as Cubaexport contends, it does not state that the Deputy Director a member of the Board. Also, there is no evidence in this case that during relevant time periods, Director Rogan was absent from the PTO and Mr. Dudas was acting in the capacity of the Director. Thus, we reject the implication in Cubaexport's argument that contact with Mr. Dudas was contact with the Board.

Second, Cubaexport has not provided evidence of any ex parte communications between petitioners and/or their "agents," and the actual decision makers in this case, and has not provided evidence of any communications between Director Rogan and Mr. Dudas and the actual decision-makers in this case. Without any evidence of contact with the actual decision-makers in this case, we cannot agree that, if indeed the Government in the Sunshine Act applies to this proceeding,[14] petitioners

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[14] Cubaexport tries to persuade us that the Government in the Sunshine Act applies to Board inter partes proceedings, despite Section 554 thereof which exempts matters "subject to a subsequent trial of the law and the facts *de novo* in a court." Cubaexport argues that a court's review of Board decisions are "not a true *de novo* proceeding"; and the "Board's finding[s] of fact are 'given great weight' and are not upset unless new evidence is introduced which 'carries thorough conviction.'" However, courts regularly refer to a district court appeal from a Board decision as a *de novo* proceeding. See, e.g., *Redken Laboratories, Inc. v. Clairol, Incorporated*, 501 F.2d 1403, 183 USPQ 84 (9th Cir. 1974) ("Title 15 U.S.C. § 1071 affords both parties to a completed cancellation proceeding before the Board

have violated the Government in the Sunshine Act or that the requested show cause order should be issued, or even that the "fairness and the integrity of the process" has been compromised.

In view of the foregoing, including the reasons set forth in our denial of HCH's motion for reconsideration, and for the reasons discussed in our January 21, 2003 order, Cubaexport's motion to dismiss, or, in the alternative, for a show cause order, under both the Government in the Sunshine Act and under "concepts of fairness in adversary proceedings," is denied. Also, in view of our denial of Cubaexport's motion to dismiss, or, in the alternative, for a show cause order, Cubaexport's motion to suspend pending resolution of its motion is moot.

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the option of having all further proceedings conducted as a civil action in the district court. That civil action is intended to be a trial de novo."); *Gold Seal Company v. Weeks*, 129 F.Supp. 928, 105 USPQ 407 (D.D.C. 1955) (The court stated "[t]his is a trial de novo" in a district court appeal of a Patent Office decision refusing registration); J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* § 21:20 (4th ed. 1997)("If appeal is made to the Federal Circuit, the case proceeds on a closed record and no new evidence is permitted. But if review is sought in a federal court, review is a form of 'de novo' scrutiny and new evidence is permitted."); and *Id*. at 21:21 ("Civil review in federal court is intended to be a trial 'de novo' of the Trademark Board decision.") We therefore are not persuaded by Cubaexport's argument.

3. Petitioners' Motion for Summary Judgment

Before addressing the merits of petitioners' summary judgment motion, we provide a recitation of the underlying facts. Because this matter is not a simple one, the information provided herein is lengthy. We first describe the adoption, use, registration and transfers of the mark which is the subject of this proceeding; then describe the civil action between the parties; and conclude with a description of petitioners' actions in the PTO.[15]

Adoption, use, registration and transfer of mark

Before the Cuban revolution, Jose Arechabala, S.A. ("JASA"), a Cuban corporation owned principally by members of the Arechabala family, produced HAVANA CLUB rum. JASA obtained the following four United States trademark registrations:

1. U.S. Reg. No. 324,385 for HAVANA CLUB for "ethyl alcohol, rum, etc." (registered May 14, 1935);

2. U.S. Registration No. 335,919 for HAVANA CLUB and Design for "rum, etc." (registered June 16, 1936);

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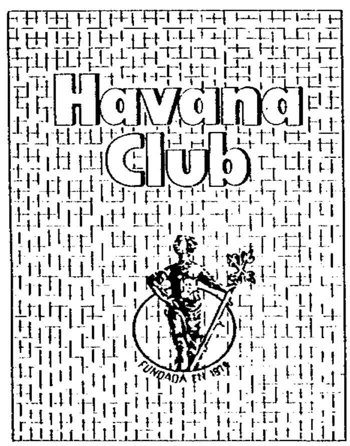
[15] The background information recited herein has been extracted from PTO records, the parties' briefs, the decision of the District Court in *Havana Club Holding, S.A. v. Galleon, S.A.*, 974 F.Supp. 302 (S.D.N.Y. 1997), and the decision of the Second Circuit in *Havana Club Holding, S.A. v. Galleon, S.A.*, 203 F.3d 116, 53 USPQ2d 1609 (2d Cir. 2000), *cert. denied*, 531 U.S. 918 (2000).

3. U.S. Registration No. 578,679 for a second HAVANA CLUB and Design mark (lined for yellow-beige and red) for “rum” (registered August 11, 1953 on the Supplemental Register); and

4. U.S. Registration No. 578,680 for the second HAVANA CLUB and Design mark (without color lining) for “rum” (registered August 11, 1953 on the Supplemental Register).

These registrations expired after their initial twenty-year terms for failure to renew the registrations. JASA exported its rum to the United States until 1960, when the Cuban government, under the leadership of Fidel Castro, seized and expropriated JASA's assets. Neither JASA nor its owners ever received compensation for the seized assets from the Cuban government.

Soon thereafter, Cubaexport began selling HAVANA CLUB rum made in the JASA distillery. On June 12, 1974, Cubaexport applied to register the following trademark (hereinafter “HAVANA CLUB and Design”) for “rum” under Section 44 of the Trademark Act, based on Cuban Registration No. 110,353:



The resulting registration, i.e., Registration No. 1,031,651, issued on January 27, 1976 for an initial term of twenty years.[16]

[16] Registration No. 1,031,651 includes a disclaimer of “Havana” and “Fundada en 1878,” and is lined for the color gold. The PTO accepted a Section 8 declaration on April 12, 1982, and the registration was renewed on June 18, 1996.

In 1963, the United States imposed an embargo on Cuba. See Cuban Assets Control Regulations ("CACR"), 31 C.F.R.

