

THIS OPINION IS NOT A
PRECEDENT OF THE TTAB

Hearing:
Dec. 11, 2008

Mailed:
March 31, 2009

UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

A.V. Brands, Inc.¹
v.
Spirits International, B.V.²

Cancellation No. 92043340

Andrew C. Aitken of Venable LLP for A.V. Brands, Inc.

Lisa Pearson of Kilpatrick Stockton LLP for Spirits
International, B.V.

Before Hairston, Grendel and Holtzman, Administrative
Trademark Judges.

Opinion by Grendel, Administrative Trademark Judge:

¹ As discussed below, we grant petitioner's February 15, 2008 motion to substitute A.V. Brands, Inc. for A.V. Imports, Inc. as petitioner. See Trademark Trial and Appeal Board Manual of Procedure (2d ed. 2003, rev. March 2004) (hereinafter TBMP) at §512.01.

² At the commencement of this proceeding, the registration at issue was owned by Spirits International, N.V., a Netherlands public limited liability company. On March 29, 2007, during the pendency of this proceeding, Spirits International, N.V. was converted into a Netherlands private limited liability company, Spirits International, B.V. The conversion documents were recorded with the USPTO Assignment Branch on August 13, 2007, at Reel 3599, Frame 0672. In view of the conversion and the recorded assignment of the registration at issue in this case, we hereby substitute Spirits International, B.V. for Spirits International, N.V., as respondent. See TBMP §512.01.

Introduction

In this cancellation proceeding, A.V. Brands, Inc. (having been substituted for original petitioner A.V. Imports, Inc., as discussed below and supra at footnote 1) is the petitioner. We shall refer as appropriate to both A.V. Brands, Inc., the substituted petitioner, and A.V. Imports, Inc., the original petitioner, as "petitioner" except where it is helpful to distinguish the two for purposes of clarity.

The respondent in this proceeding is Spirits International, B.V. (having been substituted for original respondent Spirits International N.V., as discussed supra at footnote 2).

Respondent owns Registration No. 1487042, which is of the mark **RUSSKAYA** (registered in typed or standard character form) for goods identified in the registration as "vodka." The registration was issued on May 3, 1988, on the Principal Register. The registration has been renewed.

On May 19, 2004, original petitioner A.V. Imports, Inc. filed a petition for cancellation of respondent's registration, alleging abandonment as the ground for cancellation. In the petition to cancel, original petitioner A.V. Imports, Inc. alleged that it is the owner of intent-to-use application Serial No. 76573600 (the '600 application), filed on January 30, 2004, by which it seeks

registration of the mark **RUSSKAYA** (in typed or standard character form) for "vodka."³

Respondent filed an answer denying the salient allegations of the petition to cancel.

Both parties submitted evidence at trial. The case is fully briefed. An oral hearing was held on December 11, 2008 at which counsel for both parties appeared and presented arguments.

The evidence of record consists of the pleadings and the file of respondent's involved registration; petitioner's three notices of reliance with Exhibits A-R; petitioner's testimony deposition of Andrew Smith and exhibits thereto; respondent's notice of reliance Exhibit Nos. 1-41; respondent's testimony deposition of Alexey Oliynik and exhibits thereto; respondent's testimony deposition of Oleg Gusev and exhibits thereto; respondent's testimony deposition of Mikhail Tsyplakov and exhibits thereto; and respondent's testimony deposition of William A. Finkelstein and exhibits thereto.

³ Although not specifically pleaded by petitioner, petitioner presented evidence at trial showing that its '600 application has been refused registration by the Office under Trademark Act Section 2(d), 15 U.S.C. §1052(d), based on respondent's previous RUSSKAYA registration which is the subject of this cancellation proceeding. (Petitioner's first notice of reliance, Exh. P.) Review of the Office's electronic record of the '600 application reveals that the application has been suspended pending the outcome of this cancellation proceeding.

Petitioner's objections to Mr. Oliynik's testimony deposition are overruled.

At the outset, a brief introduction and overview of the issues and arguments presented in this case will be helpful.

The record shows that respondent (together with its related companies, referred to collectively as "SPI") is a large international company engaged primarily in the production and sale of various spirits, including Russian vodkas. (Gusev Depo. at 7.) As stated in respondent's brief at 7 (and undisputed by petitioner),

SPI owns a portfolio consisting of hundreds of trademark registrations, in various countries around the world, for its popular vodka products (collectively, the "Vodka Marks"). ... The famous brands STOLICHNAYA, RUSSKAYA and MOSKOVSKAYA are among these registered Vodka Marks. ... These three brands have been consistently ranked among the top distilled spirits brands in the world.

As discussed in more detail below, respondent's chain of title to the Vodka Marks originated in the early 1990's with the privatization of the previously state-owned Russian vodka industry, which itself occurred as part of the general process of privatization in Russia and the former Soviet Union known as *perestroika*.

Respondent contends that, beginning in 2000, the Russian Federation began efforts to re-nationalize these privatized industries, including the vodka industry. Respondent contends that, as part of this re-nationalization

effort, the Russian Federation, acting through various proxies such as petitioner, has orchestrated a worldwide campaign to recapture for the Russian Federation the Vodka Marks owned by respondent. Respondent contends that this cancellation proceeding is merely "one front" in that worldwide campaign.

