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Bacardi's HAVANA CLUB label on Puerto Rican rum is not false advertising Unfair use

United States - Leason Ellis LLP

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Bacardi has won the latest round in the HAVANA CLUB trademark battle by avoiding a claim of false advertising in ***Pernod Ricard USA LLC v Bacardi USA Inc*** (Case 10-2354, August 4 2011).

This case is a side show to the primary dispute between the parties regarding ownership of the HAVANA CLUB mark. Essentially, **Bacardi USA Inc** has been trying to register the HAVANA CLUB mark with the **US Patent and Trademark Office** since 1994, but the application is still pending due to refusals based on geographic deceptiveness and delays brought on by federal litigation over ownership of the mark between Bacardi and **Pernod Ricard USA LLC** and related companies (collectively Pernod). Pernod is the successor to the HAVANA CLUB trademark in Cuba, following the Cuban government's seizure of the brand from the Arechabala family, which owned the business prior to the Cuban Revolution. Bacardi purchased from the Arechabala family any remaining rights it had in the HAVANA CLUB mark, related business goodwill and business assets. Since 2006, Bacardi has been selling rum under the HAVANA CLUB mark, manufacturing the rum in Puerto Rico according to the Arechabala family recipe.

The label of Bacardi's HAVANA CLUB rum prominently features the mark in stylised lettering over the words 'Puerto Rican Rum' in simple lettering of smaller size but relative prominence, as shown below:



Pernod filed suit claiming that the label was a false advertisement of the rum's geographic origin under Section 43(a)(1)(B) of the **Lanham Act**. The district court held, and the Court of Appeals for the Third Circuit affirmed,

that “no reasonable interpretation of the label as a whole could lead to the conclusion that it is false or misleading”.

The primary issue in the case was whether the trial judge, who decided the case after a three-day bench trial, had failed to give sufficient weight to Pernod's survey evidence. Pernod's un rebutted survey showed that approximately 18% of consumers who viewed Bacardi's HAVANA CLUB rum bottle believed that the rum was made in Cuba or from Cuban ingredients. The judge, however, did not consider the survey evidence, instead ruling as a matter of law that no reasonable consumer could be misled. According to the district court, the HAVANA CLUB mark truthfully reflected the origin of Bacardi's rum as having been made from the Arechabala recipe, a fact that Bacardi has a right to tout on its label through the HAVANA CLUB mark. Having reached that legal conclusion, the judge did not need to consider the survey.

The Third Circuit affirmed, agreeing that there was no need to reach the survey evidence once it was found that the label was not misleading on its face. The appeal court did not necessarily agree with the precise analysis of the district court, as the district court relied more heavily on whether the HAVANA CLUB mark accurately reflected the heritage of the rum and, therefore, was not misleading. Instead, the Third Circuit more simply concluded that the label taken as a whole, with the prominent 'Puerto Rican Rum' language, “could not mislead any reasonable consumer about where Bacardi's rum is made”. Having reached this conclusion, the Third Circuit determined that the first prong of the statute requiring a “false or misleading statement” was not met as a matter of law. Accordingly, there was no need to use the survey to assess the second prong concerning consumer deception.

The case thus stands for the proposition that a court can decide as a matter of law that a statement is “clear enough that its meaning is beyond reasonable dispute” such that it could not possibly mislead and therefore need not consider evidence alleged to show actual deception. As for the parties' ownership disputes and registrability of the mark, the Third Circuit made it clear that it was not commenting on either point, however much the parties and particularly Pernod wished to litigate ownership.

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