Part 515, promulgated pursuant to the Trading with the Enemy Act of 1917, 12 U.S.C. § 95a.[17] In 1996, Congress enacted the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act, Pub. L. No. 104-114 (1996), which, among other things, codified the regulations implementing the Cuban embargo, see 22 U.S.C. § 6032(h). The Secretary of the Treasury has the authority to administer the Cuban embargo, which he has delegated to OFAC. See 31 C.F.R. § 515.802.

From 1972 to 1993, Cubaexport, a Cuban state enterprise, exclusively exported HAVANA CLUB rum primarily to Eastern Europe and the Soviet Union. In 1993, Cubaexport sought to reorganize and find a foreign partner for its "Havana Club" rum business. Havana Rum & Liquors, S.A. ("HR & L"), a newly formed Cuban company, entered into a joint venture agreement with Pernod Ricard, S.A. ("Pernod"), a French company distributing liquor internationally. Under a November 1993 agreement between Pernod and HR & L, Havana Club International, S.A. ("HCI") and HCH were formed. HCH and HCI are

[17] The CACR prohibit, inter alia, (i) the importation into the United States of merchandise from Cuba or merchandise of Cuban origin, and (ii) the use in U.S. commerce of any trademark in which Cuba or a Cuban national has, at any time since July 8, 1963, had any interest, direct or indirect. See 31 C.F.R. §515.201 and §515.204, and 31 C.F.R. §515.201 and §515.311, respectively.

entities organized under the laws of Luxembourg and Cuba, respectively. In an agreement dated January 10, 1994, Cubaexport assigned the HAVANA CLUB and Design trademark and registration to HR & L, and in a subsequent agreement dated June 22, 1994, HR & L assigned this trademark and registration to HCH.[18]

After an October 5, 1995 application to OFAC for a "specific" license authorizing the 1994 assignments of the HAVANA CLUB and Design trademark from Cubaexport to HR & L, and from HR & L to HCH, OFAC issued License No. C- 18147 on November 13, 1995, which approved the two assignments and authorized all necessary transactions incident to the assignments of the mark.

Subsequently, on January 18, 1996, HCH filed a renewal application for Registration No. 1,031,651, containing an excusable nonuse declaration asserting that but for the embargo, HCH would sell HAVANA CLUB rum in the United States. On June 18, 1996, U.S. Registration No. 1,031,651 was renewed for an additional term of ten years.

Almost one year later, on April 17, 1997, OFAC revoked License No. C- 18147, stating:

> You are notified that, as a result of facts and circumstances that have come to the attention of this Office which were not included in the application of October 5, 1995, License No. C-18147 … is hereby revoked retroactive to the

[18] The Assignment Branch of the PTO recorded the assignment from Cubaexport to HR & L at Reel No. 1104, Frame No. 0046, on February 10, 1994 and recorded the assignment from HR & L to HCH at Reel No. 1219, Frame No. 0428, on September 13, 1994.

> date of issuance. The determination to revoke License No. C- 18147 is made pursuant to § 515.805 of the Cuban Assets Control Regulations, 31 C.F.R. Part 515. Any action taken under this specific license from the date of issuance until now is null and void as to matters under the jurisdiction of the Office of Foreign Assets Control.[19]

Litigation Between the Parties.

Beginning in 1995, petitioner Galleon S.A. ("Galleon") produced rum in the Bahamas bearing the HAVANA CLUB name, and distributed sixteen cases of this rum in the United States. From May 1996 to August 1996, petitioners distributed an additional 906 cases of Galleon's HAVANA CLUB rum in the United States.

In December 1996, HCH and HCI filed a civil action to enjoin Galleon, Bacardi-Martini USA, Inc. and three other entities (collectively "Bacardi") from using the HAVANA CLUB trademark, alleging violations of sections 32

[19] OFAC did not provide the reasons for the revocation of the license. However, the District Court, in its opinion, stated as follows:

> [T]he "facts and circumstances" which later came to the attention of OFAC apparently concerned the incorporation of Pernod into the ownership of HC Holding and HCI. Plaintiffs' October 19, 1995 application, filed by Plaintiffs' counsel, stated that "each of the assignors and assignees are nationals of Cuba." Plaintiffs' own papers indicate that Pernod, one of the parties involved in the reorganization, is not a national of Cuba.

Havana Club Holding, S.A. v. Galleon, S.A., 974 F.Supp 302, n. 7 (S.D.N.Y. 1997) (*"Havana Club II"*).

and 43(a) of the Trademark Act. One of Bacardi's defenses was that OFAC's specific license to HCH, authorizing the assignments of the U.S. trademark, was invalid because HCH obtained the mark by fraud. In March 1997, the District Court ruled that

Bacardi lacked standing to challenge OFAC's specific license to HCH and that OFAC's decision to grant the specific license was unreviewable by the District Court. See *Havana Club Holding, S.A. v. Galleon S.A.*, 961 F.Supp 498 (S.D.N.Y. 1997) *("Havana Club I")*.

In August 1997, the District Court ruled on Bacardi's summary judgment motion on its counterclaim for cancellation, finding that HCH had no rights to the HAVANA CLUB trademark because the specific license to assign the mark to HCH had been nullified by OFAC's revocation of the specific license and because the CACR's general license authority under 31 C.F.R. § 515.527(a) did not authorize the assignment. See *Havana Club Holding, S.A. v. Galleon S.A.*, 974 F.Supp 302 (S.D.N.Y. 1997) (*"Havana Club II"*). Although acknowledging that the nullification of the assignment caused the rights in the mark to revert to Cubaexport, the assignor, the District Court did not cancel the United States registration for HAVANA CLUB and Design because Cubaexport was not a party to the litigation. *Id*. at 311-12.

On February 4, 2000, the Second Circuit affirmed the decision of the District Court. See *Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.3d 116, 53 USPQ2d 1609 (2d.

Cir. 2000), *cert. denied*, 531 U.S. 918 (2000).

Actions taken in the PTO

Petitioners commenced this cancellation proceeding seeking cancellation of Registration No. 1,031,651 on July 12, 1995 with the filing of their original petition to cancel. On September 4, 1996, the Board granted petitioners' motion to amend the petition to cancel and the supplemental and amended petition to cancel (filed August 20, 1996) became petitioners' operative pleading in this case. The supplemental and amended petition to cancel asserts the following claims; (i) fraud in obtaining the registration; (ii) fraud in maintaining the registration (with the filing of the Section 8 affidavit); (iii) fraud in renewing the registration; (iv) abandonment based on the legal effect of the assignments of the registration; and (v) misrepresentation of the source of the goods.

