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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91165999
Party	Defendant Russian Federal Treasury Enterprise Sojuzplodoimport Russian Federal Treasury Enterprise Sojuzplodoimport zplodoimport FTE Sojuzplodoimport Staromonetny Pereulok, 12 RUX Moscow 119180,
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Date	11/13/2006
Attachments	Petition to Director.pdf ( 71 pages )(1346182 bytes )

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the matter of Application Serial No. 76/604,592  
Mark: RUSSIAN VODKA

ALLIED DOMECQ INTERNATIONAL  
HOLDINGS BV,

Opposer,

v.

RUSSIAN FEDERAL TREASURY  
ENTERPRISE SOJUZPLODOIMPORT,

Applicant.

Opposition No. 91,165,999

**APPLICANT'S PETITION TO THE DIRECTOR**

Pursuant to 37 C.F.R. § 2.146 and TBMP § 905, Applicant Russian Federal Treasury Enterprise Sojuzplodoimport ("Applicant") hereby respectfully submits this Petition to the Director and requests this proceeding be removed from suspension.

**INTRODUCTION AND SUMMARY**

On October 12, 2006, the Trademark Trial and Appeal Board (the "TTAB" or the "Board") suspended this proceeding on the ground that Applicant and Opposer Allied Domecq International Holdings BV's ("Opposer") are parties to a case, *Federal Treasury Enterprise Sojuzplodoimport v. Spirits Int'l N.V.*, No. 06-3532, currently pending before the Second Circuit Court of Appeals (the "Civil Action"). The Civil Action, however, involves entirely different trademarks and different issues. In that case, Applicant challenges Opposer's claims to the STOLICHNAYA family of marks (the "STOLICHNAYA Marks"). In this proceeding, by contrast, Opposer challenges the RUSSIAN VODKA certification mark sought by Applicant. As

a result, nothing decided in the Civil Action will affect the certification mark sought by Applicant.

The Board nonetheless suspended this proceeding, as it had another related opposition proceeding brought by Spirits International N.V. (No. 91/167,196), because it found that the Civil Action might determine Opposer's rights to one of the STOLICHNAYA Marks, the STOLICHNAYA RUSSIAN VODKA & Design mark. Although the Board asserted that this determination would have a bearing on the issues before it, it did not—could not—explain how the determination would impact this proceeding. The only impact suggested by Opposer below was that a determination that Opposer lacks any rights in the STOLICHNAYA RUSSIAN VODKA & design mark might prevent it from asserting a likelihood-of-confusion defense. That defense, however, fails as a matter of law whether or not Opposer has rights in the STOLICHNAYA RUSSIAN VODKA market. Opposer argued below that the RUSSIAN VODKA certification mark might cause confusion with its STOLICHNAYA RUSSIAN VODKA mark because the two marks share the phrase “Russian vodka.” But, as Applicant pointed out, Opposer disclaimed the phrase “Russian vodka” in its registration and therefore cannot claim likelihood of confusion based on the use of that phrase. Thus, the outcome of the Civil Action will have no bearing on the certification of the RUSSIAN VODKA mark.

The Director should intervene to correct the Board's erroneous suspension of this proceeding, (and by extension the SPI proceeding) because of the widespread and potentially irreparable injury that the resulting delay may cause. Russian vodka has a well-deserved reputation for quality, which the Russian Federation protects by subjecting vodka produced in Russian to exacting standards that ensure its quality and authenticity. Taking advantage of this reputation, unscrupulous manufacturers sell vodka that purports to be Russian but does not meet

the standards for genuine Russian vodka. As a result, American consumers are being misled into paying premium prices for substandard vodka, and the reputation of Russian vodka is being correspondingly damaged. If the Board's erroneous suspension order is allowed to stand in this proceeding and another related one, registration of the RUSSIAN VODKA certification mark will be delayed for at least the year it will take to hear and resolve the current appeal in the Civil Action, and if, as Applicant expects, that appeal is successful and the case is remanded for further proceedings, the Civil Action may take years more to resolve. Such a delay would unnecessarily subject American consumers to years of misleading practices and producers of genuine Russian vodka to potentially irreparable damage to the reputation of their product. Applicant therefore respectfully requests that the Director rule that the Civil Action has no bearing on the application to register the RUSSIAN VODKA certification mark and vacate the suspension order erroneously issued by the Board.

### **STATEMENT OF FACTS**

Applicant is a state-owned enterprise that operates under the auspices of the Ministry of Agriculture of the Russian Federation. On July 26, 2004, Applicant applied to register "RUSSIAN VODKA" as a certification mark in International Class A for vodka. This certification mark is intended to ensure that only vodka that is actually made in the Russian Federation and produced according to specific standards is promoted as "Russian vodka." The application was approved and published for opposition purposes on June 28, 2005.

Opposer Allied Domecq opposes registration of this proposed certification mark on several grounds. It contends that the term "RUSSIAN VODKA" is merely a geographic designation of origin, that Applicant has not controlled and limited the use of this mark properly, and that Applicant has used the proposed mark in an incompatible fashion. Notice of Opposition

¶¶ 10-13. Finally, and most importantly here, Allied Domecq contends that the RUSSIAN VODKA certification mark would cause consumers to mistakenly believe that the vodka it sells under the trademark STOLICHNAYA RUSSIAN VODKA is produced in Russia, satisfies Russian production standards, and therefore qualifies as RUSSIAN VODKA under the proposed mark. *Id.* ¶ 8.

In the Civil Action, Applicant seeks to establish its rights over the STOLICHNAYA Marks.<sup>1</sup> The primary STOLICHNAYA trademark was registered in the United States by a Soviet state agency in 1969. In the early 1990s, amidst the chaos surrounding the dissolution of the Soviet Union, the STOLICHNAYA trademark was misappropriated and eventually transferred out of the Soviet Union to a Dutch Company, Spirits International N.V., which caused the STOLICHNAYA trademarks to be purportedly assigned to Opposer. Applicant has been entrusted by the Russian Federation with recovering these trademarks and obtaining relief for their unauthorized use, and it therefore has brought trademark, misappropriation, unfair competition, fraud, and unjust enrichment claims against Opposer, Spirits International, and other related entities. Initially, Applicant also contended that Allied Domecq was falsely

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<sup>1</sup> The STOLICHNAYA family of trademarks consists of the following federal registrations: STOLICHNAYA (Reg. No. 865,462), STOLICHNAYA (Reg. No. 1,291,454), STOLICHNAYA (Reg. No. 2,317,475), STOLI (Reg. No. 1,244,735), STOLICHNAYA RUSSIAN VODKA (Reg. No. 1,852,552), STOLICHNAYA KAFYA (Reg. No. 2,155,523), STOLICHNAYA LIMONNAYA VODKA (Reg. No. 2,334,080), STOLICHNAYA LIMONNAYA (Reg. No. 2,339,463), STOLICHNAYA LIMONNAYA VODKA (Reg. No. 2,334,079), STOLICHNAYA OHRANJ (Reg. No. 2,291,831), STOLICHNAYA OHRANJ (Reg. No. 2,233,190), STOLICHNAYA OHRANJ (Reg. No. 1,988,911), STOLI PERSIK (Reg. No. 2,189,745), STOLICHNAYA STOLI PERSIK (Reg. No. 2,339,689), STOLICHNAYA STOLI RAZBERI (Reg. No. 2,204,355), STOLI RAZBERI (Reg. No. 2,175,465), STOLICHNAYA STRASBERI (Reg. No. 2,202,991), STOLI STRASBERI (Reg. No. 2,205,863), STOLI VANIL (Reg. No. 2,192,600), STOLI ZINAMON (Reg. No. 2,192,681), and STOLICHNAYA GOLD (application) (Ser. No. 75/184,282).

advertising its vodka as Russian when in fact it is produced in Latvia. This claim was dropped in order to allow an immediate appeal concerning ownership and other issues in the case.

Although the origin of the vodka sold by Allied Domecq under the STOLICHNAYA label is no longer at issue in the Civil Action, Allied Domecq nonetheless moved to suspend its opposition based upon that action. Allied Domecq relied largely upon a suspension order issued before the dismissal of Applicant's false advertising claims in a similar opposition proceeding brought by Spirits International. *See* Motion to Suspend Proceedings at 4-5 (Attachment 1); Order of Feb. 16, 2006 at 2 (Opp. No. 91/167,196) (Attachment 2). Opposer also asserted that Applicant's response to its likelihood-of-confusion defense under Section 2(d) of the Lanham Act is predicated upon Applicant's ownership of the STOLICHNAYA trademarks, which is in issue in the Civil Action. *See* Motion to Suspend Proceedings at 3-4.

Applicant showed in its response that the Civil Action involves entirely different trademarks and different issues. It pointed out that the RUSSIAN VODKA certification mark is not at issue in the Civil Action, *see* Applicant's Opposition to Opposer's Motion to Suspend Proceedings at 4-5 (Attachment 3), and that Opposer's likelihood-of-confusion defense fails as a matter of law whether or not it has rights to the STOLICHNAYA RUSSIAN VODKA mark, *see id.* at 4-7. Even if Opposer were the lawful owner of the STOLICHNAYA trademarks, Applicant explained, it could not claim likelihood of confusion. In registering the STOLICHNAYA RUSSIAN VODKA mark, Opposer expressly disclaimed any exclusive right to use the phrase "Russian vodka." STOLICHNAYA RUSSIAN VODKA & Design Registration (capitalization omitted) (Attachment 4). Thus, Opposer cannot now claim that the STOLICHNAYA RUSSIAN VODKA mark would be confused with the RUSSIAN VODKA certification mark because they both use that phrase. *Id.*

The Board granted Opposer's motion to suspend on October 12, 2006. It held that the Civil Action had a bearing on this proceeding because it may decide Opposer's rights to the STOLICHNAYA RUSSIAN VODKA mark:

the issues before the Court in the civil action include, *inter alia*, opposer's rights in its asserted mark STOLICHNAYA RUSSIAN VODKA and design. As a result, the Court's determination in the civil case may include a determination of opposer's rights to the asserted mark. Any such determination of opposer's rights to its asserted mark in the civil action will have a bearing on the issues before the Board.

The Board, however, did not explain how a determination of Opposer's rights to the STOLICHNAYA RUSSIAN VODKA mark would impact this proceeding. Instead, it simply concluded that the Civil Action will have a bearing on this proceeding without any explanation.

#### **POINT TO BE REVIEWED**

Whether the Civil Action will have a bearing on the issues before the Board when it does not concern the RUSSIAN VODKA certification mark at issue in this proceeding and when any likelihood-of-confusion defense based upon the STOLICHNAYA RUSSIAN VODKA & design marks fails as a matter of law because of Opposer's disclaimer of the phrase "Russian vodka."

#### **ARGUMENT**

THE BOARD'S ORDER MUST BE VACATED BECAUSE IT ARBITRARILY AND ERRONEOUSLY SUSPENDED THIS PROCEEDING IN LIGHT OF A CIVIL ACTION THAT WILL NOT IMPACT THE OUTCOME OF THIS PROCEEDING

In suspending this proceeding, the Board assumed without explanation that the Civil Action will have bearing on the proceeding. This was error. The Civil Action involves entirely different trademarks and different issues, and a determination of ownership in that action will not affect Opposer's likelihood-of-confusion defense because Opposer has disclaimed the supposed basis of the confusion, which is the use of the phrase "Russian vodka" in both Opposer's mark and the certification mark that Applicant is seeking.

A. The RUSSIAN VODKA Certification Mark that Applicant Is Seeking Is Not at Issue in the Civil Action

The Civil Action concerns issues that are entirely different from the issues in this proceeding. The Civil Action concerns the ownership of the STOLICHNAYA Marks and the tortious conduct of Opposer and Spirits International in misappropriating those marks. This proceeding, by contrast, concerns the registration of Applicant's proposed RUSSIAN VODKA certification mark. Accordingly, the two matters "involve different sets of transactional facts, different proofs, different burdens, and different public policies," and resolution of the Civil Action will not preclude the Board from considering Applicant's request to register the RUSSIAN VODKA certification mark. *Mayer/Berkshire Corp. v. Berkshire Fashions, Inc.*, 76 U.S.P.Q. 1310, 1313 (Fed. Cir. 2005).

B. There Is No Likelihood of Confusion Because Opposer Has Expressly Disclaimed the Phrase "Russian Vodka"

In arguing that the Civil Action will have bearing on this proceeding, Opposer asserted that Applicant's mark is likely to cause confusion with Opposer's mark because the two marks share the common phrase "Russian vodka." Motion to Suspend Proceedings at 3-4. However, when Opposer registered the STOLICHNAYA RUSSIAN VODKA & Design mark, it expressly disclaimed the phrase "Russian vodka." STOLICHNAYA RUSSIAN VODKA & Design Registration (capitalization omitted). By disclaiming this phrase, Opposer has expressly accepted the legal consequence that it would no longer have any ownership rights in the term "Russian vodka". Thus, even if the federal court were to declare Opposer the rightful owner of the STOLICHNAYA Marks, Opposer still would have no claim to the disclaimed portion of that mark divorced from the other, protected elements. *See United States Steel Corp. v. Vasco Metals Corp.*, 157 U.S.P.Q. 627, 629 (C.C.P.A. 1968) (The "legal effect" of a disclaimer is that "*no claim to any exclusive right to use [the disclaimed words]*" is to be implied from the fact of

registration.”) (emphasis in original). Opposer, however, has not claimed that these other elements would cause any confusion. Accordingly, Opposer’s likelihood-of-confusion defense fails as a matter of law whether or not Opposer is the owner of the STOLICHNAYA Marks.

