

FOOD AND BEVERAGE

Eh Ron! What Rum Are You Drinking?

By Samuel Spurr

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Rum or Ron as the locals refer to it has always been an integral part of colourful Cuban life. The world would not be the same were it not for minty Mojitos, Cuba Libres and Daiquiris, drinks that inspire a million images of the island and her beauty. Sugar cane found an ideal home in Cuba, after Christopher Columbus brought the first plants on his second journey in 1493. Little did he know that 500 years later, the experiment he brought to the New World would spark an international controversy.

The fierce battle between Havana Club Rum and Bacardi Rum has been going on for some time, perhaps below the radar of most cigar fiends. The history of these two rum producers is almost as fascinating as the claims, accusations and complaints directed at Bacardi by Havana Club.

In 1862, a coconut palm was planted at the entrance of a rum factory in Santiago, Cuba, marking the beginning of the Bacardi y Compania reign. 98 years later, 'el coco' as it affectionately came to be known, began to wither away. As it did, the Cuban legacy of Bacardi, almost over night, went the same way. On the 14th of October, 1960, after 98 years, assets of Ron Bacardi S.A. were confiscated by Cuba's new regime led by Fidel Castro. Five years later, physically shut out of Cuba, New Providence in the Bahamas became the new home of the Bacardi family.

In 1878, Havana's Arechabala family began distilling Havana Club Rum. During the 1950s the company suffered serious setbacks. In 1955, four years before Fidel, Che y Compania landed on the shores of Cuba; trademarks were lost in Spain and the Dominican Republic, with the family slowly relinquishing its trademarks in the domestic market and in several other countries where it was registered. In 1960 Havana Club Rum was barely in the black and faced certain bankruptcy before it was nationalized. The Arechabala family emigrated to the USA and failed to renew trademark registrations.

Bacardi's New Providence facility quickly picked up what it had lost in Santiago and currently has a total production capacity of 27 million liters of distilled spirit every year. Bacardi is the world's leading spirits brand and dominates the rum market with sales of nearly 20 million cases per year.

The new owners of Havana Club re-launched the brand, registering the trademark in 80 countries, including the USA in 1976. Despite registering the trademark, sales in America were impossible due to the embargo against Cuba. In 1993, Havana Club joined forces with Pernod Ricard, a European based distributor that resulted in boosting sales tenfold in five years. The European group's fresh arrival on the world rum market began to raise eyebrows at Bacardi.

In 1996, Bacardi distributed several cases of rum from the Bahamas in the US under the name 'Havana Club' despite the trademark being registered. This led 'Havana Club Holding's' to file a complaint for fraud and deception of consumers. Two years after Havana Club Holding's complaint was filed, a new tailor-made piece of legislation 'Section 211' was introduced in the United States. 'Section 211' retroactively forbids registration in the United States of trademarks that belonged to Cubans before they went into exile, even when those brands were voluntarily relinquished into the public domain.

The introduction of Section 211 occurred a few weeks before Havana Club Holding's complaint was due to be heard before a New York court.

In April 1999, the Southern District Court of New York, using Section 211, threw out Havana Club Holding's case against Bacardi, even though it had been 24 years since the trademark was registered in the US. In July, the European Union filed a complaint against the US with the World Trade Organization for violation of their agreements on trade-related aspects of intellectual property rights.

The United States is the world's largest rum market, valued at approximately \$1.5 Billion. Americans consume 12 million cases each year, half of which are sold by Bacardi. The US accounts for one-third of the global brand's sales. Legislative protection through Section 211 is allowing Bacardi to maintain it's near monopoly on the American market.

Internationally, Havana Club holds fourth place in the world rum market and it is



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Havana Club Rum

the only internationally ranked, genuinely Cuban rum. Just recently, on the 12th of March 2004 in Havana, 800 people from 38 countries met at the Cathedral Place to celebrate 10 years of the joint venture between Cuba Ron and Pernod Ricard. Patrick Ricard, Chairman and CEO of Pernod Ricard passed on his remarks. 'I am delighted with the success of Havana Club. I would particularly like to congratulate our partner Cuba Ron, for the excellent rum that they produce and to applaud the team at Havana Club International for their remarkable work in promoting the brand around the world.'

The battle for rum supremacy will no doubt continue. What is evident is the politics involved whenever a Cuban based brand attempts to step up to the plate to protect its lead and faces an onslaught of curving legislation and fast flying court rejections. It all makes this fan want to pour myself another drink.

Ron anyone?