On March 17, 1997, the Board granted petitioners' motion to suspend proceedings due to the civil action between the parties. The Board also deferred action on *HCH's* motion (filed October 18, 1996) for summary judgment; petitioners' motion (filed December 3, 1996) to extend the time to respond to HCH's motion for summary judgment; and petitioners' motion (filed January 6, 1997) under Fed. R. Civ. P. 56(f), which were pending at the time.

Several months after the Supreme Court of the United States denied a writ of certiorari of the Second Circuit's decision, petitioners requested on March 1, 2001 that "the judgment of the United States District Court … canceling Havana Club Holding's rights in Registration No. 1,031,651 be given effect …." On July 6, 2001, the Board noted petitioners' request was not in accordance with 15 U.S.C. § 1119 providing that "[d]ecrees and orders [regarding cancellation of registrations] shall be certified by the court to the Director," and maintained the proceedings in suspended status.

Three and a half months later, on October 26, 2001, Acting PTO Director Nicholas Godici issued an order directing the parties to the District Court proceeding to show cause why the records of the PTO should not be rectified to reflect the District Court's order invalidating the assignments of the registration involved in this proceeding. After the parties responded, Commissioner of Trademarks Anne H. Chasser issued a notice on January 15, 2002 providing that PTO records "will be rectified to reflect the district court's order invalidating the recorded assignments" and that "registration records will also be rectified to conform with the assignment records." PTO assignment records at Reel No. 2398, Frame No. 0855 now show that Cubaexport is the owner of record of Registration No. 1,031,651, as does the PTO's automated database of registrations. On March 15, 2002, petitioners filed a Petition for Review with the Federal Circuit, thereby "appealing" the Commissioner's decision. On July 31, 2002, the Federal Circuit granted the PTO's motion to dismiss and dismissed the appeal, finding that the Federal Circuit's review of decisions concerning trademarks is limited to the "review [of] decisions of the Trademark Trial and Appeal Board with respect to applications for registration of marks, cancellation proceedings, and opposition proceedings."

Also on March 15, 2002, petitioners filed their combined motion for summary judgment and motion to resume proceedings which we address *infra*, noting that the civil action "has long since concluded, appeals have been taken, and a final decision on the merits has been entered." On April 3, 2002, HCH sought continued suspension of the cancellation proceeding in view of petitioners' Federal Circuit appeal of the Commissioner's Notice, which we granted in an order mailed on April 24, 2002.[20] We resumed proceedings and reset the time for further briefing of the summary judgment motion and motion for reconsideration on April 15, 2003, after the Federal Circuit had rendered its decision and after Fish & Neave had obtained permission from OFAC to represent Cubaexport in this proceeding.

[20] The Board made minor amendments to its April 24, 2002 order in an order mailed on May 13, 2002.

With the facts and events mentioned above in mind, we turn to the merits of petitioners' summary judgment motion.

Summary judgment is an appropriate method of disposing of cases in which there are no genuine issues of material fact in dispute, thus leaving the case to be resolved as a matter of law. See Fed. R. Civ. P. 56(c). The purpose of summary judgment is to avoid an unnecessary trial where additional evidence would not reasonably be expected to change the outcome. See *Pure Gold, Inc. v. Syntex (U.S.A.), Inc*., 739 F.2d 624, 222 USPQ 741 (Fed. Cir. 1984). A party moving for summary judgment has the burden of demonstrating the absence of any genuine issue of material fact, and that it is entitled to summary judgment as a matter of law. See *Celotex Corp. v. Catrett*, 477 U.S. 317, 106 S. Ct. 2548 (1986). The evidence must be viewed in a light favorable to the non-movant, and all justifiable inferences are to be drawn in the non-movant's favor. See *Old Tyme Food, Inc. v. Roundy's Inc*., 961 F.2d 200, 22 USPQ2d 1542 (Fed. Cir. 1992).

Petitioners maintain that the District Court "Cancellation Order" cancelled HCH's rights in the registration, found that HCH never acquired any ownership rights in the registration and that the assignments from Cubaexport to HC & L and from HC & L to HCH were null and void. Thus, according to petitioners, "the renewal affidavit filed by HCH must also be treated as a nullity because if HCH was not the registrant and never acquired any ownership interest of any kind in the subject registration … then HCH could not as [a] matter of law renew that application [sic]." They conclude that "HCH's renewal application was a dead letter just like the assignments, so the U.S. HAVANA CLUB Registration expired in 1996." Further, they maintain that "[o]nly Cubaexport, the putative owner of the U.S. HAVANA CLUB Registration in 1996, lawfully had the power to file the renewal affidavit"; that Cubaexport has not filed a renewal application; and if Cubaexport were allowed to file one now, it would not be "justifiable" because Cubaexport had transferred its rum business, including worldwide rights, its personnel and its files, and the time for filing a renewal affidavit has passed. They argue that as a result, the registration has expired and must be cancelled.

In response, HCH and Cubaexport, in separate briefs, argue, inter alia, that because petitioners commenced this proceeding more than five years after the issuance of the registration, they may not challenge the registration except on one of the grounds set forth in Section 14(3) of the Trademark Act. Noting that the motion for summary judgment is predicated on the argument that the registration should be canceled because HCH, not Cubaexport, filed the renewal application, respondents contend that the motion must be denied because "wrong-party renewal" is not a ground for cancellation under Section 14(3).

Respondents also argue that cancellation would be inequitable under the circumstances of this case. Specifically, HCH contends in its response as follows:

> … HCH acted reasonably and in complete good faith in renewing the Havana Club Registration. In fact, *only* HCH could have renewed the Havana Club Registration during the renewal period: throughout the 1996 renewal period, HCH was the owner of the registration from the perspective of all concerned, including without limitation (a) Cubaexport and HCH (both of which then reasonably believed the assignments from Cubaexport to HRL and from HRL to HCH to have been legally effective, based on, among other factors, the existence of the Specific License …); (b) OFAC (which had granted the then-effective Specific License); and (c) the PTO (which processed and accepted without question the renewal papers filed by HCH).
>
> In fact, during the renewal period, the PTO would have been obligated by law to reject any application to renew the Havana Club Registration filed by Cubaexport or any other person or entity other than HCH, because from the perspective of the PTO and all others

> concerned, it was HCH that then owned the registration. It was not until April 1997 — long after the renewal period for the Havana Club Registration had closed — that OFAC revoked the Specific License retroactive to its date of issuance; … and it was not until October 1997 that the court directed the PTO to void the assignments, revest Cubaexport with ownership of the Havana Club Registration, and retroactively deem Cubaexport as the owner of the registration at all times since issuance of the registration in 1976.