C. Delaying Registration of The RUSSIAN VODKA Certification Mark Will Harm American Consumers and Damage the Reputation of Russian Vodka, Perhaps Irreparably

If the suspension order in this proceeding (and the one in the Spirits International opposition) are not lifted, it may take years before this proceeding recommences. Applicant only recently filed the opening brief in the appeal before the Second Circuit, and the briefing is not scheduled to be completed until sometime next year. As a consequence, it likely will be more than a year before the appeal is argued and decided. And if, as Applicant expects, its claims are reinstated, they will be remanded so that the parties can conduct discovery and possibly a trial, which may take several additional years. Thus, unless the suspension order is vacated, it probably will be many years before the Civil Action is concluded, and this proceeding recommences.

In the interim, both American consumers and legitimate Russian vodka producers will be harmed. American consumers will be subjected to companies peddling vodkas that do not meet Russian standards as genuine Russian vodka, and inevitably many will be misled into paying premium prices for substandard products. In addition, as consumers associate Russian vodka with these substandard products, the current, deserved reputation of Russian vodka will suffer. Moreover, once the reputation of Russian vodka is damaged, it may be difficult, if not impossible, to repair that damage. As a consequence, the suspension order erroneously issued by the Board may cause widespread harm to American consumers and irreparable injury to legitimate producers of Russian vodka.

In light of the potentially irreparable injury that delay in registering the RUSSIAN VODKA mark may cause, the Board's erroneous suspension order cannot be permitted to stand. The Director should vacate the suspension order and hold that the Civil Action has no bearing on this proceeding because it involves trademarks and issues that are different from the ones at issue here and because there is no likelihood of confusion whether or not Opposer owns the STOLICHNAYA trademarks.

### **CONCLUSION**

Based on the foregoing, Applicant respectfully requests that the Director rule that the Civil Action has no bearing on the registration of the RUSSIAN VODKA certification mark and remove this proceeding from suspension.

Pursuant to 37 C.F.R. §2.6(a)(15), Applicant respectfully requests that the \$100.00 statutory fee and any additional amount be charged to Deposit Account No. 50-3778.

Dated: November 13, 2006

QUINN EMANUEL URQUHART OLIVER &  
HEDGES, LLP

*/s/ David Quinto*

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David W. Quinto (California Bar No. 106232)  
Attorneys for Applicant  
Russian Federal Treasury Enterprise Sojuzplodoimport

## **ATTACHMENT 1**

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

ALLIED DOMECCQ INTERNATIONAL  
HOLDINGS BV

*Opposer,*

v.

RUSSIAN FEDERAL TREASURY  
ENTERPRISE SOJUZPLODOIMPORT

*Applicant.*

Opposition No.: 91/165999

Serial No.: 76604592

**MOTION TO SUSPEND PROCEEDINGS DUE TO  
PENDENCY OF RELATED CIVIL ACTION**

Pursuant to TBMP Section 510.02(a) and Trademark Rule 2.117(a), Opposer, Allied Domecq International Holdings, B.V. ("Allied Domecq"), respectfully requests that the above-referenced opposition proceeding be suspended pending the resolution of a civil action involving the parties that presently is on appeal in federal court.

**BACKGROUND**

Allied Domecq is the owner of U.S. Reg. Nos. 1,291,454 (STOLICHNAYA) and 1,852,552 (STOLICHNAYA RUSSIAN VODKA & Design), and distributes Russian vodka throughout the United States under the STOLICHNAYA brand. The vodka that Allied Domecq distributes in this country is supplied by S.P.I Spirits (Cyprus) Limited, which is a related company of third-party Spirits International, N.V. ("SPI").

Applicant, Russian Federal Treasury Enterprise Sojuzplodoimport, is seeking to register the common, geographic designation of origin “RUSSIAN VODKA” in block letters as a certification mark for “vodka” that is produced in Russia in accordance with certain standards. Allied Domecq has opposed the registration, asserting, among other things, that the registration should be refused under § 2(d) of the Lanham Act because Applicant’s proposed use of “RUSSIAN VODKA” as a certification mark is likely to cause vodka consumers mistakenly to believe that vodka sold by Allied Domecq under its STOLICHNAYA RUSSIAN VODKA & Design and STOLICHNAYA marks has been certified by (or originates from, or is sponsored by) Applicant. SPI is also opposing the registration on similar grounds in separately-filed Opposition No. 91167196.

The three parties—Allied Domecq, SPI, and Applicant—are all involved in a federal court proceeding that presently is before the United States Court of Appeals for the Second Circuit (Appeal No. 06-3532) (*Federal Treasury Enterprise v. Spirits Int’l N.V. et al.*).<sup>1</sup> The key issue in that related case is Applicant’s claim that Allied Domecq for some reason is not the lawful owner of the incontestable STOLICHNAYA registrations being asserted by Allied Domecq in this action (specifically U.S. Reg. Nos. 1,291,454 and 1,852,552). Applicant makes a similar contention in the Answer and Affirmative Defenses it filed in this proceeding, where it also directly references the related federal action. See *Applicant’s Answer* (Opp. No. 91165999), ¶¶2-4, p. 7.

Recognizing that the resolution of the federal action would have a direct bearing on the course of any opposition proceeding concerning Applicant’s RUSSIAN VODKA

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<sup>1</sup> The district court proceeding from which Appeal No. 06-3532 was taken was *Federal Treasury Enterprise Sojuzplodoimport et al. v. Spirits Int’l N.V. et al.* (Civil Action No. 04-08510) (S.D.N.Y.).

application, the Board earlier this year granted SPI's motion (over Applicant's objection) in Opposition No. 91167196 that those proceedings be suspended. *See Order* (Feb. 16, 2006) (Opp. No. 91167196), p. 2 (holding that the federal court's resolution of the ownership question concerning the asserted registrations "will have a bearing on the issues before the Board") (attached as Attachment A). At the time the Board granted SPI's motion, the present related opposition had already been suspended (for settlement discussions), thus explaining why it was not necessary for this case also to be suspended at that time. However, now that the present opposition proceeding has resumed, Allied Domecq asks that it also be suspended until final determination of the federal action.

Applicant has refused to consent to the requested relief, despite knowing of the Board's ruling in the SPI opposition granting an identical suspension.

### ARGUMENT

It is appropriate for the Board to suspend a proceeding if the final determination of a related civil action "may have a bearing on the Board's case." *TBMP*, §510.02(a). In the present case, there can be little doubt that suspension is therefore amply warranted: Applicant has brought a federal action against Allied Domecq claiming that Allied Domecq does not own the very STOLICHNAYA registrations on which Allied Domecq is relying in opposing the registration of Applicant's proposed certification mark.

When the federal action is finally resolved, and it is reaffirmed that Allied Domecq is the lawful owner of the marks at issue (as the U.S. District Court for the Southern District of New York has already found; *see* Attachment B), the defenses Applicant is asserting against Allied Domecq's claim under Section 2(d) claim will

collapse, thus greatly simplifying this case. *See Applicant's Answer* (Opp. No. 91165999), ¶¶2-4, p. 7 (First and Second Affirmative Defenses). Thus, the final determination of the federal action will have a direct—and significant—bearing on the outcome of this administrative proceeding, thereby warranting suspension until all appeals in the federal courts have been exhausted.

It is hardly necessary, though, to belabor this point. As noted above, the Board has already considered and found that the pendency of the federal action involving Allied Domecq, SPI, and Applicant provides compelling grounds for suspending further proceedings involving Applicant's proposed RUSSIAN VODKA mark:

Whenever it comes to the attention of the Board that the parties to a case pending before it are involved in a civil action, proceedings before the Board may be suspended until final determination of the civil action. *See* Trademark Rule 2.117(a); and *General Motors Corp. v. Cadillac Club Fashions Inc.*, 22 USPQ2d 1933 (TTAB 1992). Suspension of a Board case is appropriate even if the civil case may not be dispositive of the Board case, so long as the ruling may have a bearing on the rights of the parties in the Board case. *See Martin Beverage Co. Inc. v. Colita Beverage Company.*, 169 USPQ 568, 570 (TTAB 1971).

In this case, the parties to the instant opposition [Opposition No. 91167196] include the parties to Civil Action No. 04-08510. Further, the issues before the Court in the civil action include, *inter alia*, opposer's rights in its asserted mark[] STOLICHNAYA RUSSIAN VODKA and design .... As a result, the Court's determination in the civil case may include a determination of opposer's rights to those asserted marks. Any such determination of opposer's rights to its asserted marks in the civil action will have a bearing on the issues before the Board. Moreover, to the extent that a civil action in a Federal district court involves issues in common with those in a proceeding before the Board, the decision of the Federal district court is binding upon the Board, while the decision of the Board is not binding upon the court. *See, for example, Goya Foods Inc. v. Tropicana Products Inc.*, 846 F.2d 848, 6 USPQ2d 1950 (2d Cir.1988); and *American Bakeries Co. v. Pan-O-Gold Baking Co.*, 650 F Supp 563, 2 USPQ2d 1208 (D.Minn. 1986).

In view of the foregoing, and in the interest of judicial economy and consistent with the Board's inherent authority to regulate its own

proceedings to avoid duplicating the effort of the court and the possibility of reaching an inconsistent conclusion, **proceedings herein are suspended** pending final disposition of the civil action involving the parties.

*See Attachment A, pp. 2-3 (emphasis in original).*

It is only due to the fact that the present opposition had already been suspended to accommodate settlement discussions between Allied Domecq and Applicant that the Board was not at that time asked to enter a similar order in the present case. However, as that initial suspension has now expired, it is now appropriate to suspend the present case on the same basis that the related SPI opposition was already suspended. Once the pending civil matter has finally been disposed of, the two related oppositions can then resume, and, if appropriate, be consolidated for further proceedings.

Respectfully submitted,

Date: Sept. 14, 2006



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*Counsel for Opposer, Allied Domecq  
International Holdings, B.V.*

## CERTIFICATE OF SERVICE

I hereby certify that the required number of copies of the foregoing *Motion to Suspend Proceedings Due to Pendency of Related Civil Action* was served on the parties or counsel as indicated below:

***By First Class Mail (Postage Prepaid)***

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# Attachment A

UNITED STATES PATENT AND TRADEMARK OFFICE  
Trademark Trial and Appeal Board  
P.O. Box 1451  
Alexandria, VA 22313-1451

Mailed: February 16, 2006

Opposition No. **91167196**

Spirits International, N.V.

v.

Russian Federal Treasury  
Enterprise Sojuzplodoimport

**Peter Cataldo, Attorney:**

This case now comes before the Board for consideration of opposer's motion (filed on January 13, 2006) to suspend proceedings pending the outcome of a civil action.<sup>1</sup> Applicant has filed a brief in opposition thereto.<sup>2</sup>

The Board has carefully considered the arguments of both parties with regard to the above motion. However, an exhaustive review of those arguments would only serve to delay the Board's disposition of this matter.

Whenever it comes to the attention of the Board that the parties to a case pending before it are involved in a civil action, proceedings before the Board may be suspended

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<sup>1</sup> Civil Action No. 04-08510 (GBD), filed on October 28, 2004 in the United States District Court for the Southern District of New York.

<sup>2</sup> The Board is exercising its discretion to come to a determination of opposer's motion prior to the expiration of its

until final determination of the civil action. See Trademark Rule 2.117(a); and General Motors Corp. v. Cadillac Club Fashions Inc., 22 USPQ2d 1933 (TTAB 1992). Suspension of a Board case is appropriate even if the civil case may not be dispositive of the Board case, so long as the ruling may have a bearing on the rights of the parties in the Board case. See Martin Beverage Co. Inc. v. Colita Beverage Company., 169 USPQ 568, 570 (TTAB 1971).

In this case, the parties to the instant opposition include the parties to Civil Action No. 04-08510. Further, the issues before the Court in the civil action include, inter alia, opposer's rights in its asserted marks STOLICHNAYA RUSSIAN VODKA and design and MOSKOVSKAYA RUSSIAN VODKA and design. As a result, the Court's determination in the civil case may include a determination of opposer's rights to those asserted marks. Any such determination of opposer's rights to its asserted marks in the civil action will have a bearing on the issues before the Board. Moreover, to the extent that a civil action in a Federal district court involves issues in common with those in a proceeding before the Board, the decision of the Federal district court is binding upon the Board, while the decision of the Board is not binding upon the court. See, for example, Goya Foods Inc. v. Tropicana Products Inc., 846

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time in which to file a reply brief with regard thereto. See

Opposition No. 91167196

F.2d 848, 6 USPQ2d 1950 (2d Cir.1988); and American Bakeries Co. v. Pan-O-Gold Baking Co., 650 F Supp 563, 2 USPQ2d 1208 (D.Minn. 1986).

