Considerations for U.S. Brand Owners in Cuba*

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Relaxation of sanctions associated with trade and travel to Cuba has many Americans dreaming of their next holiday to the longtime forbidden island. But for U.S. brand owners, increased opportunities to conduct business in Cuba also brings opportunities for trademark hijackers to take advantage of Cuba's "first to file" system and obtain unauthorized rights to U.S. brands.U.S. brand owners need to consider taking steps now to protect their brands and enforce their rights against entrepreneurial trademark pirates and counterfeiters in Cuba.

State of the embargo

On Dec. 17, 2014, President Obama announced plans to normalize relations with Cuba. After 55 years of diplomatic and commercial isolation, Obama laid the groundwork for Cuba to be brought in from the cold. Shortly thereafter, the United States re-opened its embassy in Havana for the first time since 1961.

Following the president's announcement, the Obama administration sought to ease aspects of the Cuban embargo by revising the Cuban Assets Control Regulations (CACR), 31 CFR Part 515, issued by the U.S. Department of Treasury's Office of Foreign Asset Control (OFAC); and the Export Administration Regulations (EAR), 15 CFR Parts 730-774, issued by the U.S. Department of Commerce's Bureau of Industry and Security (BIS).

The revisions to the CACR have relaxed sanctions on travel to and from Cuba, the use of credit and debit cards in Cuba, certain activities conducted by U.S. banks in Cuba, commercial telecommunications and internet-based communications services in Cuba, transactions between U.S. companies based outside the U.S. and Cubans living outside Cuba, and the conduct of activities by U.S. companies in Cuba (e.g., the sale of agricultural, construction or communications products, mail/cargo transportation services, certain travel services).

Meanwhile, the revisions to the EAR include a new license exception entitled “Support for the Cuban People,” which authorizes the export of certain products to Cuba to improve living conditions, supports independent economic activity, strengthens civil society, and improves communication in Cuba; an expansion of the “Consumer Communications Devices” license exception, which removes the donation requirement and updates the list of devices (e.g., computers, mobile phones, televisions, etc.) that are eligible for export to and sale in Cuba; and the creation of a new “Environmental Protection” licensing policy that allows for the export of items related to renewable energy or energy efficiency.

Opportunities for U.S. brand owners

The shift in policy presents significant business opportunities for U.S. companies. Cuba has the largest population in the Caribbean, with more than 11 million inhabitants, and is the largest economy in the region, with a GDP of $77.1 billion.

Cuba also annually imports approximately $15.2 billion in goods such as petroleum, chemicals, food, machinery and equipment from key trade partners such as Venezuela and China.

In 2015, goods exported from the U.S. to Cuba totaled only $180 million. However, experts estimate that potential trade between the U.S. and Cuba could total approximately $20 billion annually with the normalization of relations.

Accordingly, U.S. brand owners have significant incentives to take proactive steps to protect their trademarks in Cuba as diplomatic relations improve.

The problem for U.S. brand owners

Cuba is a “first-to-file” jurisdiction, with rights arising from registration of a trademark as opposed to actual use of a trademark in commerce (unlike the U.S., which is a “first to use” jurisdiction).

Savvy trademark hijackers have already begun to take advantage of Cuba’s first to file principle by filing applications to some well-known U.S. brands in advance of trademark application filings by their rightful U.S. trademark owners.

For example, one individual recently filed more than 60 applications for famous American brands such as NASCAR, CARNIVAL, KOHL'S and CHICK-FIL-A. It then costs the rightful U.S. brand owners many thousands of dollars to oppose such unauthorized applications or take further legal action to wrestle back stolen rights from the piratical registrants.

Trademark hijackers understand the Cuban system; the backlog at the Cuban trademark office (the Oficina Cubana de la Propiedad Industrial or OCPI), which likely will get worse as U.S. sanctions are lifted; and the associated costs to raise a challenge in Cuba.

Hijackers make their money by selling back to the rightful U.S. brand owners the registrations that they have illegitimately obtained. In addition, counterfeiting of goods is rampant in Cuba.

Steps U.S. brand owners can take

- Registration is essential

The rightful U.S. brand owner must be the first party to file an application for its mark in Cuba. Although use of an unregistered mark on goods and services is legal in Cuba, such use by itself does not create trademark rights.

Registration is the only means for securing trademark rights in Cuba, and a registration provides the holder with the exclusive right to use the registered mark, sue a third party for infringement based on its use of a confusingly similar mark, and obtain damages for infringement.

In addition, a trademark registration is prima facie evidence of the registrant's ownership of, and the validity of, the registered mark, and provides nationwide protection for the registered mark, as well as a defense to any claim of infringement brought by a third party.

Owning a Cuban trademark registration is crucial to effectively protecting a U.S. company's brand in Cuba. Without such a registration, a U.S. company may have limited avenues for seeking redress against infringers in Cuba.

As both the U.S. and Cuba are signatories to the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement), a U.S. company may be able to obtain protections in Cuba for its marks that are considered "well-known" in Cuba. However, that high standard may be difficult to establish.

Similarly, as both the U.S. and Cuba are parties to the General Inter-American Convention for Trademark and Commercial Protection (previously known as the Pan-American Convention), a U.S. company may challenge the registration of its trademark in Cuba if it can show that the applicant filed its application in bad faith.

Nevertheless, seeking redress pursuant to the treaty may be costly, and the relief available to the U.S. company will be limited.

- Securing a registration in Cuba

The CACR includes a general license that permits U.S. companies to file trademark applications, maintain trademark registrations, and enforce and defend trademark administrative proceedings and infringement litigation in Cuba.

There are two mechanisms by which a U.S. company may register its trademark in Cuba. It may file an application for a national registration with the OCPI with the assistance of local Cuban counsel, or it can file an application for an international registration and designate Cuba pursuant to the Madrid Protocol, an international treaty that establishes a centralized trademark filing system that has been signed by both the U.S. and Cuba.

In either case, once an application has been filed, the registrations process in Cuba is similar to that found in the U.S. The OCPI will examine the application to ensure it meets filing requirements and may refuse registration on several grounds, including descriptiveness, deceptiveness and a likelihood of confusion with another mark on the OCPI's register.

Thereafter, if the application clears the OCPI's examination, it will be published for opposition for 60 days. If no opposition is filed (or if any opposition is withdrawn or dismissed), a registration will issue for a term of 10 years, which will be calculated from the application date.

Trademark use is not a pre-requisite for registration in Cuba. However, the failure to use a registered mark in Cuba within three years of registration or for any period of three consecutive years after registration will expose a trademark registration to cancellation for non-use.

Accordingly, while a U.S. company may register its mark in Cuba, it may be difficult for the U.S. company to maintain its Cuban trademark registration given the embargo. That complication may be addressed by filing a new application for the mark as the third anniversary of registration approaches.

- Be proactive: seek registration in Cuba now

Any U.S. company that expects to eventually enter the Cuban market should file applications to register its marks with the OCPI in an effort to secure the registrations necessary to police and enforce its rights, as well as clear the Cuban market of counterfeit products.

Given the backlog at the OCPI and the relatively slow speed of its trademark examination procedure, which can take more than a year for a trademark registration to issue, U.S. companies should get trademark applications on file now for their most important brands.

While it remains unclear when — or if — the Cuban embargo will be fully lifted, given the direction of U.S. and Cuban relations, U.S. companies should work with counsel well-versed in OFAC and BIS policies and the CACR and EAR regulations to register their marks in Cuba. That will ensure that such proactive companies are well-positioned to conduct business and protect their trademark rights in this new and potentially significant market.

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