In reply, petitioners argue that the “wrong-party renewal” argument is a red herring because “the Lanham Act mandates that a lapsed registration be stricken automatically” and “[n]o formal cancellation proceeding is required.” They add that “[e]ven if a cancellation proceeding were required to be brought, appropriate grounds for cancellation under Section 14(3) include abandonment and fraud, as may be asserted here.” Further, petitioners reiterate that “[o]nly Cubaexport, the putative record owner of the HAVANA CLUB Registration in 1996, lawfully has the power to file the renewal affidavit” and it did not do so. Therefore, they conclude that the registration is “nothing more than ‘dead wood’ and the PTO must rectify the register to expunge that registration.”

Further, in response to respondents’ contention that the renewal application (filed by HCH) was timely and proper because it was accepted by the PTO, petitioners argue that the district court determined that HCH had no interest in the registration at the time HCH filed the renewal papers; that under Section 9(a) of the Trademark Act, the "true owner of the registration" must file a renewal application within a specific statutory time period; and that HCH was not that true owner.

In deciding petitioners' summary judgment motion, we begin with the decision of the District Court in *Havana Club II*, which stated as follows:

> Cubaexport's rights arise out of the invalid transfer of the rights to the mark. The abortive transfer between Cubaexport, Havana Rum & Liquors, and Plaintiffs voids those provisions of the contract relating to the mark, rendering them invalid and of no effect. Cubaexport, Havana Rum & Liquors, and Plaintiffs, as the original parties to the transaction, are returned to the *status quo ante.* Cubaexport, restored as the owner of the registration, inevitably has an interest in the outcome of the registration issue. *Havana Club II,* 974 F.Supp at 311.

The District Court also recognized that "Cubaexport has a significant business interest in maintaining the registration of its mark" and that "[c]ancelling the registration … [would] neglect the substantial rights of Cubaexport, a party not before this court." Although Bacardi was seeking cancellation of the registration, the court went on to state:

> [Cubaexport] may reform its agreement with

> Plaintiffs so that it is once again the company entitled to export the rum under the Havana Club mark after the embargo is lifted. Or, it may seek to renegotiate the assignment of the mark to Plaintiffs after Plaintiffs restructure their corporate organization to comply with the provisions of the CACR. Such opportunities would clearly be impaired if this Court granted Defendants' petition to cancel Cubaexport's registration. Accordingly, Defendants' petition to cancel the registration is denied, and all rights to the registration revert to Cubaexport. *Id*.

From the foregoing, we conclude that the District Court, in addition to specifically declining petitioners' request that the HAVANA CLUB and Design registration be cancelled, contemplated that the registration would continue to exist.[21]

Next, we address two of respondents' arguments which merit comment. First, both respondents argue that Section 14(3) of the Trademark Act precludes a challenge to the validity of a registration more than five years old on the ground of "improper renewal of a registration."[22] Respondents are correct -- Section 14(3)

[21] Petitioners' characterization in its summary judgment motion of the District Court's opinion as a "cancellation order" is therefore both misleading and incorrect. (We note that petitioners ceased referring to the District Court's order as a "Cancellation Order" in their reply brief.)

[22] Respondents cite to *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc*., 469 U.S. 189 (1985) ("A mark that has been registered five years is protected from cancellation except on the grounds stated in §§14(c) and (e)"); and *Treadwell's Drifters Inc. v. Marshak*, 18 USPQ2d 1318 (TTAB 1990) (holding that ownership of a

does limit the grounds a plaintiff may assert in a petition to cancel a registration that is more than five years old. However, because petitioners base their summary judgment motion on the District Court's orders, we give petitioners the benefit of any doubt and construe the motion as being based on a District Court order directed to the validity of the registration, and not based on the "improper renewal of a registration." Thus, we have considered the merits of petitioners' summary judgment motion.

Second, one of respondents, i.e., Cubaexport, has argued that petitioners do "not (and cannot) dispute that the application for renewal filed by HCH satisfied all statutory and PTO requirements for a complete application." Petitioners have not challenged Cubaexport's argument. Thus, we assume that the renewal application is otherwise in accordance with "all statutory and PTO requirements for a complete application" and limit our inquiry to the questions raised by petitioners regarding the validity of the renewal registration in light of the District Court decision.

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registered mark is not one of the grounds allowed under Section 14(3)).

We now turn to the question which is at the heart of petitioners' motion, i.e., whether the District Court’s opinions compel cancellation of the renewed HAVANA CLUB and Design registration.

A proper renewal application must be executed and filed by the owner of a registration.[23] See 15 U.S.C. § 1059 (1988) and 15 U.S.C. § 1127 (1994); ***In re Wella A.G.***, 787 F.2d 1549, 229 USPQ 274, n.1 (Fed. Cir. 1986); 37 C.F.R. §2.182; and TMEP §1605.03 (2d ed. 1993). If the owner, as set forth in the application for renewal, is not the same person or the same legal entity as the registrant shown in

[23] Trademark Rule 2.182, at the time of the renewal, stated:

> An application for renewal may be filed by the registrant at any time within six months before the expiration of the period for which the certificate of registration was issued or renewed, or it may be filed within three months after such expiration ….”

Pursuant to 15 U.S.C. § 1127, the term “registrant” includes both the original registrant and a person who has acquired ownership through proper transfer of title.

the registration, continuity of title from the registrant to the present owner must be shown. *Id*. The owner may establish its ownership of the registration by recording papers evidencing each change of ownership in the Assignment Division and specifying where such evidence is recorded in the PTO or submitting other proof of the change of ownership. *Id*.

In this case, well before the nine-month renewal period commenced,[24] it appeared that Cubaexport was no longer the owner of the registration. According to HCH and Cubaexport, all of the parties concerned considered HCH as the owner of the registration. Cubaexport had assigned the registration to HR & L, and HR & L had assigned the registration to HCH. The assignments from Cubaexport to HR & L and from HR & L to HCH had been recorded with the Assignment Branch of the PTO. Continuity of title to an assignee –- one of the renewal requirements noted above -- from the original registrant (Cubaexport) to HCH existed within the records of the PTO, and the renewal application was made in the name of HCH, the owner of record.