In view of the foregoing, and in the interest of judicial economy and consistent with the Board's inherent authority to regulate its own proceedings to avoid duplicating the effort of the court and the possibility of reaching an inconsistent conclusion, **proceedings herein are suspended** pending final disposition of the civil action involving the parties.

Within twenty days after the final determination of the civil action, the interested party should notify the Board so that this case may be called up for appropriate action. During the suspension period the Board should be notified of any address changes for the parties or their attorneys.

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Trademark Rule 2.127(a).

# Attachment B

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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FEDERAL TREASURY ENTERPRISE  
SOJUZPLODOIMPORT, et al.,

MEMORANDUM DECISION

Plaintiffs, AND ORDER

04 CV 8510 (GBD)

-against-

SPIRITS INTERNATIONAL N.V., et al,

Defendants.  
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GEORGE B. DANIELS, District Judge:

Plaintiffs Russian Federal Treasury Enterprise Sojuzplodoimport ("FTE") and Obschestvo s Ogranichennoi Otvetstvennost'yu Chernogolovskii Zavod Alkogol'noi Produkcii ("Ost Alco") commenced this action, seeking declaratory and injunctive relief, and damages. The defendants are Spirits International N.V., S.P.I. Spirits Limited, S.P.I. Group SA, Yuri Shefler, Alexey Oliynik (collectively, "SPI Defendants"), and Allied Domecq International Holdings B.V., and Allied Domecq Spirits & Wines USA, Inc., d/b/a Allied Domecq Spirits, USA (collectively, "Allied Domecq Defendants").

**FACTUAL BACKGROUND**

In 2000, the Russian Government decided to re-nationalize the rights to STOLICHNAYA trademarks and copyrights in Russia and abroad. In December 2001, the Russian Federation established plaintiff FTE to pursue this action.<sup>1</sup> (Sec. Am. Compl., ¶111). FTE is an economic

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<sup>1</sup>FTE purportedly obtained its rights to certain STOLICHNAYA marks through Decree No. 494, "On Trademarks of Alcoholic and Spirit Products," issued by the Government of the Russian Federation in July 2002. The decree ordered that 17 of the STOLICHNAYA marks, SOVIET SPARKLING, STARKA, YUBILEYNAYA, KUBANSKAYA, ZUBROVKA, STOLICHNAYA RUSSKAYA, OKHOTNICHYA, PERTSOVKA, MOSKOVSKAYA, LIMONNAYA, KREPKAYA, STOLOVAYA, SIBRSKAYA, BALTISKAYA, KRISTAL, and

entity of the Russian Federation organized and existing under the laws of Russia. (Id., ¶ 11). Plaintiff Ost Alco, a Russian corporation, exports various vodkas distilled and bottled in the Russia. Plaintiffs allege that FTE is the rightful owner of trademarks to certain STOLICHNAYA marks in the United States. Defendants claim that Allied Domecq Holdings International, B.V. (“Allied Domecq”) is the rightful owner of, and that it possesses incontestible rights to, the trademark.

Defendant Spirits International N.V. (“Spirits International”) is a Netherlands corporation. (Id., ¶ 13). Pursuant to a contract with Allied Domecq, Spirits International holds reversionary rights to the STOLICHNAYA mark in the United States. (Id., ¶ 79, Ex. D). Defendant S.P.I. Spirits (Cyprus) Limited (“S.P.I. Spirits”) is a Cypriot corporation that exports STOLICHNAYA vodka. (Id., ¶¶ 78, 91-92, 94). Defendant Allied Domecq Spirits and Wine USA imports STOLICHNAYA vodka sold to it by S.P.I. Spirits. (Id., ¶ 91.). Both Spirits International and S.P.I. Spirits are subsidiaries of Defendant S.P.I. Group SA, a Swiss holding company (“S.P.I. Group”). (Id., ¶ 13). Defendant Yuri Shefler (“Shefler”) is the Director and majority shareholder of S.P.I. Group SA, and defendant Alexey Oliynik (“Oliynik”) is an officer and a member of the boards of directors of S.P.I. Group and S.P.I. Spirits. (Id., ¶ 78).

Around June 1966, the government of the Soviet Republic established the All-Union Association Sojuzplodoimport (“V/O-SPI”). (Id., ¶ 24). V/O-SPI is a state-entity created to

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SPI, may be used by FTE in accordance with the procedures established by the Ministry of Agriculture and the Ministry of Property Relations of the Russian Federation. (Id., ¶ 112; Id., Ex. L). On January 6, 2005, the Government of the Russian Federation issued Decree No. 6, “On Recovery and Protection of the Rights of the Russian Federation to the Trademarks Abroad.” This decree purports to grant FTE the right to represent the interests of the Russian Federation in foreign courts on matters of recovery and protection of Russia’s rights to trademarks for alcoholic products abroad. (Id., ¶ 113).

regulate the importation and exportation of fruits, vegetables, other foods, and alcohol, including STOLICHNAYA brand vodka. (Id.). About four years after its creation, V/O-SPI registered the primary STOLICHNAYA mark in the United States Patent and Trademark Office. (Id., ¶ 25). In Russian, the word “STOLICHNAYA” means “from the capital.” (Id., ¶ 88). The illustration on the STOLICHNAYA label is a representation of the famous Moscow Hotel. (Id., ¶ 89).

Shortly after the STOLICHNAYA registration, V/O-SPI assigned all United States rights in the primary STOLICHNAYA mark to Kraus Bros. & Co. (“Kraus”). (Id., ¶ 66). V/O-SPI also designated Monsieur Henri Wines, Ltd. (“MHW”), a Kraus subsidiary, as the authorized United States importer of STOLICHNAYA vodka. (Id.). In addition, MHW was designated as V/O-SPI’s representative for the United States STOLICHNAYA trademark application. (Id.). The Patent and Trademark Office gave the STOLICHNAYA primary mark Trademark Registration Number 865,462. (Id., ¶¶ 24, 65).

In 1973, V/O-SPI entered into an agreement with PepsiCo, Inc. (“PepsiCo”), under which PepsiCo contracted to export its cola syrup to the U.S.S.R. (Id., ¶ 67). In exchange, V/O-SPI assigned to PepsiCo the right to import STOLICHNAYA vodka into the United States. (Id.). PepsiCo acquired Kraus to obtain the rights to use the primary STOLICHNAYA mark in the United States.<sup>2</sup> (Id.). In 1983, ten years later, PepsiCo reassigned to V/O-SPI the STOLICHNAYA mark. (Id., ¶ 74). Approximately eight years after the reassignment, V/O-SPI entered into an agreement (“June 1991 Agreement”) assigning the United States rights in the

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<sup>2</sup>Around 1977, PepsiCo divested itself of MHW, but retained the rights to the STOLICHNAYA mark.

STOLICHNAYA marks and other marks back to PepsiCo.<sup>3</sup> (Id., ¶ 75). Pursuant to its provisions, if the agreement was not extended beyond its original term ending January 1, 2001, PepsiCo would be required to immediately assign the STOLICHNAYA marks back to V/O-SPI. (Id., ¶ 69). The agreement also provided in paragraph 8 that PepsiCo would assign the marks back to V/O-SPI at any time if the Soviet Union so requested. (Id., ¶¶ 69, 75).

Around January 1990, V/O-SPI was reorganized into the All-Union Foreign Economic Association Sojuzplodoimport (“VVO-SPI”). (Id., ¶ 27). Thereafter, VVO-SPI held the rights to the STOLICHNAYA marks. Evgenily Filippovich Sorochkin (“Sorochkin”) was the General Director of VVO-SPI. (Id., ¶ 27). In January 1992, the Foreign Economic Joint Stock Company Sojuzplodoimport (“VAO-SPI”) was registered with the Moscow Registration Chamber. (Id., ¶ 31). VAO-SPI’s corporate charter stated that it was the legal successor to VVO-SPI. (Id., ¶ 33). Sorochkin was appointed as chairman of the board of directors of VAO-SPI. (Id., ¶ 32).

On February 6, 1992, VAO-SPI and PepsiCo entered into an addendum to the June 1991 Agreement, which recited that VAO-SPI “is the successor in interest” to VVO-SPI and deleted paragraph 8 of the June 1991 Agreement. (Id., ¶ 69).<sup>4</sup> On February 3, 1994, VAO-SPI entered into another agreement with PepsiCo (“February 1994 Agreement”), which recited that VAO-SPI was the owner of the United States STOLICHNAYA marks. (Id., ¶ 77). The February 1994

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<sup>3</sup>Plaintiffs’ submit that the 1991 Agreement was an assignment by name only. Plaintiffs argue that the 1991 Agreement possessed all of the characteristics of a license, therefore, the Court should find that the agreement constituted a license. (Id., ¶ 75).

<sup>4</sup>Throughout the time the 1991 Agreement was in effect, PepsiCo heavily marketed and invested in the STOLICHNAYA brand. Due in part to PepsiCo’s marketing efforts and investment, STOLICHNAYA vodka came to be considered a premium vodka in the United States. (Id., ¶ 70).

Agreement incorporated the June 1991 Agreement and its February 6, 1992 addendum, and further, stated that VAO-SPI assigned the marks to PepsiCo until December 31, 2000. (Id., ¶ 77; Id., Ex. B).

By April 1996, VAO-SPI was transformed into the Foreign Economic Closed Joint-Stock Company Sojuzplodoimport (“VZAO-SPI”). (Id., ¶ 43). Sorochnik continued to perform the executive functions of VZAO-SPI until defendant Shefler became the president of VZAO-SPI in April 1997. (Id., ¶¶ 43-44). On December 26, 1997, VZAO-SPI sold the worldwide rights to the STOLICHNAYA marks to another company, the Closed Auction Company Sojuzplodimport (“ZAO-SPI”). (Id., ¶ 52). In April 1999, Spirits International agreed to cause the assignment of the United States mark registration to defendant Allied Domecq, and S.P.I. Spirits agreed to supply STOLICHNAYA vodka to defendant Allied Domecq upon the expiration of the agreement with PepsiCo. (Id., ¶ 56).

In November 2000, Defendants S.P.I. Spirits and Spirits International, as purported successor to VAO-SPI, entered into an agreement with Allied Domecq. (Id., ¶ 79, Ex. D). By the agreement, Spirits International appointed Allied Domecq as the exclusive “owner” of all STOLICHNAYA marks in the United States. (Id., ¶ 80). Under the agreement, Allied Domecq is not permitted to sell the rights in the marks or assign the marks to entities other than affiliates. (Id., ¶ 81). Further, at the expiration of the agreement, Allied Domecq is required to reconvey all its rights, title, and interest in the marks to Spirits International. (Id.). At the expiration of the 1994 Agreement, and at the direction of Spirits International, PepsiCo assigned the marks to

Allied Domecq as of January 1, 2001.<sup>5</sup> (Id., ¶ 80, Ex. D).

In or around July 2001, the Moscow Chamber of Registration registered the transformation of VVO-SPI to Federal State Unitary Enterprise Foreign Economic Association Sojuzplodoimport (“FGUP”). (Id. ¶ 39).

Plaintiffs claim that there are clouds on the chain of title to the STOLICHNAYA marks preventing Allied Domecq from holding valid title to the marks. Plaintiffs also claim that the Allied Domecq defendants acquired the mark through fraudulent conduct committed by Sorochkin, who is not a defendant in this action, and by defendants Shefler and Olykik.

Plaintiffs allege that Sorochkin conspired to make it appear that the Soviet state-controlled entity VVO-SPI was lawfully transformed into a private joint stock company. (Id., ¶¶ 28, 31). Plaintiffs allege that in 1990, after VVO-SPI gained control over the rights to the STOLICHNAYA marks, Sorochkin created VAO-SPI, which is a name substantially identical to VVO-SPI’s name. (Id.). Plaintiffs further allege that Sorochkin deliberately amended the new company’s corporate charter to reflect that it was the successor to VVO-SPI to further his

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<sup>5</sup>The reassigned marks listed in the assignment included the following: STOLICHNAYA (Reg. No. 865,462), STOLICHNAYA (Reg. No. 1,291,454), STOLICHNAYA (Reg. No. 2,317,475), STOLI (Reg. No. 1,244,735), STOLICHNAYA RUSSIAN VODKA (Reg. No. 1,852,552), STOLICHNAYA KAFYA (Reg. No. 2,155,523), STOLICHNAYA LIMONNAYA VODKA (Reg. No. 2,334,080), STOLICHNAYA LIMONNAYA (Reg. No. 2,339,463), STOLICHNAYA LIMONNAYA VODKA (Reg. No. 2,334,079), STOLICHNAYA OHRANJ (Reg. No. 2,291,831), STOLICHNAYA OHRANJ (Reg. No. 2,233,190), STOLICHNAYA OHRANJ (Reg. No. 1,988,911), STOLI PERSIK (Reg. No. 2,189,745), STOLICHNAYA STOLI PERSKI (Reg. No. 2,339,689), STOLICHNAYA STOLI RAZBERI (Reg. No. 2,204,355), STOLI RAZBERI (Reg. No. 2,175,465), STOLICHNAYA STRASBERI (Reg. No. 2,202,991), STOLI STRASBERI (Reg. No. 2,205,863), STOLI VANIL (Reg. No. 2,192,600), STOLI ZINAMON (Reg. No. 2,192,681), STOLICHNAYA GOLD (application) (Reg. No. 75/184,282) (collectively the “STOLICHNAYA marks”). (Id., ¶ 80).

scheme. (Id., ¶ 33). Plaintiffs allege that over the next several years, Sorochkin took advantage of the economic disarray that the dissolution of the U.S.S.R.<sup>6</sup> caused to take the physical, monetary, and other assets of VVO-SPI, including the STOLICHNAYA marks. (Id., ¶31). Plaintiffs allege that to further this scheme, Sorochkin primarily utilized two forged letters signed by the Russian First Deputy Minister of the Ministry of Agriculture.<sup>7</sup> (Id., ¶ 37). Plaintiffs also allege that the formation of VAO-SPI did not comply with the procedural requirements for the transformation of a state enterprise into a private joint stock company. (Id., ¶ 40).

