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

Proceeding	91167196
Party	Plaintiff Spirits International, N.V. Spirits International, N.V. Worldtrade Center, Unit TM II 19 Piscadera Bay Willemstad, NETHERLANDS ANTILLES
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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the Matter of Trademark Application:

Serial No.	:	76/604,592
Applicant	:	Russian Federation Treasury Enterprise Sojuzplodoimport
Filed	:	July 26, 2004
Mark:		RUSSIAN VODKA

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SPIRITS INTERNATIONAL N.V. Opposer, v. RUSSIAN FEDERAL TREASURY ENTERPRISE SOJUZPLODOIMPORT, Applicant.	Opp. No. 91167196

OPPOSER'S REPLY BRIEF IN SUPPORT OF ITS MOTION FOR SUSPENSION OF PROCEEDINGS

As unfortunately sometimes happens when a litigant has no meritorious arguments, Applicant Russian Federal Treasury Enterprise Sojuzplodoimport ("FTE") has resorted to name-calling, accusing Opposer -- repeatedly -- of being "disingenuous" (FTE Opp. at 2, 6, 7), of "litigation-oriented gamesmanship" (*id.* at 2, 7), of "misrepresenting the law" (*id.* at 3), and of "play[ing] fast and loose with the adjudicative system." *Id* at 7. As we show below, these charges are as baseless as FTE's arguments on the merits. Opposer Spirits International N.V. ("SPI") responds to each of FTE's arguments *seriatim* and respectfully requests that the Board exercise its discretion to consider this reply brief pursuant to Trademark Rule 2.127(a).

I. OPPOSER HAS CORRECTLY STATED THE RULE GOVERNING SUSPENSION OF PROCEEDINGS.

Contrary to FTE's accusation that "SPI misrepresents the law concerning suspension of proceedings," SPI correctly quoted the applicable Rule 2.117, entitled "SUSPENSION OF PROCEEDINGS," which provides in subparagraph (a) that:

> Whenever it shall come to the attention of the Trademark Trial and Appeal Board that a party or parties to a pending case are engaged in a civil action ... which may have a bearing on the case, proceedings before the Board may be suspended until termination of the civil action.

SPI also correctly quoted the statement in § 510.2(a) of the Trademark Trial and Appeal Board Manual of Procedure ("TBMP") that "ordinarily the Board will suspend proceedings before it if the final determination of the other proceeding will have a bearing on the issues before the Board." Indeed, in 1998, Trademark Rule 2.117(a) was amended (as shown on the face of the Rule) to "codif[y] the Board's current practice on suspension of proceedings, which is that a Board proceeding may be suspended if any of the parties is engaged in a civil action or another Board proceeding which may have a bearing on the proceeding." 63 Fed. Reg. 48,081, 48,083 (Sept. 9, 1998) (changing the phrase "may be dispositive of the case" contained in the former rule to "may have a bearing on the case") (emphasis added).

FTE's contention that the Board does not follow its own Rule, based on TTAB decisions finding that court actions might be dispositive of TTAB proceedings, is highly misleading, because all of these decisions predate the 1998 amendment to Rule 2.117(a). As the Board knows, its suspension decisions after the 1998 amendment, though not citable as precedent, have applied the new standard of whether the court action "may have a bearing on" the TTAB proceeding.

That is thus clearly the applicable standard here. Even if the old standard were still applicable, however, suspension would still be appropriate because, as we show below, resolution of the pending New York action will not only have a bearing on this proceeding but may be dispositive of it.

II. BECAUSE THE NEW YORK ACTION WILL DETERMINE WHETHER SPI HAS RIGHTS IN THE "STOLICHNAYA" AND "MOSKOVSKAYA" MARKS, IT WILL HAVE A BEARING ON, AND MAY BE DISPOSITIVE OF, THIS PROCEEDING.

Applicant FTE's assertion that "whether or not SPI lawfully owns the STOLICHNAYA and MOSKOVSKAYA marks has no bearing on this proceeding," FTE Opp. at 4, is demonstrably incorrect and completely at odds with FTE's own allegations in its Answer to the Notice of Opposition.