[24] The initial term of the HAVANA CLUB and Design registration expired on January 27, 1996. Thus, the applicable statutory renewal period spanned from July 27, 1995 to April 27, 1996. See Trademark Rule § 2.182; and 15 U.S.C. § 1059 (1988). HCH

filed the renewal application on January 12, 1996, two weeks before the expiration date of the registration.

Petitioners contend that “[o]nly Cubaexport … lawfully had the power to file the renewal affidavit.” However, if Cubaexport had tried to renew the registration during the applicable statutory renewal period, it would have been unsuccessful; the Post Registration Division would have properly refused the renewal application because the owner of record was not HCH. Additionally, because the mark had actually been transferred prior to the filing of the renewal application, a declaration by Cubaexport stating that Cubaexport was the owner of the registration would not have been truthful at that time, and therefore renewal of the registration in the name of Cubaexport would have been subject to challenge.

Two other considerations must be given great weight in our decision. First, in judging the validity of the renewal registration, we must focus on circumstances in effect when the renewal applicant filed its application, and not on the circumstances which existed years later. To do otherwise would inject confusion and uncertainty in the renewal process and administratively burden the Trademark Office. Second, there is no opportunity now for Cubaexport to file a new, substitute or amended renewal application. The statutory renewal period has long passed, and neither we, nor the parties, may extend or reopen that period.

In view of the foregoing, we conclude that HCH was in compliance with PTO renewal rules and practice when it filed its renewal application in its name, that it filed a proper renewal application, that the PTO acted properly in accepting the renewal application and renewing the registration in HCH's name, and that the resulting renewal registration is valid and must be so recognized by the Board. Therefore, and again mindful that the District Court has not specifically ordered the cancellation of the registration, but in fact concluded that Cubaexport "retained whatever rights it had in said mark and the related U.S. Registration as of said date, notwithstanding the invalid transfers" and noted that Cubaexport "may reform its agreement with Plaintiffs so that it is once again the company entitled to export the rum under the Havana Club mark after the embargo is lifted," we conclude that the District Court's order does not compel us to cancel the registration. Petitioners' summary judgment motion is therefore denied.

4. Sufficiency of Claims in Petition to Cancel.

We next consider the legal sufficiency of petitioners' complaint, i.e., whether petitioners have stated any claims in their supplemental and amended petition to cancel upon which the Board may grant relief. See Fed. R. Civ. P. 12(b)(6);[25] and *Small Engine Shop, Inc. v. Cascio*, 878 F.2d 883 (5th Cir. 1989)(a court may dismiss a complaint under its own motion for failure to state a claim). Petitioners' pleading need only allege such facts as would, if proven, establish that petitioners are entitled to the relief sought, that is, that (1) petitioners have standing to maintain the proceeding, and (2) a valid ground exists for petitioning to cancel the involved registration. In undertaking our review, we accept all of petitioners' well-pleaded allegations as true, and we construe the complaint in the light most favorable to petitioners. See TBMP § 503.02 (2d ed. 2003) and cases cited therein.

We consider each of petitioners' allegations in turn below. Because we find that petitioners have not alleged any valid ground for petitioning to cancel the involved registration, we need not consider petitioners' standing and have not done so.

Fraud in Obtaining Registration.

The supplemental and amended petition to cancel

[25] Fed. R. Civ. P. 12(b)(6) is made applicable to the Board pursuant to Trademark Rule 2.116(a).

pleads as follows in relevant part:

> 21. Cubaexport … was not the successor to Jose Arechabala, S.A. … The use of the statement “Fundado en 1878” as part of the HAVANA CLUB and DESIGN mark registered by Cubaexport was meant to be understood by the American public as an indication that Cubaexport’s rum was somehow associated with or approved by the original source of HAVANA CLUB rum in the United States and was of the same quality as the rum they had previously purchased and enjoyed.
>
> 22. Cubaexport was well aware at the time it filed its application … that it was not the owner of the mark HAVANA CLUB for rum in the United States.
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> 23. Cubaexport knew that the HAVANA CLUB and DESIGN mark which it applied for in the United States was still associated with Jose Arechabala, S.A., the original Cuban company which had previously imported and sold HAVANA CLUB rum in the United States. Moreover, the formula used to make ersatz HAVANA CLUB rum by Cubaexport was materially different from the formula used by the original producers of HAVANA CLUB rum. This formula was changed surreptitiously in a manner calculated to deceive purchasers of HAVANA CLUB rum as to the changed nature of the product.
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> * * *
>
> 44. These fraudulent acts and statements include, but are not limited to, the statement that the HAVANA CLUB and DESIGN mark was owned by Cubaexport at the time of the original application …. [This statement was] willfully false and fraudulent when made and [was] done with the intention of fraudulently obtaining … the registration of the HAVANA CLUB and DESIGN mark on the Principal Register of the PTO.

First, we address a misstatement in paragraph 44. Petitioners allege that Cubaexport represented that it owned the HAVANA CLUB and Design mark at the time of the original application. In actuality, Cubaexport merely represented that it *believed* that it was the owner of the mark in the original application. Specifically, Cubaexport, by its Director, stated:

> … he believes said company to be the owner of the mark sought to be registered; that to the best of his knowledge and belief no other person, firm, corporation or association has the right to use said mark in commerce, either in the identical form or in such near resemblance thereto as may be likely, when applied to the goods or such other person, to cause confusion, or to cause mistake, or to deceive ….

See 35 U.S.C. § 1051(a)(1). This difference is significant because "[w]here there is reasonable doubt as to who is the owner of a mark, it is not fraud to state in the application oath that one 'believes himself, or the firm, corporation or association in whose behalf he makes the verification, to be the owner of the mark sought to be registered.'" J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* § 31:71 (4^{th} ed. 1997).