Plaintiffs, in their Second Amended Complaint, include allegations that recently, the Russian courts have issued decisions relevant to the instant case. (Id., ¶¶ 95-109). Specifically, plaintiffs' allege that on December 21, 2000, the Moscow Court of Arbitration held that VAO-SPI was not a legal successor to VVO-SPI. (Id., ¶¶ 100-01, Ex. F). Plaintiffs further allege that on October 16, 2001, that decision was upheld by Russia's high court. (Id., ¶ 104, Ex. H). Plaintiffs also allege that on January 30, 2002, the Moscow Court of Arbitration held that the December 26, 1997 assignment of the STOLICHNAYA marks from VZAO-SPI (the legal

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<sup>6</sup>The U.S.S.R. was officially dissolved on December 26, 1991.

<sup>7</sup>Around October 1992, the Russian Federation Committee on Patents and Trademarks ("Rospatent"), the Russian equivalent of the Patent and Trademark Office, declared that the foreign registrations for the STOLICHNAYA marks belonged to VAO-SPI as the "full and rightful successor to VVO Sojuzplodoimport." (Id., ¶ 41). Rospatent further declared that VAO-SPI possessed the exclusive right to export Russian vodka using the marks. (Id.). Around October 1994, Rospatent further declared that the domestic registrations of the marks also belonged to VAO-SPI.. (Id.).

Plaintiffs allege that Sorochkin filed at least one of the allegedly forged letters with the Rospatent to obtain the Rospatent declaration that VAO-SPI was the "full and rightful successor to VVO Sojuzplodoimport," and that the exclusive right to export Russian vodka using those marks belonged to VAO-SPI. (Id.).

successor of VAO-SPI) to ZAO-SPI, which subsequently assigned the marks to Spirits International, as well as the January 12, 1998 amendment thereto, were null and void. (Id., ¶¶ 106-07.) Plaintiffs seek, by this action, to have the duly issued orders of the Russian courts recognized and applied in the United States.<sup>8</sup> (Id., ¶ 3).

Plaintiffs also allege that defendants Shefler and Oliynik conspired to steal the marks from the Russian Federation. (Id., ¶¶ 43-61, 73-88). Plaintiffs allege that Shefler and Oliynik owned, directed, and dominated the SPI entities that sold the rights to use the marks in the United States to Allied Domecq, while purporting to license the right to import STOLICHNAYA vodka to defendant Allied Domecq Spirits & Wines USA, Inc. (Id.). Plaintiffs allege that Shefler and Oliynik persuaded PepsiCo that the series of entities they created were successors-in-interest to the rights of the Soviet Union in the marks. (Id., ¶ 76). Plaintiffs allege that Shefler and Oliynik controlled VZAO-SPI when the marks were transferred to ZAO-SPI on December 26, 1997, and that while the marks were held by ZAO-SPI, Shefler and Oliynik maintained control over that entity. (Id., ¶ 52). Plaintiffs claim that Shefler and Oliynik exercised control indirectly, by exercising influence over the majority shareholder of the company, Shefler's brother-in-law; then, directly, by Oliynik's position as General Director of the entity. (Id.).

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<sup>8</sup>These Russian court decisions are irrelevant to the trademark rights of the parties. It is well-settled law that "when trademark rights within the United States are being litigated in an American court, the decisions of foreign courts concerning the respective trademark rights of the parties are irrelevant and inadmissible." Vanity Fair Mills, Inc., v. T. Eaton Co. 234 F.2d 633, 639 (2d Cir.1956). A trademark is inherently territorial and it exists in each country solely according to that particular country's statutory scheme. Calzaturificio Rangoni S.P.A. v. United States Shoe Corp., 868 F.Supp 1414, 1418 (S.D.N.Y. 1994). Once a trademark has been registered in the United States "its status . . . is independent of the continued validity of its registration abroad, and its duration, validity, and transfer in the United States are governed by [the Lanham Act]" Id. (quoting Vanity Fair Mills, 234 F.2d at 644).

Plaintiffs allege that when the PepsiCo license agreement expired in 2001, Shefler and Oliynik controlled Spirits International, and through it, directed PepsiCo to assign the mark registrations to Allied Domecq. (Id., ¶ 80). Plaintiffs claim that in reliance on these misrepresentations, PepsiCo assigned the STOLICHNAYA marks to Allied Domecq instead of their rightful owner, the Russian Federation. (Id.).

Plaintiffs bring claims for declaratory judgment (Claim 1), cancellation of marks (Claim 10), and rectification of register (Claim 15). Plaintiffs also allege federal claims of unfair competition (Claim 5), trademark infringement (Claims 6 and 11), trademark dilution (Claims 7 and 12), false designation of origin (Claims 8 and 13), and copyright infringement (Claim 14). Plaintiffs allege state common law claims of fraud (Claims 2 and 9), unjust enrichment (Claim 3), and misappropriation (Claim 4).

The SPI Defendants move to dismiss all claims against them (Claims 1-8, and 14-15). The Allied Domecq Defendants move to dismiss claims 1-2, 4, 9, 11-12, and 14-15 in their entirety, as well as portions of claims 5 and 13.<sup>9</sup> Plaintiffs have moved for summary judgment on their 13th claim for relief.

For the foregoing reasons, the defendants' respective motions to dismiss are granted. Plaintiffs' motion for summary judgment on Claim 13 is denied.

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<sup>9</sup>The Allied Defendants, in their brief, comment that Count 10 is not at issue in Allied Domecq's motion to dismiss because the basis of Claim 10 was changed after briefing was complete. They argue, however, that if this Court dismisses Claim 1, Claim 10 should also be dismissed as it, like the other trademark claims, is predicated on plaintiffs' allegation that FTE owns Allied Domecq's STOLICHNAYA mark and registration in the United States. (Allied Domecq Defs.' Consolidated Submission, at 2, n.2).

## DISCUSSION

### A. Motions to Dismiss Standard

On a motion to dismiss, the allegations of the complaint must be accepted as true. Cruz v. Beto, 405 U.S. 319, 322 (1972). The Court must construe the allegations of the complaint in a light most favorable to plaintiff. Scheuer v. Rhodes, 416 U.S. 232 (1974). Furthermore, a complaint cannot be dismissed for failure to state a claim unless it appears, beyond a doubt, “that the plaintiff can prove no set of facts in support of [a] claim which could entitle him to relief.” Dahlberg v. Becker, 748 F.2d 85, 88 (2d Cir. 1984) (citations omitted).<sup>10</sup>

### B. Incontestability of STOLICHNAYA marks

Defendants move to dismiss claims 1, 5-8, 11-13, and 15 on the grounds that Allied Domecq’s possession of incontestible rights to the STOLICHNAYA trademarks preclude plaintiffs from asserting claims of ownership or trademark rights.<sup>11</sup> The Allied Domecq Defendants further argue that the incontestible rights preclude plaintiffs from asserting Claim 4.

Section 22(b) of the Lanham Act provides that “[t]o the extent that the right to use the

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<sup>10</sup>On a motion to dismiss pursuant to Rule 12(b)(6), the Court is precluded from considering matters outside of the complaint. Courtenay Comms. Corp. v. Hall, 334 F.3d 210, 213 (2d Cir. 2003). In this regard, a complaint includes any written instrument attached as an exhibit and any statements or documents incorporated by reference into the complaint, or to documents either in plaintiff’s possession or of which plaintiff has knowledge of, relied upon in bringing the action, and are integral to the complaint. Chambers v. Time Warner, Inc., 282 F.3d 147, 152 (2d Cir. 2002); Newman & Schwartz v. Asplundh Tree Expert Co., Inc., 102 F.3d 6600, 662 (2d Cir. 1996) (citations omitted).

<sup>11</sup>The Allied Domecq Defendants are not seeking to dismiss those portions of Counts 5 and 13 that concern deceptive marketing and false advertising unrelated to the STOLICHNAYA mark.

registered mark has become incontestable . . . the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce.” 15 U.S.C. § 1115(b). “The incontestability provisions [of the Lanham Act] . . . provide a means for the registrant to quiet title in the ownership of his mark.” Park ‘N Fly v. Dollar Park and Fly, Inc., 469 U.S. 189, 203 (1985). This Court is constrained by those provisions. See id. (“the power of the courts to cancel registrations and ‘to otherwise rectify the register,’ must be subject to the specific provisions concerning incontestability”) (quoting 15 U.S.C. § 1115).<sup>12</sup>

Allied Domecq holds an incontestible ownership right to the STOLICHNAYA mark in

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<sup>12</sup>15 U.S.C. § 1065 sets forth the statutory requirements for a mark to achieve incontestability. It states that subject to certain exceptions not relevant here,

the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: Provided, that –

- (1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and
- (2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court not finally disposed of; and
- (3) an affidavit is filed with the Director within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and other matters specified in paragraphs (1) and (2) of this section; and
- (4) no incontestable right shall be acquired in a mark which is the generic name for the goods or services or a portion thereof, for which it is registered.

the United States. The Patent and Trademark Office identifies defendant Allied Domecq as the owner of U.S. Trademark Reg. No. 865,462 for STOLICHNAYA for “vodka.” (Sec. Am. Compl ¶ 80). The assignment records of the Patent and Trademark Office show that Allied Domecq B.V. received its rights in U.S. Trademark Reg. No. 865,462 in January 2001, by virtue of an assignment from PepsiCo, Inc. (*Id.*). The assignment records further show that PepsiCo received its rights in the subject registration in June 1991 by virtue of an assignment from Soviet State entity VVO-SPL<sup>13</sup> (*Id.*, ¶ 75). The Patent and Trademark Office has declared the U.S. Trademark Reg. No. 865,462 for STOLICHNAYA to be “incontestable.” (Allied Defs.’ Motion to Dismiss, Ex. B, Copy of official records for U.S. Trademark Reg. No. 865,46, Ex. C, Certified copy of complete assignment records, Ex. D, Certified copy of V/O-SPI to Kraus assignment, Ex. E, Certified copy of Kraus to PepsiCo assignment, Ex F, Certified copy of PepsiCo to V/O-SPI assignment, Ex. G., Certified Copy of VVO-SPI to PepsiCo assignment).<sup>14</sup>

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<sup>13</sup> Allied Domecq, as the assignee of an incontestible registration, may rely on the registration as conclusive proof of its ownership. *See* 15 U.S.C. § 1127 (defining the term “Registrant” as inclusive of assignees).

<sup>14</sup> An opportunity to challenge any of the STOLICHNAYA applications for trademark registration existed. As the Supreme Court noted in *Park ‘N Fly*, 469 U.S. at 202:

If the Patent and Trademark Office examiner determines that an applicant appears to be entitled to registration, the mark is published in the Official Gazette. 15 U.S.C. § 1062(a). Within 30 days of publication, any person who believes that he would be damaged by registration of the mark may file an opposition. 15 U.S.C. § 1063. Registration of a mark provides constructive notice through the United States of the registrant’s claim to ownership. 15 U.S.C. § 1072. Within five years of registration, any person who believes that he is or will be damaged by registration may seek to cancel a mark. 15 U.S.C. § 1064(a). A mark may be canceled at any time for certain specified grounds, including that it was obtained fraudulently . . . . 15 U.S.C. § 1064(c).

### **C. Defenses to Incontestability**

Despite a mark's "incontestability," there are limited grounds available to challenge the mark. See 15 U.S.C. § 1064(3); see also 15 U.S.C. § 1115 (containing the related defenses in Section 33(b) of the Lanham Act). The applicable section sets out nine defenses to incontestability. The relevant portions here are:

- (1) That the registration or the incontestable right to use the mark was obtained fraudulently; or . . .
- (3) That the registered mark is being used by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of goods or services on or in connection with which the mark is used; or
- (4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or . . .
- (9) That equitable principles, including laches, estoppel, and acquiescence, are applicable.