Petitioner bases its petition for cancellation on the ground that respondent has abandoned the registered RUSSKAYA mark in the United States due to nonuse for at least three consecutive years.

Respondent in turn contends that its nonuse is excusable, citing its uncertainty about its rights in the mark which has been generated by the worldwide litigation between respondent and the Russian Federation and its proxies over ownership of the Vodka Marks. Respondent also contends that it has always maintained an intent to resume use of the mark in the United States.

Petitioner responds by arguing that the foreign litigation involving the Vodka Marks does not excuse respondent's failure to use the RUSSKAYA mark in the United States. Petitioner also contends that respondent has failed to prove its continued intent to use the mark during the period of nonuse. Accordingly, petitioner argues, respondent has abandoned the mark.

Finally, respondent argues that petitioner lacks standing to petition for cancellation of respondent's registration because petitioner's pleaded '600 intent-to-use application, which is the basis of petitioner's claim of standing, is void due to an allegedly invalid assignment which occurred during the pendency of this proceeding.

Preliminary Matters

Before we reach the merits of the case, we shall rule on two pending motions which were deferred until final hearing by order of the Board dated September 4, 2008. We also address an additional issue raised by respondent in its brief.

Petitioner's Motion to Substitute

On February 15, 2008, after the close of the discovery and testimony periods, original petitioner A.V. Imports, Inc. filed a motion to substitute A.V. Brands, Inc. as petitioner. The motion was accompanied by a copy of an assignment of the RUSSKAYA mark and the pleaded '600 application, inter alia, from A.V. Imports, Inc. to A.V. Brands, Inc. The Office's electronic records show that the assignment was recorded in the USPTO Assignment Branch on February 15, 2008, at Reel 3720, Frame 0197. (We shall further discuss this assignment below, in connection with the issue of petitioner's standing.)

Respondent did not contest petitioner's motion to substitute.

In view of petitioner's submission of proof of the assignment, and in view of respondent's failure to oppose the motion to substitute, we grant the motion to substitute. *See Societe des Produits Nestle S.A. v. Basso Fidele & Figli*, 24 USPQ2d 1079 (TTAB 1992); TBMP §512.01. A.V. Brands, Inc., as assignee, is now the petitioner of record and steps into the shoes of original petitioner A.V. Imports, Inc. See Trademark Rule 3.71(d), 37 C.F.R. §3.71(d).⁴

"Undisclosed Real Party in Interest"

We now address an additional matter pertaining to the identity of the party plaintiff in this case. At pages 4-7 of its trial brief, respondent contends that there is an "undisclosed real party in interest" in this case, i.e., a Russian Federation state-owned company called Federal Treasury Enterprise Sojuzplodoimport ("FTE"). (We shall have more to say about FTE below, in connection with petitioner's abandonment claim.) Respondent contends that FTE, by virtue of certain contractual relationships it has with petitioner, has "a direct interest in the outcome of

⁴ In pertinent part, Trademark Rule 3.71(d) provides that the assignee of a trademark application is entitled to "file papers against a third party in reliance on the assignee's trademark application or registration, to the exclusion of the original applicant or previous assignee."

this proceeding" because FTE claims its own licensor/ownership rights in the RUSSKAYA trademark, and because FTE is or will be the source of the Russian vodka that will be imported and distributed in the United States by petitioner under that mark. Respondent contends that "[f]or purposes of this proceeding, FTE and Petitioner have closely aligned interests, and Petitioner is acting on their joint behalf." (Brief at 7.)

To the extent, if any, that respondent is attempting by these contentions to assert "failure to join a party under Rule 19," as a defense to the petition for cancellation under Fed. R. Civ. P. 12(b)(7), respondent has waived such defense due to its failure to raise the defense either in its answer or by a proper motion prior to or at trial. See Fed. R. Civ. P. 12(h)(2). To the extent, if any, that respondent is attempting by these contentions to move to join FTE as a party plaintiff, the motion is denied. See *Avia Group International Inc. v. Faraut*, 25 USPQ2d 1625 (TTAB 1992) (respondent's motion to join petitioner's licensor as party plaintiff denied).

Respondent's Motion To Strike

With its May 30, 2008 reply brief on the case, petitioner submitted the May 30, 2008 declaration of its counsel Andrew C. Aitken, together with an exhibit thereto consisting of a copy of an Asset Purchase Agreement, dated

September 18, 2007, between original petitioner A.V. Imports, Inc. (and its principals), and substituted petitioner A.V. Brands, Inc.

On June 11, 2008, respondent filed a motion to strike the Aitken declaration and the exhibit thereto, on the ground of untimeliness, inter alia. Petitioner filed a brief in opposition to the motion to strike, in which it conceded the untimeliness of the proffered evidence. Respondent filed a reply brief in further support of its motion to strike.

We grant respondent's motion to strike. The Aitken declaration and accompanying exhibit were not made of record at trial, and they may not be made of record by attachment to petitioner's reply brief. See TBMP §704.05(b). Moreover, the parties have not stipulated that testimony may be offered by way of declaration. See Trademark Rule 2.123(b); 37 C.F.R. §2.123(b). Accordingly, we have given this material no consideration. See TBMP §539.