One of the grounds on which SPI's Opposition is based is that FTE's proposed RUSSIAN VODKA certification mark is likely to cause confusion, in violation of Section 2(d) of the Lanham Act, with two other RUSSIAN VODKA marks, namely, STOLICHNAYA RUSSIAN VODKA & Design and MOSKOVSKAYA RUSSIAN VODKA & Design, in both of which SPI has prior ownership rights. *See* Opposition ¶¶ 5-10, 13-17. FTE's only response to this claim in its Answer is that SPI has no rights in the STOLICHNAYA and MOSKOVSKAYA RUSSIAN VODKA marks for two reasons: (1) because SPI "fraudulently misappropriated" these RUSSIAN VODKA marks from the Russian Federation; and (2) because SPI's use of the words "Russian Vodka" in these two marks is deceptive in violation of Section 2(a) of the Lanham Act and geographically deceptively misdescriptive under Section 2(e)(3) of the Lanham Act. Answer, ¶¶ 9-10, 14, Affirmative Defenses 1-5.

Thus, the Opposition's likelihood of confusion claim under Lanham Act § 2(d) turns directly on "whether or not SPI lawfully owns the STOLICHNAYA and

MOSKOVSKAYA marks." FTE Opp. at 4. And, as FTE has repeatedly admitted, the same issue is at the heart of the New York litigation. *See*, for example, the following allegations in FTE's Answer to the Notice of Opposition:

> Opposer's illegal actions related to the alienation of the rights of the Russian Federation in a number of trademarks, including the STOLICHNAYA RUSSIAN VODKA & Design mark and the STOLICHNAYA mark, are the subject of a separate proceeding pending in the United States District Court for the Southern District of New York. Answer, ¶ 6.
>
> Russian Federal Treasury contends that any purported ownership interest of Opposer and Allied Domecq in the various STOLICHNAYA trademarks and registrations was obtained by fraudulent and illegal conduct. Opposer and Allied Domecq's illegal actions related to the alienation of the rights of the Russian Federation in a number of trademarks, including STOLICHNAYA, are the subject of a separate proceeding pending in the United States District Court for the Southern District of New York. Answer, ¶ 9.
>
> Russian Federal Treasury contends that, following the dissolution of the Soviet Union, Opposer fraudulently misappropriated the MOSKOVSKAYA mark through a series of illegal transfers designed to deprive the Russian Federation of prized symbols of its commercial heritage. Opposer's fraudulent actions related to the alienation of the rights of the Russian Federation in a number of trademarks, including STOLICHNAYA and MOSKOVSKAYA, are the subject of a separate proceeding pending in the United States District Court for the Southern District of New York. Answer, ¶ 10.
>
> Opposer has no proprietary rights in the certification mark RUSSIAN VODKA or any phrase containing the words RUSSIAN VODKA. Opposer's lack of a proprietary interest in the STOLICHNAYA RUSSIAN VODKA & Design, STOLICHNAYA and MOSKOVSKAYA marks is the subject of separate proceedings pending in the District Court for the Southern District of New York. Answer, First Affirmative Defense.
>
> Opposer's use of the MOSKOVSKAYA mark has been and would be fraudulent and unlawful. Opposer's fraudulent and unlawful use of the MOSKOVSKAYA mark is the subject of separate proceedings pending in the District Court for the Southern District of New York. Answer, Second Affirmative Defense.

Indeed, even in its brief in opposition to SPI's motion to suspend this proceeding, FTE admits that "in an [allegedly] unrelated proceeding in New York, the Russian Federation seeks to reclaim two valuable families of trademarks, the 'STOLICHNAYA' and 'MOSKOVSKAYA' marks." FTE Opp. at 3.

FTE advances only one argument in support of its position that whether SPI (rather than FTE) owns rights in the STOLICHNAYA RUSSIAN VODKA and the MOSKOVSKAYA RUSSIAN VODKA marks has no bearing on the likelihood of confusion claim asserted in the Notice of Opposition. FTE points to the fact that the registrations for the STOLICHNAYA RUSSIAN VODKA and the MOSKOVSKAYA RUSSIAN VODKA marks both expressly disclaim the exclusive right to use "Russian Vodka" apart from the mark as shown. FTE contends that this disclaimer invalidates SPI's likelihood of confusion argument and that the question whether SPI owns rights in those marks (which admittedly is in issue in the New York litigation) therefore "is irrelevant to SPI's claim of likelihood of confusion." FTE Opp. at 4.