15 U.S.C. § 1115(b).

Plaintiffs' challenge ownership of the mark on five grounds. Plaintiffs argue that (1) defendants have filed fraudulent affidavits with the Patent and Trademark Office to obtain the incontestible rights to the marks; (2) the Allied Domecq Defendants use of the STOLICHNAYA mark is geographically deceptive; (3) defendants have misrepresented the source of goods in connection with the STOLICHNAYA marks, and (4) there exists a final decision adverse to Allied Domecq's claim of ownership; and (5) that equitable principles compel the court to disregard the incontestability provisions. None of these exceptions to incontestability apply here.

## **1. Fraud**

Fraud on the Patent and Trademark Office is an exception to incontestability and grounds for canceling a registration. Dial-A-Mattress Operating Corp. v. Mattress Madness, Inc., 841 F.Supp. 1339, 1353 (E.D.N.Y. 1994) (citing National Trailways Bus System v. Trailway Van Lines, Inc., 269 F. Supp. 352, 356 (E.D.N.Y.1965)). Plaintiffs must allege: (1) a false representation regarding a material fact; (2) knowledge or belief that the representation is false; (3) an intention to induce the listener to act or refrain from acting in reliance upon the misrepresentation; (4) reasonable reliance upon the misrepresentation; and (5) damage proximately resulting from such reliance. 3 J. Thomas McCarthy, *Trademarks and Unfair Competition* § 31.21(2)(a), at 31:96 (4th ed. 2004); Dial-A-Mattress Operating Corp., 841 F.Supp at 1399.

Like all allegations of fraud, a claim that fraud has been committed on the Patent and Trademark Office must be pled with the particularity required by Federal Rule of Civil Procedure 9(b). See, e.g., Kash 'N Gold Ltd. v. Samhill Corp., 90 Civ. 1097, 1990 WL 196089 (S.D.N.Y. Nov. 29, 1990). The party pleading fraud on the Patent and Trademark Office must “specify the statements that [it] contends were fraudulent” and “explain why the statements were fraudulent.” See Shields v. Citytrust Bankcorp, Inc., 25 F.3d 1124, 1128 (2d Cir. 1994).

In their briefs, plaintiffs allege several representations by Allied Domecq to the Patent and Trademark Office that they contend amount to fraud. Plaintiffs argue that Allied Domecq filed with the Patent and Trademark Office false declarations of incontestability, and false declarations of continued use in commerce. Plaintiffs argue that in November 2004, after the

instant lawsuit was filed, Allied Domecq Spirits & Wine USA filed three affidavits of incontestability in which its representative attested that “there is no proceeding involving [the right to use the mark] . . . pending in the Patent and Trademark Office or in a court and not finally disposed of.” Plaintiffs further argue that similar false affidavits were earlier filed for other trademarks at issue, notwithstanding Russian judicial proceedings that concerned title to the marks.<sup>15</sup>

The alleged misrepresentations do not rise to the level of affirmative fraud. First, plaintiffs’ Second Amended Complaint does not contain the specific allegations of fraud in plaintiffs’ brief. In the complaint, plaintiffs merely make the conclusory allegation that defendants “knowingly present[ed] and cause[ed] false information to be presented to the [Patent and Trademark Office], in reliance on which the Patent and Trademark Office recorded the STOLICHNAYA Second Generation Marks as belonging to Allied Domecq instead of to their rightful owner, the Russian Federation.” (Sec. Am. Compl., ¶ 122).

Second, even if the complaint contained the allegations of fraud contained in plaintiffs’ brief, plaintiffs would not prevail. An assignment is not “incontestible”; rather, the exclusive right to use the mark is. See 15 U.S.C. §§ 1065, 1115(b). PepsiCo was the “registrant” of the STOLICHNAYA registration when it executed the assignment. PepsiCo therefore possessed the

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<sup>15</sup>Plaintiffs argue that despite these proceedings, Allied Domecq filed a total of nine Section 15 Declarations of Incontestability without disclosing the adverse legal decisions in the Russian Federation. Plaintiffs argue that Allied Domecq engaged in acts of fraud with respect to nine later-filed STOLICHNAYA “formative” marks. To be relevant here, plaintiffs’ allegations must relate to the registration at issue, U.S. Trademark Reg. No. 865,462. See 15 U.S.C. § 1064(3) (an incontestible registration may be canceled if the mark is generic . . . or “its registration was obtained fraudulently.” The alleged acts of fraud with respect to other trademark applications are therefore not relevant to this inquiry.

full legal power to transfer the mark. PepsiCo executed a written document containing the representation that PepsiCo assigned the marks to Allied Domecq. The Patent and Trademark Office accepted this assignment for the purpose of transferring the incontestable registration to Allied Domecq. Plaintiffs merely allege that a defective chain of title underlying the assignment. Plaintiffs have cited no authority for the proposition that the mere recording of an assignment may constitute fraud on the Patent and Trademark Office.

Plaintiffs have not specifically articulated fraudulent in obtaining the registration of the marks. See Fed. R. Civ. P 9(b). Plaintiffs therefore cannot attack Allied Domecq's incontestable status as owner of the STOLICHNAYA marks on this ground by solely attempting to attack the transfer of rights.

## **2. Use of a Geographically Deceptive Mark**

Plaintiffs claim that they may attack Allied Domecq's rights in the trademarks on the ground that the STOLICHNAYA mark is geographically deceptive pursuant to Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a). Under Section 2(a), a mark's registration may be contested if "its registration was obtained contrary to the provisions of subsection (a), (b), or (c) of section 1052 of this title." 15 U.S.C. § 1064(3). Plaintiffs argue that Defendants' mere use of STOLICHNAYA, a Russian word, constitutes a violation of Section 2(a) of the Lanham Act.

Section 2(a) of the Trademark Act prohibits registration of a designation that consists of or comprises (1) deceptive matter, or (2) geographical indications which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods.

Sect. 2. No trademark . . . shall be refused registration on the principle register on account of its nature unless it -

(a) Consists of or comprises (1) . . . deceptive . . . matter; . . . or (2) a geographical indication which, when used on or in connection with the wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant on or after one year after [January 1, 1995].

Under the applicable portion of Section 2(a), a registration is prohibited if it consists of or comprises a “geographical indication, which . . . identifies a place other than the origin of the goods . . . .”<sup>16</sup> “A geographically descriptive term or phrase is one that ‘designates geographical location and would tend to be regarded by buyers as descriptive of the geographic location of origins of the goods or services.’” Forschner Group, Inc. v. Arrow Trading Co., 30 F.3d 348, 355 (2d Cir. 1994). “That a phrase or term evokes geographic associations does not, standing alone, support a finding of geographical descriptiveness. The phrase or term must also ‘designate geographical location.’” Id. (citations omitted).

The trademark at issue is the word “STOLICHNAYA.” The trademark does not include the term “Russian Vodka,” the phrase “Distilled in Russia,” or any other trade dress element, such as the Moscow Hotel, that plaintiffs contend may suggest a geographic location in Russia. Plaintiffs argue that the use of this Russian-language term suggests that the product is associated with Russia. That fact alone is insufficient to sustain a claim for geographic descriptiveness or deceptiveness. The fact that a term suggests an association with a geographic area is insufficient to succeed under Section 2(a). See id., at 355. The term STOLICHNAYA does not “designate” a geographic location.

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<sup>16</sup>The first prong of Section 2(a) does not apply here. Plaintiffs do not allege that STOLICHNAYA is a geographical indication, only that it “suggests a well known geographic location.”

### **3. Misrepresentation of the Source of Goods**

Plaintiffs contest Allied Domecq's ownership rights pursuant to Section 14(3) of the Lanham Act. Under Section 14(3) of the Lanham Act, a mark may be contested if "it is being used so as to misrepresent the source of goods or services on or in connection with which the mark is used." 15 U.S.C. § 1064(3). To state a claim under Section 14(3) of the Lanham Act, a plaintiff must plead that the trademark owner engaged in a "deliberate and blatant misrepresentation of source wherein the registration is merely a vehicle for the misuse rather than evidence of even a colorable ownership claim," or that the trademark owner intentionally displayed the mark "in such a manner as to facilitate passing off the goods as those of another." Global Maschien GmbH v. Global Banking Sys., Inc., 227 U.S.P.Q. 862, 863 n.3 (Trademark Tr. & Appeal Bd. 1985).

Plaintiffs argue that defendants have deliberately sought to pass off their goods as plaintiffs', using virtually identical print style and labels on their STOLICHNAYA bottles. Here, plaintiffs have made no allegations that Allied Domecq is representing that its vodka product is anything other than vodka sold by Allied Domecq and produced by the SPI Defendants. Even if plaintiffs' complaint contained these allegations, the claim would still fail. First, according to the allegations, FGUP, not FTE, is the legal successor to VVO-SPI. (Sec. Am. Compl., ¶ 39). Second, FTE was not created until December 2001, and there is no allegation that it has ever sold vodka in the United States under a STOLICHNAYA label. Third, VVO-SPI assigned its rights in the STOLICHNAYA marks to PepsiCo, and PepsiCo assigned the same rights to Allied Domecq, giving Allied Domecq the exclusive right to sell vodka under

the STOLICHNAYA marks in the United States. Finally, VVO-SPI is no longer selling STOLICHNAYA vodka in the United States and has not done so since June 1991. Even if Allied Domecq were using a label that is virtually identical to the label previously used by VVO-SPI, Allied Domecq's sales in the United States cannot be deemed to constitute deliberate passing off.

#### **4. Final Decision Adverse to Ownership**

Plaintiffs next argue that under Section 15(1) of the Lanham Act, they may contest Allied Domecq's rights to the marks because of recent Russian court decisions stating that VAO-SPI was not the legal successor to VVO-SPI. Section 15(1) provides that for a mark to be declared incontestable, there must have been "no final decision adverse to a registrant's claim of ownership of such mark . . . ." 15 U.S.C. § 1065. Section 15(1) of the Lanham Act does not apply here because Section 15(1) is not a permissible basis to challenge an incontestable registration. An incontestable registration can be challenged only on the grounds set forth in Section 14(3) of the Lanham Act, 15 U.S.C. § 1064(3), and the related defenses in Section 33(b), 15 U.S.C. § 1115. Section 15(1) is not an included manner of challenging the registration. Section 15 merely sets forth the procedural mechanism by which a registrant first files a claim for incontestability. See generally 15 U.S.C. § 1065 (setting forth the criteria that, if satisfied, will lead the Patent and Trademark Office to declare a mark to be incontestable).

Further, plaintiffs may not rely on Russian court decisions to show that the affidavits of incontestability contained false information. The status of plaintiffs' trademark rights in Russia has no bearing on the question of who owns the trademark rights in the United States. See, e.g.,

Itokoyama Co. v. Wine of Japan Import, Inc., 175 F.3d 266, 272-73 (2d Cir. 1999) (“rights (or lack of rights) to a trademark in the United States cannot be established by the fact that [a party] was found by a foreign court to have (or not to have) rights over the same mark in a foreign country”). The questions regarding ownership of the United States trademark rights in a mark and registration are subject to the same analysis as applied in any other case, as the United States rights exist independent of any foreign rights. Id. Plaintiffs have shown no basis in United States law to support their claim of trademark rights in this country. Plaintiffs have never used the marks in the United States. Regardless of any rights that the plaintiffs may or may not have in Russia, they have no United States rights superior to Allied Domecq.

#### **5. Equitable Principles**

15 U.S.C. § 1115(b)(9) provides an exception to incontestability where “equitable principles, including laches, estoppel, and acquiescence, are applicable.” Plaintiffs argue that equitable principles provide a defect to Allied Domecq’s incontestable right because: (1) they claim that Allied Domecq’s claim derives from an invalid chain of title; (2) they claim that Allied Domecq was aware of the cloud on Spirits International’s claim of ownership of the STOLICHNAYA rights, yet entered into an assignment; (3) the assignment from PepsiCo to Allied Domecq for \$10 was a sham transaction; and (4) Spirits International has misrepresented the nature of its transaction with Allied Domecq to the PTO by claiming that it is the owner of the rights.

Plaintiffs’ arguments are not a basis for challenging the incontestability of the STOLICHNAYA registration. In their complaint, plaintiffs have not set forth a single equitable

defect to the registration. Instead, plaintiffs argue that the allegations support a claim of “unclean hands.” Plaintiffs have cited no authority for the use of “unclean hands” as an affirmative attack on an incontestable registration. However, even if such an attack were permissible under the statute, plaintiffs have not alleged any damage to themselves resulting from Allied Domecq’s actions. Plaintiffs cannot show that when Allied Domecq acquired the registration from PepsiCo, it engaged in unscrupulous conduct that affected the equitable relations between Allied Domecq and Plaintiffs. Plaintiffs’ assertion of a defect in the incontestability of the marks on the basis of unclean hands therefore fails.

