Testimony of

The Honorable Bruce Lehman

July 13, 2004

Good afternoon. Mr. Chairman, Members of the Committee, I would like to thank you for the invitation to appear before you today. My name is Bruce A. Lehman. I have been before this committee on many occasions, in an official capacity. This is the second time that I have been asked to appear before the Committee as private citizen. The first time was when Senator DeConcini was chairman of the intellectual property subcommittee and asked me to testify regarding legislative patent term extensions. The views I am expressing today are my own and do not necessarily reflect those of any other member of the board of directors or any other person associated with the International Intellectual Property Institute, of which I am Chairman. The institute does not take positions on legislation. Further, I am not being compensated by any party for this testimony, nor representing any party in interest as an attorney or lobbyist.

During my tenure as President Clinton's Commissioner of Patents and Trademarks from 1993 through 1998, I was often the United States Government's point person in international negotiations on intellectual property rights. The United States position in those negotiations was, and remains today, clear and consistent - the rights of trademark owners should be recognized and upheld in every nation around the world, and piracy as well as confiscation of intellectual property rights should be outlawed. For example, one of the key United States victories in the Uruguay round of negotiations, which established the World Trade Organization (WTO), was the adoption of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). The TRIPs Agreement protects intellectual property rights by severely restricting the contracting states' power to impose compulsory licenses or otherwise to restrict the rights of legitimate owners.

I am concerned with situations in which a foreign government expropriates a trademark and does not pay prompt, adequate and effective compensation to the legitimate owner. I am also concerned with cases in which the confiscating state attempts to extend the effects of the confiscation to corresponding trademarks in other countries. Giving extraterritorial effects to a foreign confiscation is particularly offensive and unacceptable in the trademark field, because trademark rights are universally recognized to be territorial, a principle that is expressly stated in the Paris Convention.

When Fidel Castro took power in Cuba, his regime engaged in a systematic program of wholesale confiscation of property in Cuba. This program included confiscation of property owned by Cuban nationals as well as by United States and other non-Cuban nationals. The Cuban government also purported to extend the effects of the confiscation to property, such as trademarks, that the confiscation victims owned in the United States and other countries, and took other actions to seize control of those assets.

To protect United States trademarks and their legitimate owners from the effects of the Cuban confiscation measures, Congress enacted Section 211 in 1998. This law provides that the United States will not recognize claims by the Cuban government or its nationals to trademarks that were used as a part of a business whose assets were confiscated in Cuba, unless the original owners have consented. Section 211 reflects and affirms the long-standing principle of U.S. law that we will not give effect to a claim of right to U.S. property if that claimed is based on a foreign confiscation.

Following the enactment of Section 211, the European Union, acting on behalf of a French company, challenged the law in the WTO claiming that it was inconsistent with the TRIPs agreement. In January 2002, the WTO Appellate Body finally resolved the challenge by finding in favor of the United States on all points except one. The Appellate Body made a narrow finding that, because Section 211 on its face does not apply to United States nationals who might acquire interests in confiscated Cuban trademarks, it is inconsistent with the TRIPs agreement. On the other hand, the Appellate Body confirmed that the United States is within its rights to enforce its long-standing policy against recognizing foreign confiscations and that Section 211 does not deny parties fair and equitable court procedures to enforce trademark rights.

In order to comply with the WTO decision, Congress must now act to make a technical correction to Section 211 making it clear that it applies to all parties claiming rights in Cuban-confiscated trademarks, regardless of nationality. Such technical correction will satisfy the WTO ruling, bring Section 211 into full compliance with the TRIPs agreement, and prevent the European Union from applying trade sanctions against the United States. A minor amendment to make that clear, not the repeal of Section 211, is the appropriate response to the WTO decision. Such an amendment would be consistent with United States policy against giving extraterritorial effects to a foreign confiscation. S. 2373 successfully makes this minor technical correction.

Section 211 has been applied most notably in the Havana Club case. Havana Club was a century-old rum brand created and marketed by the Arechabala family. In 1960, the family was forced to flee Cuba, losing everything as the state confiscated all of their Cuban property and trademarks. The Arechabala family found themselves without assets or facilities to produce their rum. Section 211 protects the rights of the legitimate owners in cases like these, in which the Castro regime has deprived them of all of their assets in Cuba and, taking advantage of their destitution, has fraudulently seized control of their U.S. trademarks.

Section 211 has also been applied in the case of TTT Trinidad, a tobacco brand used by the Trinidad family company whose assets were also confiscated by the Castro government. Taking advantage of their situation, the Cuban government registered the trademark in the United States but the legitimate owners petitioned for cancellation based on Section 211. The Trademark Trial and Appeal Board cancelled this registration on July 16, 2001.

Section 211 is a fairly simple law - it stops the reach of Cuban confiscations at the U.S. border and preserves the original owners' rights to their U.S. trademarks. It protects the legitimate owners of trademarks in a variety of Cuban export industries. The law does not prohibit or interfere, in any way, with the Castro government's right to register or enforce trademarks that it legitimately owns, as distinguished from those it has acquired through confiscation.

I find it surprising that some opponents of the United States trade embargo on Cuba seem to be against Section 211. There is no logical connection between the two issues. I strongly support the policy behind Section 211 while at the same time questioning the effectiveness of the embargo. Section 211 is not an embargo issue; it is a property-ownership issue. The debate on the embargo centers on whether it helps or hinders Cuba's transition to a free-market economy. This goal is not advanced by giving effect to Cuban confiscatory measures in the United States. The traditional United States position, reflected in long-standing United States law and public policy, as well as in Section 211, is that all foreign confiscations are wrong and should have no effect on United States property. Whether one believes in the merits of the embargo or desires that it be lifted, this is the policy we should maintain.

Also under discussion is S. 2002 which would repeal Section 211 among other precarious trademark measures. I oppose S. 2002 because the legislation would undermine our public policy as stated previously in my discussion of support for Section 211 and for the following reasons. First, the provision regarding registry of well-known marks in Cuba and reciprocity would violate TRIPs because it gives preferential treatment to Cuban nationals and their successors and no one else. Further, Section 6(a) abrogates the Latham Act "standing" requirements and raises serious constitutional questions. Finally, Section (j) flouts the Lanham Act's purpose by allowing a party with no commercial activity in the U.S. to have the same rights as a party engaging in commercial activity here. S. 2002 does more than solve the WTO problem before us - it, in fact, creates the possibility of a new violation of WTO rules and could wreck havoc with our existing trademark rules.

In short, Section 211 reinforces the fundamental principles that property rights must be respected, that governments may not take property without payment of prompt, adequate and effective compensation, and that a foreign confiscation must never be given effect on property situated in the United States. These principles are part of our national core values and must not be compromised.

Section 211 is the only statute that protects United States trademarks and their legitimate owners from the effects of illegal confiscations by the Cuban government. I strongly urge you to pass S. 2373 to make Section 211 compliant with the WTO decision while upholding traditional principles of United States law.

Thank you, Mr. Chairman. I will be happy to answer any questions.