This argument, however, is contrary to established law. As Professor McCarthy has observed:

> For purposes of determining the likelihood of confusion of a mark with a registered composite mark of which portions are disclaimed, the disclaimed matter can not be ignored. Even if a portion of a composite registered mark has been disclaimed, the total composite (including the disclaimed matter) will be considered in determining a likelihood of confusion....
>
> Since infringement is determined by the likely reaction of reasonably prudent buyers, who neither know nor care about disclaimers, the disclaimer is irrelevant in determining likelihood of confusion.

J. Thomas McCarthy, 2 *McCarthy On Trademarks And Unfair Competition* § 19:72 at 19-219-221 (4th ed. 2005).

FTE closes this section of its brief with what it obviously (but incorrectly) thought were rhetorical questions. First, it asks: "If the New York Court decides that SPI *is* the rightful owner of the STOLICHNAYA and MOSKOVSKAYA marks, does that mean Russian Federal Treasury is not entitled to register 'RUSSIAN VODKA' as a certification mark?" FTE Opp. at 5. The answer to this question is almost certainly "yes." For such a decision would establish SPI's prior rights in two RUSSIAN VODKA marks -- both for vodka -- with which FTE's proposed RUSSIAN VODKA mark -- also for vodka -- is likely to be confused.

Second, FTE asks: "Alternatively, if the New York Court decides that SPI *is not* the rightful owner of the STOLICHNAYA and MOSKOVSKAYA marks, does that mean that Russian Federal Treasury *is* entitled to register 'RUSSIAN VODKA' as a certification mark?" *Id.* The answer to this question is that such a decision would defeat the likelihood of confusion claim in SPI's Notice of Opposition and would thus remove one of the obstacles to registration of the certification mark.

It is accordingly clear that the Court's resolution of the question whether SPI owns rights in the STOLICHNAYA RUSSIAN VODKA and the MOSKOVSKAYA RUSSIAN VODKA marks, which admittedly is at issue in the New York action, will have a bearing on this proceeding and may be dispositive of it.

III. ACCORDING TO FTE'S ANSWER, WHETHER SPI'S VODKA IS MADE IN THE RUSSIAN FEDERATION IS RELEVANT TO THIS PROCEEDING.

FTE does not (and can not) deny that one of its claims in the New York action is that SPI's vodka is not made in the Russian Federation and that SPI's use of marks and labels for its vodka that include the words RUSSIAN VODKA "misrepresents the source" and "misrepresents the geographic origin" of its vodka. Second Amended Complaint ¶¶ 89-94, 169-175, 123, 132, 181 (Exhibit 2 to Opposer's Motion For Suspension Of Proceedings). FTE

asserts instead that "whether SPI's vodka is, or is not, made in the Russian Federation is … irrelevant to this proceeding." FTE Opp. at 5.

But this too is demonstrably incorrect. As noted above, one of the arguments made by FTE in its Answer to SPI's likelihood of confusion claim is that SPI has no ownership rights in the STOLICHNAYA RUSSIAN VODKA and MOSKOVSKAYA RUSSIAN VODKA marks because they are deceptive in violation of Section 2(a) of the Lanham Act and geographically deceptively misdescriptive under Section 2(e)(3) of the Lanham Act.[1] *See*, for example, the following allegations in FTE's Answer to the Notice of Opposition:

> Opposer intentionally induced Allied Domecq to sell vodka in a manner that is deceptive under Section 2(a) of the Lanham Act, and geographically deceptively misdescriptive under Section 2(e)(3) of the Lanham Act. Vodka unlawfully supplied by Opposer and sold under the STOLICHNAYA RUSSIAN VODKA & Design mark is not made in Russia. Answer, ¶ 7.
>
> To the extent, if any, that Opposer, through a related company and a purported licensee, has sold vodka under the MOSKOVSKAYA mark and has advertised MOSKOVSKAYA vodka as "Russian Vodka" in the United States, such sale and advertisement has been fraudulent, unlawful, deceptive under Section 2(a) of the Lanham Act, and geographically deceptively misdescriptive under Section 2(e)(3) of the Lanham Act. Answer, ¶ 10.
>
> Opposer's use of the phrase "Russian Vodka" or "Genuine Russian Vodka" in connection with the sale of vodka is deceptive under Section 2(a) of the Lanham Act. Opposer's vodka is not made in the Russian Federation. Answer, Third Affirmative Defense.
>
> Opposer's use of the phrase "Russian Vodka" or "Genuine Russian Vodka" in connection with the sale of vodka is geographically deceptively misdescriptive under Section 2(e)(3) of the Lanham

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[1] The Federal Circuit has held that the standard for determining whether a mark is geographically deceptively misdescriptive under Section 2(e)(3) is the same as the standard for determining whether a mark is geographically deceptive under Section 2(a). *See In Re California Innovations, Inc.*, 329 F.2d 1334 (Fed. Cir. 2003).