Next, we consider whether paragraph 44 comports with Fed. R. Civ. P. 9(b), which requires that fraud be pleaded with particularity.[26] Paragraph 44 states in part that "[t]hese fraudulent acts and statements include, but are not limited to, the statement that the HAVANA CLUB and DESIGN mark was owned by Cubaexport at the time of the original application …." To the extent that paragraph 44 pleads

[26] Federal Rule 9(b) states:

> In all averments of fraud or mistake, the circumstances constituting fraud or mistake shall be stated with particularity. Malice, intent, knowledge, and other condition of mind of a person may be averred generally.

unspecified "fraudulent acts and statements," it does not meet Federal Rule 9(b)'s requirement that fraud be pleaded with particularity. We therefore only consider the specific "fraudulent acts and statements" mentioned in paragraph 44, i.e., "the statement that the HAVANA CLUB and DESIGN mark was [believed to be] owned by Cubaexport at the time of the original application …."

Fraud in procuring a trademark registration or renewal occurs when an applicant knowingly makes false, material representations of fact in connection with his application. *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 1 USPQ2d 1483 (Fed. Cir. 1986). See also *Smith International, Inc. v. Olin Corp.*, 209 USPQ 1033 (TTAB 1981). The Trademark Act only imposes on an applicant the obligation that he will not make *knowingly* inaccurate or *knowingly* misleading statements in the verified declaration forming a part of the application for registration. See 35 U.S.C. § 1051(a)(1) (1988). Thus, an applicant need only verify a statement that "no other person, firm, corporation, or association, to the best of his knowledge and belief, has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as might be calculated to deceive." *Bart Schwartz International Textiles, Ltd. v.*

F.T.C., 289 F.2d 665, 129 USPQ 258 (CCPA 1961). When a claim of fraudulent misrepresentation is made regarding a registrant's sworn declaration as to its ownership of the mark and as to the rights of others to use the mark -- which essentially is petitioners' claim in this proceeding -- a plaintiff must prove that "at the time of the application for registration, the registrant knew that others had the right to use and were using the word [in question] as the name of the product."[27] *Id*. at 260.

Petitioners have alleged that JASA, of Cardenas, Cuba, had first used the HAVANA CLUB mark in commerce in the United States as early as the 1930s (paragraph 19); that the mark "was still associated with" JASA when Cubaexport filed its application (paragraph 23); that

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[27] C.f., *Intellimedia Sports, Inc. v. Intellimedia Corporation*, 43 USQP2d 1203 (TTAB 1997), in which we stated:

> [A] plaintiff claiming that the declaration or oath in defendant's application for registration was executed fraudulently, in that there was another use of the same or a confusingly similar mark at the time the oath was signed, must allege particular facts which, if proven, would establish that: (1) there was in fact another use of the same or a confusingly similar mark at the time the oath was signed; (2) the other user had legal rights superior to applicant's; (3) applicant knew that the other user had rights in the mark superior to applicant's, and either believed that a likelihood of confusion would result from applicant's use of its mark or had no reasonable basis for believing otherwise; and that (4) applicant, in failing to disclose these facts to the

JASA was “the original Cuban company which had previously imported and sold HAVANA CLUB rum in the United States” (paragraph 23); that in 1963, the CACR imposed a total embargo on all trade between the

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Patent and Trademark Office, intended to procure a registration to which it was not entitled.

United States and Cuba (paragraph 31); and that since the effective date of the CACR, “no rum produced in Cuba has been lawfully imported into and sold in the United States” (paragraph 31). Also, petitioners have alleged that JASA owned four United States trademark registrations containing the term “Havana Club” (paragraph 19). (We note that by June 12, 1974, the filing date of Cubaexport’s U.S. application, all of JASA’s U.S. registrations had expired.)

Petitioners have *not* made out a legally sufficient claim of fraud. First, petitioners have not alleged that there was any use of HAVANA CLUB in the United States by JASA at the time when Cubaexport filed its U.S. application.[28] (JASA’s use in the 1930s, which petitioners have alleged, is deemed too distant in time from when Cubaexport filed its application to satisfy this element of a fraud claim.) Second, the pleaded facts, even when construed in a light most favorable to petitioners, do not support a key element of petitioners' claim, i.e., that Cubaexport *knew* when it filed its

[28] N.b., *King Automotive, Inc. v. Speedy Muffler King, Inc.,* 667 F.2d 1008, 212 USPQ 801 (CCPA 1981)(holding that a pleading of fraud (in connection with a statement in an application that no one else had the right to use the same or a confusingly similar mark in commerce) requires averments of fact supportive of plaintiff’s belief that registrant knew of a third party’s right

application that JASA had the *right to use* the mark in the United States. JASA's

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to use a mark in commerce when it filed its application in the United States.)

right to use HAVANA CLUB in 1974 was not by any means clear. JASA's four United States trademark registrations which included the HAVANA CLUB mark had all expired prior to 1974, and eleven years had passed since the Cuban embargo commenced, barring the importation of any Cuban rum. Additionally, petitioners' pleading only alleges an *association* of the mark with JASA, not actual use of the mark in the United States by JASA. An association with an entity does not allow an entity to indefinitely claim trademark rights once it has stopped using the mark. Rather, at some point, the mark is deemed abandoned. Third, Cubaexport, consistent with the Trademark Act, merely represented in its application that it *believed* no other entity had the right to use the applied-for mark in the United States. Fraud "will not lie if it can be proven that the statement [to the PTO], though false, was made with a reasonable and honest belief that it was true." *Smith International, supra* at 1044.

Thus, the pleaded facts do not support petitioners' claim of fraud and, consequently, petitioners have failed to state a claim of fraud upon which relief may be granted. Petitioners' claim of fraud in obtaining the registration is therefore dismissed.

Fraud in Maintaining Registration.

As facts underlying this claim, petitioners have pleaded the following:

> 28. On or about January 12, 1982, a Section 8 Declaration was filed in the PTO in connection with Registration No. 1,031,651. On information and belief, that declaration … wilfully [sic] and falsely stated that the mark [HAVANA CLUB] "is still in use on goods and services in each class as evidenced by the attached specimen for each class showing the mark as currently used."
>
> 29. The Declaration further falsely averred that Cubaexport was the owner of said mark and registration. As alleged aforesaid, Cubaexport, at all relevant times, knew said mark HAVANA CLUB and DESIGN was not owned by Cubaexport in the United States.

