Testimony of

The Honorable Larry Craig

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Mr. Chairman, Mr. Leahy, thank you for holding today's hearing.

This hearing is a first step in resolving the problems Section 211 poses for the U.S. in terms of honoring the commitments we have undertaken in various international trademark agreements.

Clearly we must do something legislatively about Section 211 and we must do it by December 31 if we are to meet the WTO's deadline for the U.S. to cure that law's violations of the Trade Related Aspects of Intellectual Property Rights Agreement (TRIPS).

To that end, Mr. Chairman, S. 2373 modifies Section 211 slightly based on the notion that minor amendments will make the law compliant with TRIPS and in so doing will put an end to the EU's WTO case.

By contrast, a bill I introduced last year, S. 2002, repeals Section 211 outright. We took that approach for a simple reason: Even if S. 2373 is successful in amending Section 211 to bring it into compliance with the TRIPS Agreement -- and I understand there is some doubt about that -- a straight repeal of that law is an indisputable guarantee of a quick end to the ongoing WTO dispute.

This has been confirmed by the U.S. Trade Representative who has told Congress more than once that repealing Section 211 would bring the U.S. into immediate compliance with the TRIPS Agreement.

Therefore the question is, why forego repeal and adopt a half-measure, such as S. 2373, when it will most likely only breed further TRIPS-based disputes in Geneva with the EU?

Simply put, there is no case to be made for Section 211, so why preserve it?

To succeed, an argument for amending Section 211 (rather than repealing it) must demonstrate convincingly that there are positive aspects to that law. A successful argument for amending Sec. 211 instead of repeal must also demonstrate an absence of negatives in such an approach. In other words, preserving Section 211 makes sense only if: (1) it is of real benefit to U.S. intellectual property holders and (2) it can be guaranteed to do them no harm.

Without question, Section 211 fails on both counts.

First, section 211 benefits one foreign company alone. This point bears emphasis, no U.S. company receives the slightest advantage from that law. If anyone doubts this I suggest they ask the law's sole beneficiary, Bacardi, Inc., to name one U.S. company that benefits from and supports Section 211.

Second, Section 211 is a positive danger to U.S. trademarks because, until it is taken off the statute books, the U.S. will remain in violation of the Inter-American Convention for the Protection of Trademarks. Section 211's violation will place thousands of U.S. trademarks registered in Cuba in serious jeopardy.

Some may ask why the Inter-American Convention on Trademarks matters and why Section 211 puts U.S. Companies' Trademark Rights under the convention in danger?
Not long ago nearly 300 American companies from over 30 states - including Idaho - participated in the first exposition of U.S. agricultural products in Havana in nearly 50 years. Many of the exhibitors were producers or distributors of branded food products. For example one mid-western exhibitor, ConAgra Foods, displayed samples of such trademarked goods as Hunt's Ketchup, Wesson Oil, Chef Boyardee, Orville Redenbacher and Swiss Miss Cocoa. Other exhibitors included Gallo, Wrigley's, Libby's, Chiquita, Smithfield Foods, Archer Daniels Midland, Sara Lee, Cargill, Gerber, Land O' Lakes, Perdue Farms, Southcorp Wines and Unilever Bestfoods which includes Knorr, Lipton, Hellman's and Ragu brands.

The present and future importance of sales of branded foods to Cuba is recognized by the U.S. Department of Agriculture. In its guide to exporting to Cuba, under the Trade Sanctions Reform Act of 2000, U.S.D.A. states that it:

"highly recommend[s] that U.S. exporters make every effort to register their trademarks and brand names in Cuba."

Those marks can only be registered pursuant to the Inter-American Convention on Trademarks, a reciprocal intellectual property agreement signed in 1928 that governs trademark protection between the U.S. and Cuba to this day.

Even to this day, the Convention remains in effect despite the U.S. embargo on Cuba. The fact that a U.S trade embargo was imposed on Cuba in the early 1960's did not affect the operative status of the Convention.

It is important to note that the one area of continuing commercial cooperation between the U.S. and Cuba, in the forty years of the embargo, has been in the field of trademark protection. Since the Cuban embargo's inception, specific provisions of U.S. laws and regulations have made it legal for American companies to pay fees to register, renew and even litigate the enforcement of their trademarks in Cuba. Until Section 211 was enacted, Cuban trademark owners had reciprocal rights in the U.S. under the Inter-American Convention.

The common sense inherent in the U.S. government's policy of ensuring reciprocal trademark protection with Cuba is irrefutable. Every U.S. embargo is meant to be a temporary halt of trade with the targeted country. U.S.-origin trademarks must be kept in good order in embargoed countries, such as Cuba, if we are to ensure a rapid and efficient resumption of trade when an embargo is terminated.

Failure to do so will inevitably produce the situation in Cuba we witnessed in South Africa where, following the end of the apartheid regime, a number of U.S. companies including Burger

King and Victoria's Secret, discovered that their trademarks had been appropriated by South African companies during the apartheid era. Recovering the rights to their trademarks required lengthy and expensive litigation or buying out the South African registrant. Efforts to secure trademarks before the political transition would have saved many companies from improper exploitation and would have facilitated market reform.

