

heritage statements.”

20. The “sultry seduction of pre-revolutionary Havana nightlife” is a recurring quotation in defendant’s advertizing.⁸ (PTX-43) Imagery of circa 1950s Cuban nightlife is used in Havana Club promotional materials. (*Id.*) The following are sample images from defendant’s “re-launch plan.”



(PTX-43)

21. The Havana Club website⁹ was designed with similar imagery. Cuban music plays when the page is accessed, and pre-revolutionary Cuban songs are also utilized in other Havana Club advertizing. (PTX-41) Defendant has sponsored “Havana Nights” promotions featuring the live music of 4-time Grammy award-winning Cuban

⁸Defendant has used marketing devices such as billboards, case cards, shelf-talkers, table-tent inserts, display racks, bottle display racks, shakers and information cards to promote its Havana Club rum. (D.I. 125 at 132:2-18; 139:15-18; D.I. 126 at 257:24-258:15)

⁹<http://havanaclubus.com>.

jazz artist Arturo Sandoval. (JTX-5; D.I. 126 at 282:17-20)

22. The Havana Club home page states: “The Return of Havana Club™ Rum”; “A premium rum that embraces the sultry seduction of Havana night life.” (PTX-61) The website suggests using Havana Club rum in three cocktails: a “Havana Club Cuba Libre” (a rum and cola); a “Havana Club Mojito Cocktail” (a traditional lime and mint-flavored drink); and a “Havana Club Classic Daiquiri” (a sweetened lime drink). (*Id.*) One such recipe page is reproduced below.



23. Defendant does not dispute that it has intentionally positioned Havana Club as a Cuban heritage product, or that it seeks an association between Havana Club and a raffish, pre-revolutionary Cuban lifestyle circa 1930-1950. (D.I. 126 at 247:23-248:6; D.I. 128 at 37) It is defendant's position that it shares JASA's Cuban heritage and, having acquired the Havana Club mark from the Arechabala family, has a right to (truthfully) advertise the Cuban heritage of its Havana Club rum.

E. Discussion

1. Standing

24. Prior to addressing the merits of plaintiff's Lanham Act claim, the court first notes, and dismisses, defendant's argument that plaintiff lacks standing.¹⁰ Plaintiff is a domestic company. Its Malibu rum product competes directly with defendant's Havana Club rum in the Florida market. The Second Circuit has affirmatively stated that "[a]ny rum producer selling its product in the United States can obtain standing to complain about Bacardi's allegedly false designation of origin as long as it can demonstrate the commercial injury required for an action under section 43(a)." Such is the case here. *HCH v. Galleon*, 203 F.3d at 134.

2. Lanham Act – false advertising

a. Threshold issues

25. In its complaint, plaintiff asserts that defendant's "use of Havana Club for a rum not produced in Cuba and [its] statements that its Havana Club rum is the rum that was made in Cuba and sold in the United States before 1960 are false and misleading representations concerning the geographic origin of [defendant's] rum" in violation of 15 U.S.C. § 1125(a). (D.I. 1) In its post-trial papers, plaintiff specifies that it brings its claim under 15 U.S.C. § 1125(a)(1)(B), or section 43(a)(1)(B), the false advertising portion of the Lanham Act.¹¹ (D.I. 107 at 18-19)

26. In order to prevail on a § 43(a)(1)(B) claim in this Circuit, plaintiff must prove,

¹⁰Defendant's second affirmative defense.

¹¹Hereinafter, the court will reference the Lanham Act provisions (§§ 43(a)(1)(A) and (B)) rather than the U.S. Code.

by a preponderance of the evidence, that: (1) Bacardi has made false or misleading statements as to its Havana Club rum;¹² (2) there is actual deception or at least a tendency to deceive a substantial portion of the intended audience; (3) the deception is material in that it is likely to influence purchasing decisions; (4) the representation at issue was used in commerce; and (5) there is a likelihood of injury to plaintiff in terms of declining sales, loss of market share, or loss of good will. See 15 U.S.C. § 1125(a)(1)(B); *Warner-Lambert Co. v. BreathAsure, Inc.*, 204 F.3d 87, 91-92 (3d Cir. 2000).