Turning first to the allegation in paragraph 28, we note that at the time Cubaexport filed its Section 8 declaration, the practice of the Patent and Trademark Office Post Registration Section was that any use, even use only in a foreign country, was sufficient to meet the requirements of Section 8. See *Cerveceria India, Inc. v. Cerveceria Centroamericana, S.A.*, 10 USPQ2d 1064 (TTAB 1989), *aff'd*, 892 F.2d 1021, 13 USPQ2d 1307 (Fed. Cir. 1989); and H. Rep. 542, accompanying H. R. 6260, 97th Cong., 2d Sess. 10 (1982), regarding amendment of Section 8 from "still in use" to "use in commerce."[29] See also, 2

[29] When Cubaexport filed the Section 8 declaration on January 12, 1982, Section 8 stated as follows, in relevant part:

Notes From the Patent Office, Section 4, Part 3, Note 8-1 (July, 1965)("[T]he policy followed is to accept an allegation that the mark is 'in use' as being sufficient to comply with the requirements of Sec. 8, without a statement of use in commerce. It is considered significant that the words 'in use' in Sec. 8 are not modified by the words 'in commerce' as they are in Secs. 9 and 15.") Thus, Cubaexport's declaration complied with the applicable statute and PTO Section 8 practice. Petitioners therefore have not asserted a legally sufficient claim regarding Cubaexport's statement on use in its Section 8 declaration.

Turning next to petitioners' allegation in paragraph 29 that the Section 8 declaration "falsely averred that Cubaexport was the owner of the mark," petitioners must show that Cubaexport's statement of ownership was a false, material misrepresentation made knowingly. See *Torres*, *supra*; and *McCarthy on Trademarks and Unfair*

> [T]he registration of any mark under the provisions of this Act shall be canceled by the Commissioner at the end of 6 years following its date, unless within 1 year next preceding the expiration of such 6 years the registrant shall file in the Patent and Trademark Office an affidavit showing that said mark is still in use or showing that its nonuse is due to special circumstances which excuse such nonuse and is not due to any intention to abandon the mark ….

Competition, *supra* at § 20:15 ("It is relatively clear that fraud made in affidavits under sections 8 and 15, to continue a registration and obtain incontestability, also constitute fraud in 'obtaining' a registration sufficient for

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Section 8 was amended to add the "use in commerce" requirement on August 27, 1982. See Pub. L. No. 97-247 (1982).

cancellation."). For the reasons set forth in the previous section of this order, including petitioners' failure to allege use of HAVANA CLUB in the United States when Cubaexport filed its application, we conclude that Cubaexport could not have knowingly made a misrepresentation as to ownership of the mark in its Section 8 declaration.

Petitioners' claims of fraud in connection with maintaining the HAVANA CLUB and Design registration are therefore dismissed.

False and Fraudulent Renewal by Respondent Havana Club Holding, S.A.

As another claim, petitioners allege as follows:

> 47. The rights, if any subsisted, to the HAVANA CLUB and DESIGN mark in the United States and U.S. Registration 1,031,651 on or about January 12, 1996, still resided in Cubaexport, not Respondent Havana Club Holdings, S.A. Nonetheless, Havana Club Holdings, S.A. purported to renew said registration on said date. The purported attempts by Cubaexport and Respondents to transfer said mark and registration were, in addition to being assignments-in-gross, null and void ab initio pursuant to 31 CFR 515.203(a) and cannot serve as the basis for recognizing any rights to said mark in Respondent Havana Club Holdings, S.A. Alternatively, since Cubaexport never sought to renew Reg. No. 1,031,651 of said HAVANA CLUB and DESIGN mark, the requirements of 15 U.S.C. 1059(a) and (e) were not met, and the registration thereof in the United States PTO expired, and said registration must be cancelled and

expunged.

48. Cubaexport, Respondent Havana Club Holdings, S.A., and Respondent Havana Rum & Liquors, S.A., were at all relevant times aware of the fact that the purported transfers of the HAVANA CLUB and DESIGN mark in the United States and said registration thereof were prohibited by the CACR and willfully violated those regulations. Furthermore, Respondent Havana Club Holdings, S.A. knowingly falsely represented that it owned said mark and registration in connection with the renewal declaration filed on or about January 12, 1996.

49. Wherefore, Registration No. 1,031,651 of the HAVANA CLUB and DESIGN mark was falsely and fraudulently renewed by Respondent Havana Club Holdings, S.A. in violation of 15 U.S.C. 1064(3) and should be cancelled as prayed for hereinafter.

We first turn to the allegations of paragraph 47. The District Court has agreed with petitioners that HCH did not obtain any rights in the mark or registration pursuant to the assignments by Cubaexport and HR & L. However, despite petitioners' arguments regarding Cubaexport’s failure to renew the registration, the District Court did not order the cancellation of the registration. We have considered the substance of the allegations of paragraph 47 in the first half of this decision in view of the District Court’s orders, and have concluded that the registration should not be cancelled.

Turning now to the allegations of paragraph 48, we note that petitioners' claim is premised on Cubaexport, HCH and HR & L’s willful violation of the CACR. OFAC, however, when it revoked its license approving the assignment and authorizing all necessary transactions incident to the assignment of the mark, did not explain why it revoked the license and did not find that there was a willful violation of the CACR.[30] Additionally, while the District Court found that the “attempted transfer of the Havana Club registration fell under the provisions of” the CACR, it did not find that there was a willful violation of the CACR and did not consider petitioners' allegation that there was fraud in the assignments of the registration. See *Havana Club I, supra*.

In order to determine whether there has been a fraudulent transfer of the mark under the CACR, we would, of course, need to examine the CACR. The Board has little or no experience in determining violations of statutes or regulations that do not directly concern registration of trademarks. The better practice in determining whether a violation of a statute or

[30] In fact, the District Court noted that “OFAC enjoys considerable discretion in granting or revoking licenses, and the CACR permit OFAC to amend, modify, or revoke a license at any time, on its own initiative.” *Havana Club II, supra* at 306.

regulation has occurred, or whether a fraud has been committed under one or more regulatory acts, is to defer to a court or government agency having competent jurisdiction under the statute or regulation involved. See, e.g., *Santinine Societa v. P.A.B. Produits*, 209 USPQ 958 (TTAB 1981); and *Kellogg Co. v. New Generation Foods, Inc*., 6 U.S.P.Q.2d 2045 (TTAB 1988). Thus, because petitioners have not pleaded that a court or

It also found that OFAC's decisions are not reviewable by the District Court. *Id*.

government agency having competent jurisdiction under the CACR has found that Cubaexport, HCH and/or HR & L have willfully violated the CACR, or that the attempted transfer of the HAVANA CLUB and Design registration was fraudulent or part of a fraudulent scheme, petitioners have failed to state a proper claim of false and fraudulent renewal upon which the Board may grant relief. Petitioners' claim of false and fraudulent renewal is therefore dismissed.

