Second Circuit, Federal Circuit and TTAB crossroads: Cuban embargo or Pan-American Convention?

Zayn Mohamed
Carlton Fields
06 February 2023

UNITED STATES OF AMERICA
Legal updates: case law analysis and intelligence

- **This is the latest instalment of the 25-year-old dispute between Cubatabaco and General Cigar over the COHIBA marks**
- **The TTAB granted Cubatabaco's petition for cancellation of General Cigar's COHIBA marks under Article 8 of the Pan-American Convention**
- **Constructive or imputed knowledge seems sufficient under Article 8 of the convention**

The Pan-American Convention interplay with Sections 17(a) and 44(h) of the Lanham Act resulted in statutory grounds for trademark cancellation when before the Trademark Trial and Appeal Board (the 'TTAB' or 'board'), but did not give rise to a separate right to sue when in federal court.

Background

On 20 December 2022 the Trademark Trial and Appeal Board issued a precedential opinion in ***Empresa Cubana Del Tabaco dba Cubatabaco v General Cigar Co Inc*** (Cancellation No 92025859), recounting decades of litigation between the named entities.

In 1969 petitioner Empresa Cubana Del Tabaco dba Cubatabaco applied to register the mark COHIBA in Cuba (said registration issuing in 1972), and began producing COHIBA-branded cigars. Throughout the 1970s, such COHIBA cigars were gifted by Cuban political figures and government bodies to US persons. On 15 November 1977 *Forbes* magazine published an article on Cuban tobacco helping the US cigar industry and referenced Cubatabaco's COHIBA brand.

General Cigar Co Inc created two internal memoranda dated 12 December 1977, stating that COHIBA is a brand used and sold in Cuba and "Castro's brand cigar". On 13 March 1978 General Cigar applied to register COHIBA (typeset) for cigars in the United States, and similarly for COHIBA (stylised, depicted below) on 30 December 1992, and obtained Registration Nos 1147309 and 1898273, respectively:

COHIBA

When Cubatabaco later applied to register COHIBA in the United States for cigar and tobacco products, registration was refused over General Cigar's US registrations.

In January 1997 Cubatabaco petitioned for cancellation of General Cigar's registrations. In October 1997 Cubatabaco got special licence from the Office of Foreign Assets Control to sue General Cigar in federal court and, on doing so, in 1998 the board suspended the cancellation pending disposition of the civil action before the US District Court for the Southern District of New York.

In the civil action Cubatabaco had asserted unfair competition, as well as claims under the self-executing General Inter-American Convention for Trademark and Commercial Protection of Washington 1929, known as the Pan-American Convention, via Section 44(h) of the Lanham Act, 15 USC §§ 1051 and following. At summary judgment in 2002, the district court rejected those claims for insufficient proof of bad faith by General Cigar and held that the convention does not give a right to sue in federal court separate from the Lanham Act. Nevertheless, the district court ordered cancellation of Registration No 1147309 on grounds of abandonment by General Cigar. Then, after bench trial in 2004, the district court found Cubatabaco had gained priority rights in the United States via the well-known or famous marks doctrine, and ordered cancellation of Registration No 1898273 due to likelihood of confusion and infringement under Section 43(a) of the Lanham Act.

In 2005 the US Court of Appeals for the Second Circuit affirmed the district court's dismissal of the Convention claims, but reversed the finding of infringement, remanded with direction to vacate the orders to cancel General Cigar's registrations, and refused arguments to enjoin General Cigar's use of COHIBA. Citing the economic embargo on Cuba codified as Cuban Asset Control Regulations (CACR), 31 CFR §§ 515.201 and following, the Second Circuit reasoned that granting relief against General Cigar would effect a prohibited transfer of property rights to the benefit of a Cuban entity. The Supreme Court declined review.

Decision

The civil action concluded in July 2010, and in 2011 the board resumed the cancellation. Initially, the board held that Cubatabaco had no standing given the Second Circuit finding that Cubatabaco lacked legitimate commercial interest in COHIBA in the United States in light of the CACR. This was vacated on appeal in 2014, when the US Court of Appeals for the Federal Circuit stated that Section 515.527 of the CACR authorises Cuban entity transactions related to trademark registration and renewal and that Cubatabaco had a statutory cause of action for cancellation.

The Federal Circuit commented on Cubatabaco's claims under the convention rejected by the district court and Second Circuit, which had been argued via Section 44(h) of the Lanham Act in order to extend jurisdiction to federal courts, but failed given the requisite standard of showing bad faith and unfair competition. The Federal Circuit found no issue or claim preclusion with regard to Cubatabaco's convention claims in the cancellation, because invoking the convention before the board, as opposed to in federal court, was deemed to fall under Section 17(a) of the Lanham Act and the board's jurisdiction to decide rights of registration.

On remand, the board found in favour of Cubatabaco under the convention, specifically Article 8 therein, which prohibited General Cigar's registrations given:

1. Cubatabaco's antecedent protection for COHIBA in a contracting state (Cuba); and
2. General Cigar's prior knowledge of Cubatabaco's rights before General Cigar's US applications and use.

Comment

Interestingly, regarding the knowledge element in Article 8 of the convention, constructive or imputed knowledge seems sufficient, given the board's analysis and reliance on General Cigar's internal memoranda, but also testimony by its officers admitting having most likely read the earlier *Forbes* article. Also of note, the board rejected General Cigar's argument that *B&B Hardware Inc v Hargis Indus Inc* (575 US 138 (2015)) was a significant change in governing law on issue and claim preclusion, and dismissed the notion that there should be complete parity of precedential authority, or an elimination in the distinctions, between the board and federal courts.

Ultimately, this case showed the Second Circuit and Federal Circuit reaching markedly different conclusions in applying the CACR. And most notably, the jurisdictional nuance between federal courts and the board in how foreign conventions may be asserted in causes of action can result in significantly contrasting outcomes for interested parties.

Zayn Mohamed

Author | Attorney at law

ZMohamed@carltonfields.com

Carlton Fields