The incontestible federal registration constitutes “conclusive evidence” of ownership of the STOLICHNAYA mark. See Financial Matters, Inc. v. PepsiCo., Inc. 92 Civ. 7497, 1993 WL 378844 (S.D.N.Y. Sept. 24, 1993). FTE has not stated a proper statutory claim upon which it may challenge the transfer of that incontestable ownership of the STOLICHNAYA registration. Claims 1, 6-8, 10-12, and 15 are therefore dismissed. See Calzaturificio Rangoni S.p.A. v. U.S. Shoe Corp. 868 F.Supp. 1414, 1420-21; see also Oreck v. Thomson Consumer Electronics, Inc., 796 F.Supp. 1152, 1161 (S.D. Ind. 1992) (where plaintiff could not state a claim challenging the incontestable status of the defendant’s mark, “the remaining . . . claims are without merit by nature of the ‘incontestable’ status of the [trademark]” and are properly dismissed). Claims 5 and 13 are similarly dismissed to the extent those causes of action are premised on the use of the STOLICHNAYA marks.<sup>17</sup>

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<sup>17</sup>Counts 5 and 13 state a cognizable cause of action against the Allied Domecq Defendants based on allegations of deceptive marketing and false advertising unrelated to their use of the STOLICHNAYA marks. Claim 10 for cancellation of the marks is dependant upon the legal viability of the first count seeking a declaration that FTE is the true owner of the

As plaintiffs have no ownership interest in the United States trademarks alleged to have been misappropriated, plaintiffs misappropriation claim fails. 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 10.72 (4th ed. 2004); see Eastern Air Lines, Inc. v. New York Air Lines, Inc., 559 F. Supp 1270 (S.D.N.Y. 1983) (plaintiff who fails to prove trademark rights cannot claim that its purported rights to the trademark have been “misappropriated”).<sup>18</sup>

#### **D. Copyright Claim (14)**

Plaintiffs pursue an action for a restored copyright. “To establish [copyright] infringement, two elements must be proven: (1) Ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.” Feist Publ’ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 361 (1991). Plaintiffs have alleged that the STOLICHNAYA labels used by the defendants is strikingly similar to those labels used by the plaintiffs.

Plaintiffs also allege that they possess a ownership of a valid United States copyright. Following the United States’ admission to the Berne Convention, Congress enacted Section 104A of the Copyright Act. This section provides for the automatic restoration of copyrights

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STOLICHNAYA marks. Because Count One is being dismissed, Count 10 must be dismissed as well.

<sup>18</sup> The SPI Defendants also argue that all Claims should be dismissed against them, pursuant to Fed. R. Civ. P. 12(b)(7), for failure to join FGUP. The joinder of these parties is only implicated to the extent that plaintiffs’ can bring copyright and trademark claims of ownership of the STOLICHNAYA marks. See, e.g., First Fin. Mktg. Servs. Group v. Field Promotions, Inc., 286 F.Supp. 295, 298 (S.D.N.Y. 1968) (“It is familiar law that the copyright owner is an indispensable party to a suit where the validity of his copyright is in issue.”). As this Court has determined that Allied Domecq possesses incontestible rights to the trademarks at issue, it is not necessary to address the 12(b)(7) argument of the SPI Defendants.

which may have entered into the public domain in the United States to the source country of such copyright, as of January 1, 1996. See 17 U.S.C. § 104A. To qualify as a “restored work” the copyright must (1) be an original work of authorship; (2) not be in the public domain in its source country; (3) be in the public domain in the United States due to noncompliance with formalities imposed at any time by the United States copyright law or lack of national eligibility; and (4) have at least one author or right-holder who was, at the time the work was created, a national or domiciliary of an eligible country, and if published, was first published in an eligible country and not published in the United States during the 30-day period following publication in such eligible country. 17 U.S.C. §§ 104A(h)(6)(A)-(D).

The Allied Domecq Defendants argue that plaintiffs cannot assert a copyright infringement claim because they have not complied with the notice requirements under Section 104(a). To maintain an action for a restored copyright, plaintiffs were required to adhere to certain formal notice requirements with respect to a “reliance party.” See Hoepker v. Kruger, 200 F.Supp.2d 340, 346 (S.D.N.Y. 2002).

17 U.S.C. § 104A provides safeguards to “reliance parties.” The term “reliance party” means any person who –

(A) with respect to a particular work, engages in acts, before the source country of that work becomes an eligible country, which would have violated section 106 if the restored work had been subject to copyright protection, and who, after the source country becomes an eligible country, continues to engage in such acts; [or]  
...

(C) as the result of the sale or other disposition of . . . significant assets of a person described in subparagraph (a) . . . is a[n] . . . assignee . . . of that person.

17 U.S.C. § 104A(h).

PepsiCo was a reliance party. PepsiCo began selling STOLICHNAYA product pursuant to its February 1992 agreement with VVO-SPI. Russia did not become an “eligible country” until March 1995, when Russia acceded to the Berne Convention.. PepsiCo continued to sell STOLICHNAYA vodka after March 1995, and subsequently assigned all rights in U.S. Trademark Reg. No. 1,852,522 to Allied Domecq in January 2001. If plaintiffs possessed copyright protection, PepsiCo would have used the copyright before and after Russia became eligible. PepsiCo would therefore have qualified as a reliance party.

17 U.S.C. §§ 104A(d)(2)(A) and (B) impose formal notice requirements on the owner of a “restored copyright” before it may commence an infringement action against a “reliance party,” such as Allied Domecq:

Infringement actions against reliance parties can be commenced (1) only after the restored copyright owner has provided notice of intent to enforce the restored copyright (either by filing a notice with the Copyright Office for publication in the Federal Register or by service of such notice on the reliance party) and (2) only for those acts of infringement that either commence or continue 12 months or more after such notice is given.

Hoepker, 200 F.Supp.2d at 346..

As an assignee of PepsiCo’s rights in the STOLICHNAYA label, Allied Domecq also qualifies as a reliance party entitled to the protections of Section 104A of the Copyright Act. See 17 U.S.C. § 104A(h). Accordingly, under Section 104A of the Copyright Act, defendants are entitled to proper notice of a foreign rightholder’s intent to enforce a restored copyright and to a 12-month grace period in which to dispose of existing copies before an infringement claim may be brought. See 17 U.S.C. § 104A(d)(2). Plaintiffs have not provided the notice required by Section 104A. Plaintiffs’ copyright claim is therefore dismissed.

**E. Fraud Claims (2 and 9)**

The SPI Defendants move to dismiss plaintiffs' state law fraud claim against them for two reasons. First, the SPI Defendants argue that plaintiffs have failed to plead two of the elements of fraud. Second, plaintiffs have failed to plead fraud with the heightened particularity required by Rule 9(b).

Plaintiffs allege that the SPI Defendants misrepresented to PepsiCo that they were the rightful owners of the STOLICHNAYA marks in the United States and the lawful successors-in-interest to VVO-SPI. Plaintiffs allege that these misrepresentations were made with the intent to defraud the Russian Federation. Plaintiffs further allege that, in reliance upon these alleged misrepresentations, PepsiCo assigned the Second Generation marks to Allied Domecq instead of their "rightful owner," the Russian Federation.

A claim for fraud cannot lie under New York law where the alleged misrepresentation is made to and relied upon by a third party, but not the plaintiff. See Cement & Concrete Workers v. Lollo, 148 F.3d 194, 196 (2d Cir. 1998) (citations omitted). Here, plaintiffs cannot maintain their fraud claim because the Second Amended Complaint fails to allege that plaintiffs in any way relied on false statements the SPI and the Allied Domecq Defendants made to PepsiCo. The Second Amended Complaint acknowledges that PepsiCo was the recipient of the SPI Defendants' alleged false representations, not plaintiffs. (Sec. Am. Compl., ¶¶ 120-21). Plaintiffs do not allege any false statements made to them, directly or indirectly, upon which they relied.

Even if plaintiffs could prove their reliance, plaintiffs claim fails because they have not

shown that they were damaged by the alleged fraud. “A fraud verdict may not rest on allegations of speculative or remote injury to the plaintiff; rather, the plaintiff must have suffered losses as a direct, immediate, and proximate result of the defendant’s misrepresentation.” Kaye v. Grossman, 202 F.3d 611, 614 (2d Cir. 2000) (internal quotations and citations omitted). Plaintiffs have not alleged that if VAO-SPI did not represent to PepsiCo that it was the successor-in-interest to VVO-SPI, and the U.S. rights in the STOLICHNAYA marks had reverted to VVO-SPI, FTE would have benefitted from the reversion. Indeed, FTE could not have benefitted from that hypothetical course of events because it does not claim to have existed until December 2001, over nine years after VAO-SPI entered into the 1992 Addendum to the 1991 Agreement with Pepsico.

Plaintiffs also failed to plead their fraud claim with the particularity required by Rule 9(b). Plaintiffs are required to set forth a detailed pleading about “the time, place, speaker, and sometimes even the content of the alleged misrepresentations.” Luce v. Edelstein, 802 F.3d 49, 54 (2d Cir. 1986). “[A] complaint . . . which fails to adduce any specific facts supporting an inference of knowledgeable participation in the alleged fraud . . . will not satisfy even a relaxed standard.” Devany v. Chester, 813 F.3d 566, 569 (2d Cir. 1987) (citations omitted).

Plaintiffs’ fraud claim is based on the allegation that the SPI Defendants knew that their claim to the ownership of reversionary rights to the United States STOLICHNAYA marks was false, and they made misstatements with the intent to defraud the Russian Federation. The Second Amended Complaint alleges that VAO-SPI was not the legal successor to VVO-SPI and explains the grounds for the Russian courts’ holding to that effect. Likewise, plaintiffs allege that Sorochkin “conspired to make it appear that VVO-SPI . . . had been lawfully transformed

into a private joint stock company.” (Sec. Am. Compl., ¶ 28). Plaintiffs however, do not allege that the corporate or individual SPI Defendants had anything to do with this “conspiracy” or had knowledge of any defect in the privatization process. Further, although the plaintiffs allege that letters purportedly signed by the First Deputy Minister of the Ministry of Agriculture were forgeries, it does not allege that the SPI Defendants had any role in or knowledge of the purported forgeries. Even if the marks were improperly transferred from the Soviet or Russian Government, the Second Amended Complaint merely alleges that this transfer occurred at the initial “privatization” of VVO-SPI. Accordingly, Claim 2, asserted against the SPI Defendants, is dismissed.

Plaintiff FTE’s ninth claim for aiding and abetting fraud alleges that the Allied Domecq Defendants knew of material facts constituting or evidencing the scheme of the SPI Defendants. The existence of a fraud is an essential prerequisite to a claim of aiding and abetting a fraud. See Weight v. Bankamerica Corp. 219 F.3d 79, 91 (2d Cir. 2000). In the absence of a fraud by the SPI Defendants, plaintiffs cannot maintain an aiding and abetting fraud claim against the Allied Domecq Defendants. Claim 9 is therefore dismissed.

**G. Unjust Enrichment Claim (Claims 3)**

Plaintiffs’ unjust enrichment cause of action against the SPI Defendants is defective. The elements of an unjust enrichment claim under New York law are “(1) that the defendant benefitted; (2) at the plaintiff’s expense; and (3) that equity and good conscience require restitution.” Kaye v. Grossman, 202 F.3d 611, 616 (2d Cir. 2000) (internal quotations and citations omitted). The essence of an unjust enrichment claim “is that one party has received

money or a benefit at the expense of another.” Id. “A defendant is enriched at the expense of a plaintiff when the defendant receives a benefit of money or property belonging to the plaintiff.” Granite Partners, P.P. v. Bear, Stearns & Co., 17 F. Supp.2d 275, 313 (S.D.N.Y. 1998).

Plaintiffs’ Second Amended Complaint merely asserts, without supporting factual allegations, that the SPI Defendants “have been unjustly enriched by virtue of their actions . . . at Plaintiffs’ expense.” (Sec. Am. Compl., ¶ 126). The Complaint gives two examples of the SPI Defendants’ unjust enrichment: (1) “causing the [United States STOLICHNAYA Marks] to purportedly be assigned to Allied Domecq for valuable consideration notwithstanding that the [SPI] Defendants had and have no legal claim to those marks” and (2) “enter[ing] into an agreement to provide Allied Domecq with vodka” and earning a profit therefrom. (Id.) These allegations are insufficient to show that equity and good conscience require restitution. Further, plaintiffs have not alleged that defendants’ profits were gained at plaintiffs’ expense.

According to plaintiffs’ allegations, FTE did not exist until December 2000. FTE cannot make claims to profits earned by the SPI Defendants prior to that date. It was not until July 4, 2002 that the Russian Federation, which claims to own the rights in the STOLICHNAYA marks, purportedly assigned to FTE the right to use the Russian STOLICHNAYA trademarks. Further, there is no allegation that the Russian Federation has ever purported to assign to FTE the rights in the STOLICHNAYA trademarks that FTE claims to own. Cf. supra note 5 (detailing the STOLICHNAYA marks assigned to Allied Domecq), with note 1 (detailing the STOLICHNAYA marks assigned by the Russian Federation to FTE). FTE, therefore, has no claim to any profits from STOLICHNAYA vodka sales in the United States. SPI’s profits therefore cannot be said to have come at FTE’s expense.