27. In its papers, plaintiff argues that defendant's use of the name "Havana

¹²The court previously dismissed plaintiff's claim regarding defendant's representation that it owns the Havana Club trademark (count II) because a statement concerning trademark rights, which are not a good or service and do not confer information regarding the nature, characteristics or qualities of its rum, cannot be the basis for a false advertising claim under 15 U.S.C. § 1125(a)(1)(B). (D.I. 41)

Although defendant requested dismissal of count II, it sought to introduce evidence regarding the trademark ownership issues at trial. The court precluded such evidence. Defendant, however, was permitted to make an offer of proof in this regard. (D.I. 102)

Defendant's third affirmative defense, that plaintiff is impermissibly seeking to prosecute this case in concert with (and to promote the interests of) Cubaexport and HCH in contravention to Section 211 of the Omnibus Consolidation and Emergency Supplemental Appropriations Act (Public Law No. 105-277, 112 Stat. 2681 (Oct. 21, 1998)) and other statutes, relates to plaintiff's (now-dismissed) count II. That is, the "interests" of Cubaexport and HCH relate to the ownership and/or control of the "Havana Club" trademark – an issue not presently before the court.

Similarly, defendant's seventh affirmative defense, that defendant is permitted to use the "Havana Club" trademark regardless of any geographical misdescriptiveness because it used that trademark prior to January 1, 1996, see 15 U.S.C. § 1052(a) and H.R. Rep. No. 103-316, at 269 (1994), reprinted in 1994 U.S.C.C.A.N. 4040, 4294), is not addressed herein. Notwithstanding that Lanham Act § 2(a) concerns the (continued) registration of a trademark, not the use of a trademark in commerce, defendant's property rights in the "Havana Club" trademark are not at issue in this § 43(a)(1)(B) case. See *gen. 2 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 14:40 (4th ed. 2010).

Club” is misleading; no differentiation is made between the use of “Havana Club” on the rum bottle or “Havana Club” (or other Cuban-inspired themes) in defendant’s promotional materials. Plaintiff’s case is built around testimony regarding a survey taken by its expert, Walter McCullough (“McCullough”). As explained by McCullough at trial, this survey purports to establish that defendant’s use of “Havana” in the Havana Club name deceives a significant number of likely rum purchasers into believing that defendant’s rum is made in Cuba. McCullough’s survey assessed consumer confusion imparted by the Havana Club rum **bottle**. (PTX-47)¹³ There is no survey evidence regarding defendant’s advertising. On this record, plaintiff could not establish actual confusion with respect to defendant’s print ads, commercials, or other promotional advertisements.

28. It is not self-evident that “Havana Club” is an actionable “statement” under § 43(a)(1)(B), in other words, a “statement[] of fact capable of being proven false.” See *Schmidt, Long & Assoc., Inc. v. Aetna U.S. Healthcare, Inc.*, Civ. No. 00-3683, 2001 WL 856946, *10 (E.D. Pa. July 26, 2001) (citations omitted); see also *American Italian Pasta Co. v. New World Pasta Co.*, 371 F.3d 387, 390-91 (8th Cir. 2004). “Havana Club” is not the same as “Made in Havana” or even “Havana Rum,” such as would impart a specific, verifiable claim.¹⁴ Compare *The Forschner Group, Inc. v. Arrow*

¹³Plaintiff also admitted a 1997 McCullough survey regarding Bacardi’s Bahamian Havana Club rum. (PTX-67) This survey also questioned the message imparted by Bacardi’s rum bottle.

¹⁴In contrast, the Federal Circuit has recently considered the Board’s section 2(a) rejection of the registration of the “Moskovskaya” mark for vodka, which translates to “of or from Moscow.” *In re Spirits Int’l, N.V.*, 563 F.3d 1347 (Fed. Cir. 2009). The use of such a mark could potentially be viewed as a “statement” under Lanham Act

Trading Co., Inc., 30 F.3d 348 (2d Cir. 1994) (holding “Swiss Army knife” not geographically descriptive such that its use for Chinese-made pocket knives constitutes a false designation of geographic origin) *with Scotch Whiskey Ass’n v. Consolidated Distilled Prods., Inc.*, 210 U.S.P.Q. 639 (N.D. Ill. 1981) (“Loch-A-Moor” held geographically descriptive of Scotland, where label stated that the bottle contents are a product of an “old Isle of Skye Recipe”). The only issue presented to the court is whether defendant’s use of “Havana Club” is false or misleading.

