



Statement of the U.S. Chamber of Commerce

ON: "Domestic and International Trademark Implications of HAVANA CLUB and Section 211 of the Omnibus Appropriations Act of 1999"

TO: The House Committee on the Judiciary

DATE: Wednesday, March 3, 2010

The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than three million businesses and organizations of every size, sector, and region.

In addition to virtually all of the nation's largest companies being active members of the Chamber, more than 96 percent of our members are small businesses with 100 or fewer employees, 70 percent of which have 10 or fewer employees. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

The Chamber's membership represents a significant cross-section of the American business community, from small mom-and-pop companies to multi-national corporations employing tens of thousands of individuals. The Chamber's membership also represents virtually every commercial sector. Each major classification of American business – manufacturing, retailing, services, construction, wholesaling, and finance – is represented. The Chamber has substantial membership in each state in the nation.

The U.S. Chamber of Commerce has a significant international reach as well through its 112 American Chambers of Commerce in foreign lands. Rather than posing a threat to American business interests, the Chamber believes that global commercial interaction enhances our national economy and creates significant opportunities, both at home and abroad. In addition, an ever-increasing number of our members are engaged in the export and import of both goods and services and have ongoing investment activities beyond our borders. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members and others who serve on committees, subcommittees, and task forces which debate, influence and decide regional, national and international issues affecting commerce, economics, relations and business.

**Testimony of Dr. Mark T. Esper
Executive Vice President
Global Intellectual Property Center
U.S. Chamber of Commerce**

Chairman Conyers, Ranking Member Smith, and Members of the Committee:

I appreciate the opportunity to testify today on behalf of the U.S. Chamber of Commerce’s Global Intellectual Property Center (GIPC). The GIPC and its members believe that strong intellectual property (IP) rights are essential to driving the innovation and creativity necessary to create jobs, save lives, advance economic growth and development around the world, and generate breakthrough solutions to global challenges.

Experts and officials in the United States from all political persuasions agree that IP rights both incentivize and protect the inventors, artists, researchers, entrepreneurs and others who deliver new products and services, create jobs in their communities, and help advance society. They also recognize that America has led the international community in developing the laws and norms that have defined the global system of IP rights, as well as today’s rules-based global trading system, which includes the World Trade Organization.

In order to live up to our treaty obligations, and indeed honor our reputation and history of leadership when it comes to defending intellectual property rights and the rule of law, the GIPC strongly recommends full repeal of Section 211 of the FY 1999 Omnibus Appropriations Act.

Background

The laws that safeguard intellectual property—those “creations of the mind” that are protected by copyrights, patents, and trademarks—both drive and protect the innovation and creativity that have marked American ingenuity, and indeed our nation’s global competitiveness, for generations.

In today's global economy, trademarks—such as the Nike “swoosh,” the “golden arches” of McDonalds, or the “jolly green giant” of the Green Giant food company—provide an important means for companies of all sizes to distinguish their products in the international marketplace. Trademarks also help to inform consumer choices about the goods and services they buy based on the qualities and reputations associated with certain brands. Reputations that have been earned through diligence, excellence and a commitment to quality.

The United States is party to many multilateral and bilateral trade agreements that require our laws to meet certain standards with respect to the treatment of IP rights, including trademark rights, regardless of whether they are owned by United States citizens or foreign nationals. The Global IP Center works every day to protect these rights, whether it is bolstering our laws and enforcement efforts to stop counterfeiters who use stolen trademarks to sell their fakes, or working with our trading partners to defend rights holders in international fora such as the World Intellectual Property Organization.

Unfortunately, Section 211 of the FY 1999 Omnibus Appropriations Act has put the United States in violation of its international treaty obligations and needlessly endangers the intellectual property rights of American companies. Further, it undermines the United States' credibility when we argue in defense of IP laws in U.N. organizations and when dealing with other governments. Not surprisingly, this is what can happen when legislative provisions are passed without debate, hearings, or consideration by the appropriate House and Senate committees of jurisdiction.

