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The New Cuba Reality and Your Intellectual Property

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With the recent changes to the Cuba-U.S. relationship, certain aspects of the Cuban economy are opening up to U.S. companies. You may now be contemplating joining other businesses that are or will be selling or manufacturing in Cuba. Protecting your IP assets will be a significant business concern. While a number of companies have already registered and protected their IP in Cuba, many have not. For those ready to embrace the new reality and a market that has been largely closed for 50 years, now is the time to engage and protect valuable IP.

Opportunities: Infrastructure and Resources

Some U.S. goods, including food, medicine and medical supplies, are already sold in Cuba under a complicated process. For several years, U.S. concerns have been able to file directly in Cuba or utilize the Madrid Protocol Treaty to obtain a Cuban trademark registration. Coca-Cola, Microsoft and Google, among others, have registered marks in Cuba. Recently, however, the U.S. and Cuba agreed to trade in farming equipment, construction materials and a wide variety of other resources meant to assist Cuba's emerging private entrepreneurs competing in the global economy.

One of the biggest opportunities comes in the telecommunications infrastructure industry. U.S. companies can develop Cuba's infrastructure, which needs basics like telephone lines and modern technology like fiber-optic cables. The U.N. International Telecommunication Union's latest report indicates that only 25 percent of Cubans have access to the Internet and that only about half of those own home computers. Almost none (less than one percent) have Internet subscriptions. More astonishing is the fact that less than 18 percent of Cubans currently have cell phone subscriptions.

Challenges: Slow Changes and Complexity

Two of the features of the new reality include the recent rise of entrepreneurs allowed to work outside of the Cuban government-sponsored economy and the emergence of tentative new diplomatic and business relationships as the end of the "economic embargo" unfolds. Employment in state-owned entities has declined in the Cuban economy due to the rise of private enterprises. The percentage of employees working for the state sector has dropped from 90 percent in 1999 to 73 percent in 2013, and Cuba abandoned its labor policy of full employment in 2010.

Yet the opportunities presented by these realities are limited by requirements in the Helms-Burton Act. Outstanding claims against Cuba must be resolved before sanctions are lifted. These claims include not only billions in nationalized property claims, but also substantial damages awards from three terrorism lawsuits against Cuba. The act also limits President Obama's ability to fully lift sanctions until a democratically-elected government exists in Cuba.

On Cuba's side, national law still effectively prohibits contracting directly with foreign entities. Cuban entrepreneurs must go through state agencies that hold a monopoly on Cuba's imports and exports. The new U.S. regulations, however, mean to allow U.S. exporters to sell their goods directly to the Cuban private sector, not to government-owned, operated or controlled entities. Arguably, the latest U.S. regulatory changes allow

such sales if they can be shown "to support the Cuban people" rather than the Cuban government. The value of filing your company's IP now is to have rights established, protected and available for use once the embargo is partially or completely lifted.

Race to the Trademark Office

Cuba will award a registration for your company's trademark to whomever applies for it first, as a "first to file" jurisdiction. The first applicant wins even if that applicant has no legitimate claim to the mark.

This circumstance has been seen in prior embargo cessations. When South Africa lifted its practice of apartheid, U.S. companies expanded into that country in the 1990s, with use and registration often precluded by a South African individual or company's prior registration. More recently, Chinese individuals and entities have registered trademark rights in China that arguably belong to foreign trademark owners. At best, this causes uncertainty for a trademark owner. At worst, the trademark rights of the local pirate are enforced against the foreign trademark owner in China.

Get Good Advice

Accordingly, the U.S. company considering expansion into Cuba needs guidance in handling government relations. To get help navigating the unfolding changes in the Cuba-U.S. relationship, a business should consider joining The Cuba Consortium, formed by the Howard Baker Forum, to serve as an assembly of companies, non-profit organizations, investors, academics and entrepreneurs organized to track and examine the normalization process in both countries and to inform and prepare its members for opportunities to engage Cuba. Any business should act to register its IP in Cuba, at a minimum.

Proactively Protect the IP

Given the realities of the Cuban market, good IP legal advice is critical. In emerging markets, especially those with first-to-file systems, U.S. companies should assume that their IP will be locally pirated, meaning someone else registers and protects the IP, and prepare accordingly. Guidance regarding using and protecting IP in Cuba (including trade secrets), and the best practices for negotiating with and litigating against infringers in Cuba, is critical. Early, preventive measures for protecting IP are essential.

Register trademarks in all possible classes and sub-classes, in Spanish as well as English, to ensure that the mark is available when trade with Cuba is allowed. Having an application on file now also will help avoid later conflicts with counterfeiters or serial infringers who may try to beat legitimate trademark owners to the registration punch.

File for patent protection on all inventions. With respect to trade secrets, have a non-disclosure agreement with every person with access. Define the trade secrets carefully so that they are not inadvertently disclosed in the contract.

U.S. companies are permitted to litigate or take other steps to protect their copyrights, trademarks and patents from infringement in Cuba, but must be prepared by taking appropriate defensive actions and registering their IP.

For more information about how this issue may affect your business, contact any member of the Firm's Intellectual Property Group.