29. On this issue, it is defendant’s position that it is permitted to accurately portray Bacardi’s Cuban heritage and, therefore, the Havana Club label is not false. Alternatively, the “Puerto Rican Rum” statement prominently displayed on the front of the bottle, along with the statement that the rum is “crafted in Puerto Rico” on the back of the bottle, negate any customer confusion regarding the source of that product.

a. “Geographic origin” and heritage

30. The nature of the deception alleged by plaintiff is a misrepresentation of the “geographic origin” of defendant’s rum. At this juncture, it is necessary to define what constitutes a misrepresentation of “geographic origin” under § 43(a)(1)(B) such as to invoke Lanham Act liability. The case at bar presents a unique question: is “geographic origin” more akin to “heritage” or to the “source of production”? While defendant concentrates on its rum’s Cuban history, plaintiff’s focus is on defendant’s Puerto Rican production site.

31. Neither party has addressed the precise meaning of “geographic origin” as

jurisprudence, insofar as it conveys a verifiable claim.

used in § 43(a)(1)(B).¹⁵ The court has not located caselaw specifically defining “geographic origin,” however, the term “origin” as used in the Lanham Act has been addressed by several courts. Justice Stevens has noted the following in this regard:

It is appropriate to begin with the relevant text of § 43(a)[¹⁶]. . . . Section 43(a) provides a federal remedy for using either “a false designation of origin” or a “false description or representation” in connection with any goods or services. The full text of the section makes it clear that the word “origin” refers to the geographic location in which the goods originated, and in fact, the phrase “false designation of origin” was understood to be limited to false advertising of geographic origin. For example, the “false designation of origin” language contained in the statute makes it unlawful to represent that California oranges came from Florida, or vice versa. For a number of years after the 1946 enactment of the Lanham Act, a “false description or representation,” like “a false designation of origin,” was construed narrowly. . . .

Over time, the Circuits have expanded the categories of “false designation of origin” and “false description or representation.” One treatise identified the Court of Appeals for the Sixth Circuit as the first to broaden the meaning of “origin” to

¹⁵An issue identified by the court as warranting clarification at the pre-trial conference. (D.I. 131 at 21)

¹⁶The text considered by the Supreme Court was § 43(a) prior to the 1988 amendments, as follows:

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

15 U.S.C. § 1125(a) (1982 ed.).

include “origin of source or manufacture” in addition to geographic origin.^[17]
Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 793 (1992) (Stevens, J.,
concurring in judgment) (footnotes omitted).

32. The Supreme Court further considered Justice Stevens’s comments in
Dastar Corporation v. Twentieth Century Fox Film Corp., 539 U.S. 23 (2003), a case
involving the unaccredited copying of a once-copyrighted work. At issue in that §
43(a)(1)(A) case was whether the copier was the “origin” of the products it sold as its
own. In this context, the Supreme Court noted as follows:

Although a case can be made that a proper reading of § 43(a), as originally
enacted, would treat the word “origin” as referring only “to the geographic
location in which the goods originated,” *Two Pesos, Inc. v. Taco Cabana, Inc.*,
505 U.S. 763, 777 [] (1992) (Stevens, J., concurring in judgment), the Courts of
Appeals considering the issue, beginning with the Sixth Circuit, unanimously
concluded that it “does not merely refer to geographical origin, but also to origin
of source or manufacture,” *Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313
F.2d 405, 408 (6th Cir. 1963), thereby creating a federal cause of action for
traditional trademark infringement of unregistered marks. See 4 MCCARTHY §
27:14; *Two Pesos, supra*, at 768[.]

* * *

We think the most natural understanding of the “origin” of “goods” – the source
of wares – is the producer of the tangible product sold in the marketplace[.] [A]s
used in the Lanham Act, the phrase “origin of goods” is in our view incapable of
connoting the person or entity that originated the ideas or communications that
“goods” embody or contain.

Dastar Corporation, 539 U.S. at 29-30, 31-32 (footnotes omitted). Put another way, the
term refers “to the producer of the tangible goods that are offered for sale, and not to
the author of any idea, concept, or communication embodied in those goods.” *Id.* at 37.

¹⁷*Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F.2d 405, 408 (6th Cir.
1963).