Likewise, Ost-Alco's rights are limited to use of the marks in Russia. The Second Amended Complaint alleges that the distillery is "the licensed manufacturer of STOLICHNAYA vodka." (Id., ¶ 12). If so, Ost-Alco is licenced to use the marks by FTE, which claims to have been assigned the rights to the STOLICHNAYA trademarks in Russia only. Ost-Alco's alleged rights as a licensee are therefore limited to use of the marks in Russia.

#### **H. Unfair Competition Claim (Claim 5)**

The SPI Defendants are moving to dismiss the unfair competition claim asserted against it. Section 349 of the New York General Business Law makes unlawful "deceptive acts or practices in the conduct of any business, trade or commerce in the furnishing of any service in [New York]." Plaintiffs allege that defendants' acts and practices are consumer-oriented. Plaintiffs further allege that Defendants' STOLICHNAYA label provides a false description of the geographic origin of the vodka distributed under the label. The SPI Defendants argue that plaintiffs' claim should be dismissed because plaintiffs do not allege that the SPI Defendants violated the statute in the conduct of any business or in furnishing any service in New York.

In the Second Amended Complaint, plaintiffs only allege that the Allied Domecq defendants advertised STOLICHNAYA vodka. The only paragraphs in the complaint containing factual allegations concerning a false description of the geographic origin of the STOLICHNAYA vodka are paragraphs 89-94. In that portion of the complaint, plaintiffs allege that

[t]he [SPI Defendants] have purchased the Balzams plant in Latvia and SPI Spirits now admittedly manufactures and bottles its vodka in Latvia. SPI Spirits has admitted in numerous disclosures to the news media that its purported STOLICHNAYA vodka is actually made in Latvia.

(Sec. Am. Compl., ¶ 94). Plaintiffs do not allege in these paragraphs that the SPI Defendants have falsely advertised the vodka or otherwise committed any deceptive acts or practices in the conduct of any business or in furnishing any service in New York, as is required under the statute. Plaintiffs have not stated a claim for unfair competition against the SPI Defendants. Plaintiffs unfair competition claim against the SPI defendants is therefore dismissed.

#### **I. False Designation of Origin (Claim 13)**

Plaintiffs moved for summary judgment on Claim 13 (false designation of origin). Plaintiffs argue, in support of their motion for summary judgment, that the Allied Domecq Defendants misrepresented the geographic origin of their STOLICHNAYA vodka by advertising Latvian-made vodka as being from Russia. Plaintiffs allege that in the United States, defendant Allied Domecq advertises its STOLICHNAYA vodka as “Russian Vodka,” “Genuine Russian Vodka,” “Product of Russia,” “Imported Russian Vodka,” “The Russian Phenomenon,” and “Distilled in Russia.” Plaintiffs further contend that the Allied Domecq Defendants’ mere use of the STOLICHNAYA marks is deceptive and geographically misdescriptive. Plaintiffs claim that they are likely to suffer an injury as a result of the alleged false designation because Ost-Alco currently sells its brand “Jewel of Russia” in the United States and plaintiffs intend to sell Russian vodka in the United States under the STOLICHNAYA brand label. For purposes of their summary judgment motion, plaintiffs are seeking solely injunctive relief enjoining the Allied Domecq Defendants and their agents from using, licensing, assigning other than to FTE, or selling the STOLICHNAYA marks. (Sec. Am. Compl. ¶ 174; Pls.’ Mem. Supp. Mot. for Summ. J., at 19, n.16 (“Plaintiffs’ Motion for Summary Judgment does not seek judgment as to damages, costs and attorneys’ fees, or other available remedies.”)).

The Allied Domecq Defendants submit that the vodka that it sells in the United States is from the Russian Federation. As such, they contend, it may be called “Russian Vodka.” They claim that since an issue of fact exists, as to whether Allied Domecq’s product originates in Russia, summary judgment in plaintiffs’ favor is precluded.

Beyond the existence of disputed issues of fact, the relief they are seeking is unavailable. Plaintiffs claim that, as competitors who sell or intend to sell Russian vodka in the United States, they are likely to be injured by Allied Domecq’s allegedly falsely advertising that its product is made in Russia. As previously noted the term “STOLICHNAYA” does not indicate that Russia is the country of origin so as to confuse or mislead consumers in this regard. Thus, plaintiffs are not entitled to injunctive relief enjoining Allied Domecq’s from using the marks to which they possess incontestable ownership.

The other phrases to which plaintiffs find objectionable clearly refer to Russia, *i.e.*, “Russian Vodka,” “Genuine Russian Vodka,” “Product of Russia,” “Imported Russian Vodka,” “The Russian Phenomenon,” and “Distilled in Russia.” However, plaintiffs are not seeking to enjoin Allied Domecq from continuing to use such phrases in their advertising. Any competitive or commercial injury allegedly suffered by plaintiffs would not be vitiated by enjoining Allied Domecq from using the STOLICHNAYA marks, but nevertheless allowing them to specifically advertise that their product is Russian vodka. Since the relief sought by plaintiffs, for purposes of their summary judgment motion, was limited to enjoining Allied Domecq from using the STOLICHNAYA marks, the motion is denied.<sup>19</sup>

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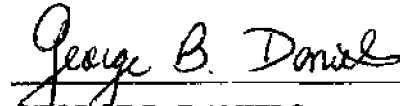
<sup>19</sup>Similarly, plaintiffs seek, under similar allegations, the same inappropriate remedy in Claim 5, their unfair competition claim against the Allied Domecq Defendants. Plaintiffs allege

## CONCLUSION

Plaintiffs' motion for summary judgment on Claim 13 is denied. The defendants' respective motions to dismiss are granted.<sup>20</sup>

Dated: New York, New York  
March 31, 2005

SO ORDERED:

  
\_\_\_\_\_  
GEORGE B. DANIELS  
United States District Judge

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that the Allied Domecq Defendants' acts are "misleading in a material way, as Defendants' STOLICHNAYA label provides a false description of the geographic origin of the goods distributed under that label. (Sec. Am. Compl. ¶ 132). Plaintiffs cannot, under this theory, obtain an injunction enjoining Allied Domecq's use of the STOLICHNAYA marks.

<sup>20</sup>After the submissions of the instant motions, plaintiffs filed a motion for summary judgment on Claims 1, 6, 11, and 15, and alternatively, for partial summary judgment on the Claim 1 ("Plaintiffs' Second Motion for Summary Judgment"). Because the Court granted defendants' motions to dismiss on these claims, Plaintiffs' Second Motion for Summary Judgment is rendered moot. Plaintiffs Second Motion for Summary Judgment is therefore dismissed.

## **ATTACHMENT 2**

UNITED STATES PATENT AND TRADEMARK OFFICE  
Trademark Trial and Appeal Board  
P.O. Box 1451  
Alexandria, VA 22313-1451

Mailed: February 16, 2006

Opposition No. 91167196

Spirits International, N.V.

v.

Russian Federal Treasury  
Enterprise Sojuzplodoimport

**Peter Cataldo, Attorney:**

This case now comes before the Board for consideration of opposer's motion (filed on January 13, 2006) to suspend proceedings pending the outcome of a civil action.<sup>1</sup> Applicant has filed a brief in opposition thereto.<sup>2</sup>

The Board has carefully considered the arguments of both parties with regard to the above motion. However, an exhaustive review of those arguments would only serve to delay the Board's disposition of this matter.

Whenever it comes to the attention of the Board that the parties to a case pending before it are involved in a civil action, proceedings before the Board may be suspended

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<sup>1</sup> Civil Action No. 04-08510(GBD), filed on October 28, 2004 in the United States District Court for the Southern District of New York.

<sup>2</sup> The Board is exercising its discretion to come to a determination of opposer's motion prior to the expiration of its

until final determination of the civil action. See Trademark Rule 2.117(a); and *General Motors Corp. v. Cadillac Club Fashions Inc.*, 22 USPQ2d 1933 (TTAB 1992). Suspension of a Board case is appropriate even if the civil case may not be dispositive of the Board case, so long as the ruling may have a bearing on the rights of the parties in the Board case. See *Martin Beverage Co. Inc. v. Colita Beverage Company.*, 169 USPQ 568, 570 (TTAB 1971).

In this case, the parties to the instant opposition include the parties to Civil Action No. 04-08510. Further, the issues before the Court in the civil action include, *inter alia*, opposer's rights in its asserted marks STOLICHNAYA RUSSIAN VODKA and design and MOSKOVSKAYA RUSSIAN VODKA and design. As a result, the Court's determination in the civil case may include a determination of opposer's rights to those asserted marks. Any such determination of opposer's rights to its asserted marks in the civil action will have a bearing on the issues before the Board. Moreover, to the extent that a civil action in a Federal district court involves issues in common with those in a proceeding before the Board, the decision of the Federal district court is binding upon the Board, while the decision of the Board is not binding upon the court. See, for example, *Goya Foods Inc. v. Tropicana Products Inc.*, 846

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time in which to file a reply brief with regard thereto. See

F.2d 848, 6 USPQ2d 1950 (2d Cir.1988); and *American Bakeries Co. v. Pan-O-Gold Baking Co.*, 650 F Supp 563, 2 USPQ2d 1208 (D.Minn. 1986).

In view of the foregoing, and in the interest of judicial economy and consistent with the Board's inherent authority to regulate its own proceedings to avoid duplicating the effort of the court and the possibility of reaching an inconsistent conclusion, **proceedings herein are suspended** pending final disposition of the civil action involving the parties.

Within twenty days after the final determination of the civil action, the interested party should notify the Board so that this case may be called up for appropriate action. During the suspension period the Board should be notified of any address changes for the parties or their attorneys.

### **ATTACHMENT 3**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the matter of Application Serial No. 76/604,592  
Mark: RUSSIAN VODKA

ALLIED DOMEQ INTERNATIONAL  
HOLDINGS BV,

Opposer,

v.

RUSSIAN FEDERAL TREASURY  
ENTERPRISE SOJUZPLODOIMPORT,

Applicant.

Opposition No. 91,165,999

**APPLICANT'S OPPOSITION TO OPPOSER'S  
MOTION TO SUSPEND PROCEEDINGS**

Applicant Russian Federal Treasury Enterprise Sojuzplodoimport ("Applicant") hereby respectfully submits this opposition the motion of Opposer Allied Domecq International Holdings BV's ("Allied Domecq") to suspend this proceeding. Allied Domecq seeks to suspend this proceeding in light of *Federal Treasury Enterprise Sojuzplodoimport v. Spirits Int'l N.V.*, No. 06-3532, a case currently pending before the Second Circuit Court of Appeals (the "civil Action"). The Civil Action, however, involves entirely different trademarks and different issues. As a result, nothing that will be decided in the Second Circuit will affect the validity of the certification mark that Applicant is seeking to register. Indeed, contrary to Allied Domecq's claim, the Civil Action will not even affect its likelihood-of-confusion claim because that claim fails as a matter of law due to Allied Domecq's disclaimer of the phrase "Russian Vodka." The motion to suspend should be denied.

## **BACKGROUND**

Applicant is a state-owned corporation operating under the auspices of the Ministry of Agriculture of the Russian Federation. On July 26, 2004, Applicant filed an application to register the mark "RUSSIAN VODKA" as a certification mark in International Class A for vodka.

The proposed certification mark is designed to protect Russian vodka producers and American consumers. Vodka is a well-known and highly prized symbol of Russian culture, which is produced within the Russian Federation subject to standards ensuring its quality and authenticity. However, there are those who presently trade on the Russian reputation for vodka, even though their product is not made in the Russian Federation or does not meet the standards for genuine Russian vodka. The Ministry of Agriculture of the Russian Federation, through Applicant, wishes to ensure that only vodka *actually made* in the Russian Federation according to specific standards is promoted as "Russian vodka," which will reward genuine Russian vodka producers while at the same time protecting American consumers from being deceived about the true source and quality of the vodka they purchase.

Allied Domecq opposes this certification mark on several grounds. It contends that the term "RUSSIAN VODKA" is merely a geographic designation of origin, that Applicant has not controlled and limited the use of this mark properly, and that Applicant has used the proposed mark in an incompatible fashion. Notice of Opposition ¶¶ 10-13. Finally, and most importantly here, Allied Domecq contends that the proposed certification mark would cause consumers to mistakenly believe that the vodka it sells under the trademark STOLICHNAYA RUSSIAN VODKA is produced in Russia, satisfies Russian production standards, and therefore qualifies as RUSSIAN VODKA under the proposed certification mark. *Id.* ¶ 8.

The primary trademark issue in the Civil Action is the ownership of the STOLICHNAYA trademarks.<sup>1</sup> Like many other state-owned assets, the STOLICHNAYA trademark was misappropriated after the dissolution of the Soviet Union, and in the case before the Second Circuit Applicant seeks to reclaim these valuable trademarks for the Russian state. Although initially Applicant contended that Allied Domecq was falsely advertising its vodka as Russian when it fact is produced in Latvia, this claim was dropped in order to allow an immediate appeal on the more central issues in the case. Thus, the origin of the vodka sold by Allied Domecq under the STOLICHNAYA label is no longer an issue in the Civil Action.