International Obligations

The World Trade Organization (WTO) has ruled that Section 211 violates two basic principles of the Trade Related Aspects of Intellectual Property (TRIPS) agreement, the international agreement between WTO members that governs intellectual property: national treatment and most-favored nation status.

The WTO's ruling is based on the fact that Section 211 only prohibits Cuban owners of Cuban-origin trademarks and their successors-in-interest to assert rights

to such marks in the U.S. and not U.S. nationals or nationals of other countries. The WTO gave the Congress until January 3, 2003 to provide a remedy that would make Section 211 compliant with TRIPs.

Both the Bush and Obama administrations have acknowledged that this is a matter that must be addressed and committed to working with the United States Congress with respect to appropriate statutory measures that would resolve this matter. Moreover, we understand the United States has appeared before the WTO more than twenty times assuring the body that it would honor its obligations and get into compliance.

While the WTO and U.S. trading partners have repeatedly pressed the Administration to work with Congress to provide a remedy that would make Section 211 compliant with TRIPs, the U.S. has yet to comply. As the WTO has noted, Section 211 invites arbitrary treatment of U.S. trademarks overseas. It also provides a model for other countries that wish to make it more difficult for U.S. intellectual property holders to protect and enforce their rights abroad.

Still, seven years later, the world's foremost proponent of a rules-based international trading system managed by the WTO—the United States—has not fixed this problem.

Section 211 also puts the United States in breach of its obligations under the General Inter-American Convention for Trademark and Commercial Protection, a reciprocal intellectual property agreement signed in 1929 that governs trademark protection between the United States and Cuba to this day, and which gives Cuba the legal opportunity to withdraw the protections it currently provides U.S. trademarks. The Cuban government has threatened in the past to retaliate against American companies with interests in Cuba, jeopardizing trademark protection for over 5,000 U.S. trademarks currently registered in Cuba by more than 400 American companies.

Few realize that the United States is the largest supplier of food and agricultural products to the Cuban people, with American companies exporting approximately \$500 million in food and agricultural goods each year. For U.S. companies

exporting branded foods to the Cuban people, a threat by the Cuban government to retaliate over this issue remains a concern. Any retaliation would, of course, endanger their trademarks as well as the status of other U.S. brand owners' marks currently registered in Cuba.

Lastly, it is fair to add that Section 211 is an invitation to other countries to adopt similar provisions that discriminate against U.S. trademarks on political grounds, thereby endangering U.S. trademarks globally and undermining our status as an international champion of intellectual property protection.

Recommended Action

Only complete repeal of Section 211 will provide full compliance with all current United States trade obligations, ensure no retaliation or penalties against the United States or American companies, and safeguard our nation's reputation as a strong defender of the global system of IP rights, laws, and norms.

Some have proposed amending Section 211 to achieve only WTO compliance by applying it to both U.S. nationals and foreign trademark holders. However, this is an incomplete solution as it does not solve our noncompliance with the Inter-American Convention—which I mentioned earlier—because Section 211 denies trademark registration and renewal on grounds other than those permitted under this treaty.

Finally, it is important to note that by calling for full repeal of Section 211, the Global IP Center is in no way taking a position on the case between the two private parties engaged in the “Havana Club” trademark dispute, nor are we questioning the United States foreign policy with regard to Cuba, and we certainly are not condoning the actions taken by Fidel Castro in the 1960s to confiscate Americans' property. Just the opposite.

Rather, we are recommending that the United States abide by its international obligations, that we follow the rule of law, and that we continue to defend the rights, principles, and institutions that generations of Americans worked so hard to build. Repealing Section 211 and allowing U.S. courts to decide the merits of the “Havana Club” case free of outside intervention will do this.

Conclusion

In conclusion, the Chamber's Global Intellectual Property Center urges the Committee to advance legislation to fully repeal Section 211 this year. Doing so will ensure the United States complies with its various treaty obligations and will protect the trademarks and interests of hundreds of U.S. companies that are otherwise at risk. Repeal of Section 211 will also help preserve the global system of IP rights, laws and norms—and America's standing in it—for which we have long been both a strong proponent and a major benefactor. Thank you.