> Act. Opposer's vodka is not made in the Russian Federation.
> Answer, Fourth Affirmative Defense.

Whether SPI's vodka is made in the Russian Federation is thus relevant to its claim of ownership rights in the STOLICHNAYA RUSSIAN VODKA and MOSKOVSKAYA RUSSIAN VODKA marks and hence to its likelihood of confusion claim in the Notice of Opposition. Since the New York Court must decide whether SPI's vodka is made in the Russian Federation, its decision, which will be binding on the Board, obviously will have a bearing on this proceeding.

IV. FTE'S CLAIM THAT SPI'S GROUNDS FOR SUSPENSION ARE DISINGENUOUS IS ITSELF DISINGENUOUS.

FTE next suggests that SPI tricked FTE by "injecting irrelevant issues" into this proceeding "for the precise purpose of manufacturing commonality," that FTE "was forced to opine on them," and that SPI then "disingenuously" used FTE's responses to support the motion for suspension, thus engaging in a "blatant example of litigation-oriented gamesmanship." FTE Opp. at 6-7. This is nonsense.

The two "spurious issues" FTE accuses SPI of improperly "injecting" are (1) SPI's claim of ownership rights in the STOLICHNAYA RUSSIAN VODKA and MOSKOVSKAYA RUSSIAN VODKA marks, and (2) SPI's claim that the vodka sold under those marks originates within the Russian Federation. *Id.* at 6. But SPI plainly has every right to assert those claims.

As to the first, FTE surely knew when it applied to register RUSSIAN VODKA that SPI would assert its prior rights in its RUSSIAN VODKA marks to prevent the confusion that would result if FTE were granted a certification mark registration for RUSSIAN VODKA. As to the second, how can it be "irrelevant" or "spurious" for SPI to have asserted in its Opposition that the vodka it sells in the United States is produced in Russia when FTE had

claimed in its Petition To Make Special, filed together with its registration application for RUSSIAN VODKA in July 2004, that "actual infringement of the mark is occurring in that Latvian vodka is currently being sold in the United States as 'Russian Vodka'... and Applicant intends to commence litigation against the infringers to enforce and protect its rights"? FTE Petition To Make Special at 2.

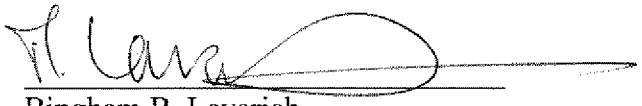
V. THE FACT THAT SPI HAS MOVED TO DISMISS THE NEW YORK ACTION IS ENTIRELY CONSISTENT WITH ITS MOTION TO SUSPEND THIS PROCEEDING.

FTE's final contention, that SPI's motion to dismiss the New York action is inconsistent with its motion to suspend this proceeding, makes no sense at all. FTE asserts that "SPI should not be allowed to *deny* the merits of Russian Federal Treasury's claims is one proceeding ... and then *support* the merits of Russian Federal Treasury's claim in another proceeding...." FTE Opp. at 7. But that, of course, is not what SPI is doing. To the contrary, SPI denies the merits of FTE's claims in *both* proceedings, which is why it makes sense to suspend this proceeding until the New York court decides whether to uphold SPI's denial of FTE's claims.

CONCLUSION

For the foregoing reasons, the motion to suspend should be granted.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing OPPOSER'S REPLY BRIEF IN SUPPORT OF ITS MOTION FOR SUSPENSION OF PROCEEDINGS was served on counsel for the Opposer by first-class mail, postage prepaid, this 17th day of January, 2006 to the following address:

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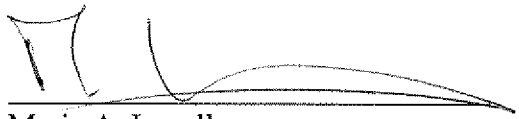
By: 
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