### **ARGUMENT**

#### **THE CIVIL ACTION WILL NOT AFFECT ALLIED DOMEQC'S CHALLENGES TO THE PROPOSED CERTIFICATION MARK AND THEREFORE HAS NO BEARING ON THESE PROCEEDINGS**

Where a party to a case pending before the Trademark Trial and Appeal Board (the "Board") is involved in a civil action that may have a bearing on the proceedings before the T.T.A.B., the Board has discretion to suspend the proceeding in favor of the civil action. 37 CFR § 2.117(a); TBMP § 510.02(a). The Civil Action, however, does not involve the RUSSIAN

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<sup>1</sup> The STOLICHNAYA family of trademarks consists of the following federal registrations: STOLICHNAYA (Reg. No. 865,462), STOLICHNAYA (Reg. No. 1,291,454), STOLICHNAYA (Reg. No. 2,317,475), STOLI (Reg. No. 1,244,735), STOLICHNAYA RUSSIAN VODKA (Reg. No. 1,852,552), STOLICHNAYA KAFYA (Reg. No. 2,155,523), STOLICHNAYA LIMONNAYA VODKA (Reg. No. 2,334,080), STOLICHNAYA LIMONNAYA (Reg. No. 2,339,463), STOLICHNAYA LIMONNAYA VODKA (Reg. No. 2,334,079), STOLICHNAYA OHRANJ (Reg. No. 2,291,831), STOLICHNAYA OHRANJ (Reg. No. 2,233,190), STOLICHNAYA OHRANJ (Reg. No. 1,988,911), STOLI PERSIK (Reg. No. 2,189,745), STOLICHNAYA STOLI PERSIK (Reg. No. 2,339,689), STOLICHNAYA STOLI RAZBERI (Reg. No. 2,204,355), STOLI RAZBERI (Reg. No. 2,175,465), STOLICHNAYA STRASBERI (Reg. No. 2,202,991), STOLI STRASBERI (Reg. No. 2,205,863), STOLI VANIL (Reg. No. 2,192,600), STOLI ZINAMON (Reg. No. 2,192,681), and STOLICHNAYA GOLD (application) (Ser. No. 75/184,282). The Second Circuit action also concerns the MOSKOVSKAYA family of trademarks. However, Opposer does not cite these marks in its opposition to the application in this proceeding.

VODKA certification mark. Allied Domecq contends that the Civil Action might undermine its standing to challenge the proposed certification mark based upon likelihood-of-confusion.

Allied Domecq's likelihood-of-confusion claim, however, fails as a matter of law because it has disclaimed the phrase "Russian vodka" and has offered no other basis for claiming likelihood of confusion. As a consequence, nothing in the Civil Action will have any impact on this proceeding, and Allied Domecq's motion to suspend should therefore be denied.

A. The RUSSIAN VODKA Certification Mark Is Not At Issue In the Civil Action

The RUSSIAN VODKA certification mark that Applicant seeks to register is not at issue in the Civil Action. As noted above, that action concerns the ownership of the STOLICHNAYA family of trademarks. Thus, these proceedings and the Civil Action "involve different sets of transactional facts, different proofs, different burdens, and different public policies," which means that the final resolution of the Civil Action will not preclude the Board from considering Applicant's request to register the RUSSIAN VODKA certification. *See, e.g., Mayer/Berkshire Corp. v. Berkshire Fashions, Inc.*, 76 U.S.P.Q. 1310, 1313 (Fed. Cir. 2005); *see also* 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 32:82, at 32-142.3 (2006) ("[C]laim preclusion (bar) does not apply where a plaintiff relies on the same trademark to contest defendant's use or registration of two similar, but different, trademarks.")

B. Allied Domecq's Likelihood-of-Confusion Defense Fails As a Matter of Law Whatever Its Rights to the STOLICHNAYA RUSSIAN VODKA Trademark

Allied Domecq contends that the Civil Action will have a bearing on its likelihood-of-conclusion claims under Section 2(d). It asserts that, if Allied Domecq is found—contrary to the true facts—to be the lawful owners of the STOLICHNAYA trademarks, Applicant's defenses to the likelihood-of-confusion claim will fail. Motion to Suspend at 3-4. That is not true. If Allied Domecq were found to be the lawful owner of the STOLICHNAYA

trademarks, Applicant's *standing* defense would fail. Applicant, however, would still be able to show that Allied Domecq's likelihood-of-confusion claim fails because it is defective as a matter of law, regardless of how the ownership of the STOLICHNAYA trademarks is resolved in the Civil Action.

When Allied Domecq registered the STOLICHNAYA RUSSIAN VODKA Trademark and related design mark, it expressly disclaimed the phrase "Russian vodka." As the registration expressly states, "no claim is made to the exclusive right to use 'Russian Vodka' apart from the mark as shown." STOLICHNAYA RUSSIAN VODKA & Design Registration, attached hereto as Exhibit A (capitalization omitted). Having disclaimed the term "Russian vodka" in its registration, Allied Domecq cannot now base a claim for infringement or likelihood of confusion on Applicant's use of that term, without anything more: "If plaintiff has a registration of the composite mark *A + B*, with *B* disclaimed, then it does not have a claim for infringement of the registered trademark against a defendant who uses mark *B*." 3 *McCarthy on Trademarks and Unfair Competition* § 19:72, at 19-226.

The "legal effect" of a disclaimer is that "*no claim to any exclusive right to use [the disclaimed words]* is to be implied from the fact of registration." *United States Steel Corp. v. Vasco Metals Corp.*, 157 U.S.P.Q. 627, 629 (C.C.P.A. 1968) (emphasis in original). Allied Domecq has explicitly stated that it makes "no claim . . . to the exclusive right to use 'Russian vodka' apart from the mark as shown." By disclaiming the phrase "Russian vodka," Allied Domecq has expressly accepted the legal consequence that it would no longer have any ownership rights in those terms. The only rights that Allied Domecq has in the phrase "Russian vodka" derive from the "precise relation and association in which it appear[s] in the drawing and description" of Opposer's trademark registration. *In re Franklin Press, Inc.*, 201 U.S.P.Q. 662,

665 (C.C.P.A. 1979) (internal citations omitted). As a result, Allied Domecq can lay no claim to the disclaimed portion of that mark, divorced from the other, protected elements.

Allied Domecq does not—and cannot—allege that there is any likelihood that consumers will confuse the STOLICHNAYA portion of its STOLICHNAYA RUSSIAN VODKA trademark with Applicant's RUSSIAN VODKA certification mark. Instead, it claims likelihood of confusion based upon the use of the term "Russian Vodka," Opposition ¶¶ 4-8, the very term that it has disclaimed. As Allied Domecq has no legal right in that term, its likelihood-of-confusion claims fails whether or not it is determined to be the true owner of the STOLICHNAYA RUSSIAN VODKA in the Civil Action.

C. The Civil Action Has No Bearing on Allied Domecq's Other Challenges

The Civil Action will not have any bearing on Allied Domecq's other challenges either. In addition to asserting likelihood of confusion under Section 2(d), Allied Domecq also contends that RUSSIAN VODKA is a mere geographical designation. Opposition ¶ 8. As Allied Domecq advertises its vodka as Russian vodka, its standing to raise this challenge does not depend upon its ownership of the STOLICHNAYA trademarks. Moreover, in evaluating this challenge, the Board must assess whether the public understands that products sold in connection with the phrase "RUSSIAN VODKA" emanate only from Russia and are made in accordance with certain standards. *Institut Nat'l Des Appellations d'Origine v. Brown-Forman Corp.*, 47 U.S.P.Q.2d 1875, 1885 (T.T.A.B. 1998). The question of who owns the STOLICHNAYA trademarks has no impact on this determination. Similarly, the Civil Action will have no impact on Allied Domecq's claims that Applicant has not controlled the use of the proposed mark or that it has used in the mark in an inconsistent fashion. Opposition ¶ 12.

D. Suspension Order in the SPI Opposition Does Not Compel a Different Conclusion

In urging the Board to suspend these proceedings, Allied Domecq relies upon the suspension order issued in the opposition brought by Spirits International, N.V. That order was not, however, a final judgment on the merits and therefore is not binding on the Board. See *Mayer/Berkshire Corp.*, 76 U.S.P.Q.2d at 1312. Even more important, that order did not consider whether Spirits International's likelihood-of-confusion claim failed as a matter of law. Nor did it analyze whether any of Spirit International's other arguments would be impacted by the resolution of the Civil Action. Instead, it simply asserted without explanation that "a determination of Allied Domecq's rights to those asserted marks . . . will have a bearing on the issues before the Board." Motion to Suspend, Ex. A at 2. The Board should not blindly follow this determination. Instead, it should analyze for itself whether the Civil Action will have any impact on the arguments being advanced by Allied Domecq in this opposition.

CONCLUSION

Based on the foregoing, Applicant respectfully requests that the Board deny Opposer's motion to suspend the proceedings.

Dated: September 30, 2006

QUINN EMANUEL URQUHART OLIVER &  
HEDGES, LLP



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David W. Quinto (Bar No. 106232)  
Attorneys for Applicant  
Russian Federal Treasury Enterprise Sojuzplodoimport

## **EXHIBIT A**

Int. Cl.: 33

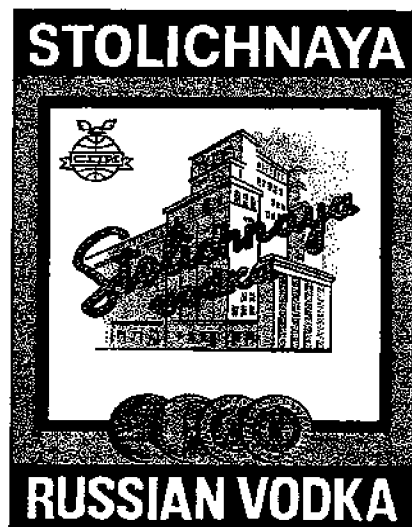
Prior U.S. Cl.: 49

**United States Patent and Trademark Office**

Reg. No. 1,852,552

Registered Sep. 6, 1994

**TRADEMARK  
PRINCIPAL REGISTER**



PEPSICO, INC. (NORTH CAROLINA CORPORATION)  
700 ANDERSON HILL ROAD  
PURCHASE, NY 10577

FOR: VODKA, IN CLASS 33 (U.S. CL. 49).  
FIRST USE 6-0-1983; IN COMMERCE  
6-0-1983.

OWNER OF U.S. REG. NOS. 865,462 AND  
1,291,454.

NO CLAIM IS MADE TO THE EXCLUSIVE  
RIGHT TO USE "RUSSIAN VODKA", APART  
FROM THE MARK AS SHOWN.

THE STIPPLING SHOWN IN THE DRAWING  
IS A FEATURE OF THE MARK AND IS NOT  
INTENDED TO INDICATE COLOR.

THE ENGLISH TRANSLATION OF "STO-  
LICHNAYA" IS "CAPITAL".

SER. NO. 74-288,268, FILED 6-26-1992.

WILLIAM P. SHANAHAN, EXAMINING AT-  
TORNEY

CERTIFICATE OF SERVICE

I certify that on the 4th day of October, 2006, I caused a true copy of Applicant's Opposition to Opposer's Motion to Suspend Proceedings to be served on Opposer's attorney, Edward T. Colbert, Kenyon & Kenyon LLP, 1500 K Street, N.W.; Suite 700, Washington, D.C. 20005, via First Class mail.

  
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Lori E. Weiss

## **ATTACHMENT 4**

Int. Cl.: 33

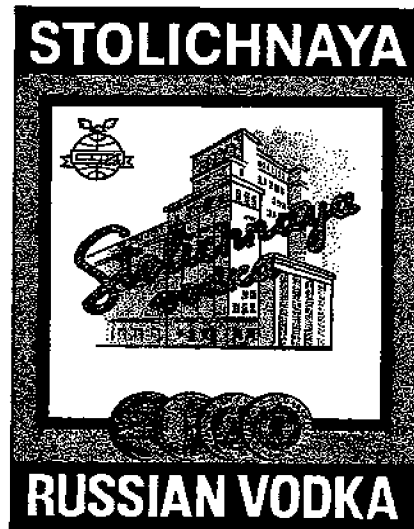
Prior U.S. Cl.: 49

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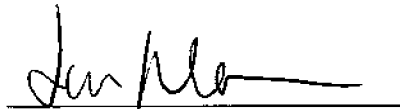
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WILLIAM P. SHANAHAN, EXAMINING AT-  
TORNEY

CERTIFICATE OF SERVICE

I certify that on the 13th day of November, 2006, I caused a true copy of Applicant's Petition to the Director to be served on Opposer's attorney, Edward T. Colbert, Kenyon & Kenyon LLP, 1500 K Street, N.W.; Suite 700, Washington, D.C. 20005, via First Class mail.

  
Lori E. Weiss