In contrast to South Africa, a treaty - the Inter-American Convention - protects U.S. trademarks in Cuba. Section 211 unfortunately and unnecessarily puts that treaty in grave jeopardy.

What is the status of the Inter-American Convention on Trademarks?

A U.S. federal court of appeals ruled recently, in 2000, that the Inter-American Convention on Trademarks:

"remains in force between the United States and Cuba" and "governs trademark relations between the two countries."

Nearly 5,000 U.S. trademarks are currently registered in Cuba under the Convention. More are being registered every day. In fact, applications for new registrations from U.S. companies have, in the four years post-TSRA, created an administrative backlog at the Cuban Trademark Office.

As I just pointed out, U.S. corporations invoke the Inter-American Convention regularly not only to register and renew their trademarks, but also to defend them from infringers. Examples include, Jello, Winchester, Pizza Hut and Dupont.

Until Section 211 was enacted, owners of Cuban trademarks enjoyed identical and reciprocal rights in the U.S. Section 211 removed those rights by denying U.S. courts the jurisdiction to enforce certain Cuban-origin trademarks. This was done in direct violation of the Convention, which in the ruling of one U.S. federal judge,

"compels signatory nations to grant to the nationals of other signatory nations the same rights and remedies which their laws extend to their own nationals."

What are Cuba's International Law Remedies for U.S. Violations of the Inter-American Convention? Well, Section 211 effectively entitles Cuba to suspend U.S. rights under the Convention.

Cuba's remedy for U.S. breaches of the Inter-American Convention is found in international treaty law. Article 60(2) of the 1969 Vienna Convention on Treaties provides:

"A material breach of a multilateral treaty by one of the parties entitles a party specially affected by the breach to invoke it as a ground for suspending the operation of the treaty in whole or in part in the relations between itself and the defaulting State."

Our bill, S. 2002, the full repeal of Sec. 211, will put all questions to do with the validity of Cuban-Origin Trademarks back in U.S. Federal Courts.

I gather one of today's witnesses will be a member of a family that owned a rum business in Cuba that was expropriated by the Cuban government in 1960. He has my sincere sympathy.

As a conservative, I have no tolerance for coerced governmental takings of anyone's property anywhere. It is wrong to expropriate private enterprises without compensation.

However, I ask members of the committee to keep in mind that nothing that happened in Cuba over 40 years ago required enactment of Section 211 in 1998.

Trademarks registered in the U.S. were untouched by the expropriations in Cuba. The witness's family lost its Havana Club registration in the U.S. solely because family members chose not to renew it here in Washington, D.C. in 1973. That decision was made fully 14 years after the revolution in Cuba and the expropriation of the family's business there.

To the same extent that I believe in property rights, I believe in the responsibilities that accompany such rights. If someone fails to maintain a trademark as required by law, ordinarily it will be deemed abandoned and he will lose all rights to it. In saying this, I am not prejudging the ultimate outcome of Bacardi's claim to the U.S. trademark it purportedly purchased from today's witness and other members of his family twenty-five years after they let it expire at the U.S. Patent and Trademark Office.

A repeal of Section 211 simply returns the question of ownership to the courts where it belongs. Indeed if Section 211 had not been enacted several weeks before trial in the Havana Club dispute, the ownership of that trademark would have been judicially determined over five years ago.

It is time to repeal Section 211 and let the company that engineered that law - to the extent that it has a case - go tell it to a judge and let Congress out of the trademark dispute resolution business.

So far Cuba has continued to honor U.S. trademarks - even though it is entitled by international law to suspend the obligations it owes U.S. companies under the Convention. However, if Congress fails to repeal Section 211 and merely amends the law in a WTO-specific fashion (as S. 2373 proposes), it will thereby reaffirm the U.S. breach of the Inter-American Convention vis-à-vis Cuba. At that point Cuban forbearance can be expected to end. The result will very likely be disastrous for U.S. companies with trademarks registered in Cuba.

As I previously stated, the problem with S. 2373's approach is that even if it makes Section 211 technically compliant with TRIPS, it does nothing to remedy that provision's breaches of the Inter-American Convention. For that reason alone it should not be voted out of this Committee.

Some of you no doubt co-sponsored S. 2373 from the conviction that it is necessary for the U.S. to return to compliance with the TRIPS Agreement. I agree. But, as I said earlier, not only does S. 2002 ensure such compliance, it also preserves U.S. trademarks registered in Cuba under the Inter-American Convention. Accordingly, it deserves the support of the Committee as it seeks to fulfill its mandate to protect the intellectual property rights of this country's corporate citizens, wherever in the world those assets are located.

I'll conclude with this - let's not let the hostility that exists today between Cuba and the U.S. poison trade relations in a more hopeful future.

Once again, thank you Mr. Chairman for affording me the opportunity to offer my views on the important issues before the Committee in today's hearing.