Abandonment.

Petitioners' allegations regarding abandonment of the mark underlying the HAVANA CLUB and DESIGN registration are as follows:

> 37. By Assignment, dated January 10, 1994, Cubaexport purportedly assigned the rights to the HAVANA CLUB and DESIGN trademark in the United States and U.S. Reg. No. 1,031,651 thereof to Respondent Havana Rum & Liquors, S.A., a Cuban company, with its address at 305 Miramar, Havana Cuba. … No goodwill or related assets were conveyed with the purported trademark, so this assignment-in-gross destroyed any rights of the purported assignee in or to said HAVANA CLUB and DESIGN mark or the registration thereof in the United States.
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> 38. By Assignment, dated June 22, 1994, Havana Rum and Liquors, S.A., a Cuban company, purportedly assigned the rights to the trademark HAVANA CLUB and DESIGN in the United States and U.S. Reg. No. 1,031,651 thereof to Respondent Havana Club Holdings, S.A. …. The assignment recited that the

> transfer was for $10 and other good and valuable consideration received by Havana Rum & Liquors, S.A., from Havana Club Holdings, S.A. … No goodwill or related assets were conveyed with the purported trademark, so this assignment-in-gross destroyed any rights of the purported assignee in or to said mark or the registration thereof in the United States.

Because of the Cuban embargo, Cubaexport, HCH and HR & L could not have imported, distributed, sold or maintained any assets in the United States, and it was impossible for them to separate the mark from the business assets. In view thereof, we conclude, as the District Court did in *Havana Club II*, that the principle of assignment-in-gross is inapplicable to this case.[31] Petitioners' claim of abandonment is therefore dismissed.

Misrepresentation of Source.

[31] The District Court in *Havana Club II, supra,* addressed this issue in its opinion at footnote no. 9, stating:

> Defendants additionally argue that the separation of the trademark from the appurtenant business, the hard assets in Cuba, resulted in an assignment in gross. … As a general matter, Defendants are correct in asserting that such a situation may lead to an assignment in gross. However, the principle is inapplicable to the unique circumstances of this matter. Cubaexport and Plaintiffs never had assets in the United States. While the Havana Club trademark may be recognizable by U.S. consumers, the embargo has prevented Plaintiffs and Cubaexport from importing, distributing, selling, or maintaining any assets in this country. Thus, it was impossible for the Plaintiffs and Cubaexport to have separated the mark from the business assets when no assets existed in the United States.

Petitioners allege as follows:

54. Respondents and Cubaexport have prepared and caused advertisements for their ersatz HANANA CLUB rum to appear in magazines and publications distributed through the channels of interstate commerce in the United States and have paid promotional fees or given other inducements to movie producers to cause their HAVANA CLUB rum and their purported HAVANA CLUB and DESIGN mark to be depicted in movies distributed in interstate commerce in the United States, including the film “The Firm”. These advertisements and the use and depiction of said mark in films are designed to induce American consumers into buying Respondents’ ersatz HAVANA CLUB rum abroad and to build up a demand for said product when it becomes legally available for sale in the United States.

55. The aforesaid actions of Respondents, including their use of the labeling statement incorporated as a component of the DESIGN portion of the aforesaid mark that falsely indicates that the producer was “founded in 1878” is part of a deliberate scheme by Respondents to pass off their ersatz HAVANA CLUB rum as being somehow approved by the producer of, or as being the same quality as, the only HAVANA CLUB rum ever sold legally in the United States which was produced by Jose Arechabala, S.A.

56. Furthermore, said advertising and promotional use of said HAVANA CLUB and DESIGN mark and Respondents’ other aforesaid acts and omissions are intended to confuse the American public into wrongly believing that Respondents are somehow the legitimate successor to the original producer of the HAVANA CLUB rum sold in the United States, Jose Arechabala, S.A. Indeed, the use of the statement “founded in 1878” as part of the Design portion of the mark can have no other purpose.

Petitioners conclude that respondents “have used the purported HAVANA CLUB and DESIGN mark as a vehicle for fraud and said mark is being used in violation of 15 U.S.C. § 1064(3) to misrepresent the source of Respondents’ ersatz HAVANA CLUB rum.”

Section 14(3) of the Trademark Act recognizes a claim of misrepresentation of source if "the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used." We have stated in the past that “application [of Section 14(3)] under the decisional law has … been limited to cases involving deliberate and blatant misrepresentation of source wherein the registration is merely a vehicle for the misuse rather than evidence of even a colorable ownership claim, and where the mark is intentionally displayed in such a manner as to facilitate passing off the goods as those of another.” *Global Maschinen GmbH v. Global Banking Systems, Inc*., 227 USPQ 862 (TTAB 1985). See also *McCarthy on Trademarks and Unfair Competition, supra* at § 20.60 (a Section 14(3) cancellation claim for misrepresentation "requires a pleading that registrant deliberately sought to pass off its goods as those of petitioner.") Thus, if Cubaexport has “even a colorable claim of ownership,” there is no misuse and hence no misrepresentation of source.

Petitioners' claim is premised on the assumption that Cubaexport is not the true and legitimate owner of the HAVANA CLUB mark, which can only be regarded as a political question based on the premise that the Cuban government is not legitimate. Obviously, we, as a tribunal within the U.S. Department of Commerce, do not have the authority to answer this question. Thus, petitioners have not stated a claim of misrepresentation as to source upon which we may grant relief and the claim is dismissed.

4. Summary

HCH’s motion for reconsideration is denied; Cubaexport’s motion is denied; and petitioners' motion for summary judgment is denied. In view thereof, HCH’s motion for summary judgment; petitioners’ motion to extend the time to respond to the motion for summary judgment; and petitioners’ motion under Fed. R. Civ. P. 56(f), which have been pending for some time, are denied as moot. Also, we have found that none of the allegations of the supplemental and amended petition to cancel state a claim for cancellation. Therefore, the supplemental and amended petition to cancel is DISMISSED.