The Merits

We turn now to the merits of this case. "For a petitioner to prevail in a cancellation proceeding, it is incumbent upon that party to show (1) that it possesses standing to challenge the continued presence on the register of the subject registration and (2) that there is a valid ground why the registrant is not entitled under law to

maintain the registration." *Lipton Industries, Inc. v. Ralston Purina Company*, 670 Fed.2d 1024, 213 USPQ 185, 187 (CCPA 1982). Each of these issues, standing and ground, is disputed by the parties. We shall address each in turn.

Standing

Section 14 of the Lanham Act, 15 U.S.C. §1064, provides that a petition for cancellation of a registration may be filed by "any person who believes he is or will be damaged by the registration of a mark..." A petitioner for cancellation has standing if it pleads and proves that it has a real interest in the outcome of the proceeding, beyond that of the general public. "The purpose in requiring standing is to prevent litigation where there is no real controversy between the parties, where a plaintiff, petitioner or opposer, is no more than an intermeddler." *Lipton Industries, supra*, 213 USPQ at 189.

Petitioner bears the burden of proving its standing at trial as an element of its case-in-chief. "The facts regarding standing, we hold, are part of a petitioner's case and must be affirmatively proved." *Id.* Standing may be established by, inter alia, proof that petitioner has filed an application for registration of a mark which has been rejected by the Office based on respondent's registration. *Id.* This includes an intent-to-use application. See *American Vitamin Products Inc. v. DowBrands Inc.*, 22 USPQ2d

1313 (TTAB 1992); *The Hartwell Co. v. Shane*, 17 USPQ2d 1569 (TTAB 1990). Additionally, where (as in this case) the pleaded ground for cancellation is abandonment, standing also may be established even if petitioner is not seeking or is not entitled to its own registration of a mark, if the record shows that the petitioner is engaged in the manufacture and sale of goods which are related to those identified in respondent's registration, and that petitioner has a bona fide intention to use the involved mark in connection with those goods. See *American Vitamin Products Inc. v. Dow Brands Inc.*, *supra*.

Finally, the court in *Lipton Industries* stated as follows with respect to the issue of standing in a case where the pleaded ground for cancellation is abandonment:

In determining the requirements for standing, we have taken into consideration that no ex parte vehicle for removing "dead" registrations from the register is provided in the statute except for the provisions of section 8 (15 USC 1058) requiring an affidavit or declaration of use to be filed during the sixth year of its term. There is no procedure for the Commissioner of Patents and Trademarks to initiate action against defunct marks which appear in registrations. Thus, we believe the public interest is served, contrary to appellant's view, in broadly interpreting the class of persons Congress intended to be allowed to institute cancellation proceedings.

Lipton Industries Co., *supra*, 213 USPQ at 190.

We consider first whether petitioner has standing by virtue of its pleaded '600 intent-to-use application to register the mark RUSSKAYA for vodka. The evidence of

record establishes that original petitioner A.V. Imports, Inc., the predecessor in interest of substituted petitioner A.V. Brands, Inc., filed the '600 application on January 30, 2004, and that the Office has issued a Section 2(d) refusal of registration based on respondent's prior RUSSKAYA registration, the registration involved in this cancellation proceeding. (Petitioner's first notice of reliance, Exhibits O and P.) Under *Lipton Industries, supra*, and its progeny, this evidence suffices in the first instance to establish original petitioner A.V. Imports, Inc.'s standing. Moreover, A.V. Brands, Inc., the assignee of the application, succeeds to the rights A.V. Imports, Inc. has based on the application, including its right to rely on the application (and the Office's refusal thereof) to establish its standing in this proceeding. See Trademark Rule 3.71(d).

However, respondent, in its brief on the case, challenges petitioner's standing based on the '600 application. Respondent argues that the '600 application is void, and therefore cannot serve as a basis for petitioner's standing, because it is an intent-to-use application which was assigned in contravention of the requirements of Trademark Act Section 10(a)(1), 15 U.S.C. §1060(a)(1).

As noted above in connection with petitioner's post-trial motion to substitute, the '600 application was

assigned by A.V. Imports, Inc. to A.V. Brands, Inc. on October 7, 2007. The assignment, in pertinent part, reads as follows:

TRADEMARK ASSIGNMENT

THIS TRADEMARK ASSIGNMENT (the "Assignment"), dated as of October 9th 2007 is made by A.V. Imports, Inc., Inc., [sic] a Maryland corporation (the "Assignor"), to and for the benefit of A.V. Brands, inc., a Delaware corporation ("the Assignee").

WHEREAS, the Assignor has adopted, used and is using, and owns all right, title and interest in and to those certain trademarks and the United States and foreign registrations and applications therefore [sic] as identified on Exhibit A attached hereto (the "Trademarks") [including the RUSSKAYA trademark and application]; and

WHEREAS, in accordance with the terms and conditions of that certain Asset Purchase Agreement, dated as of September 18, 2007 [], by and among the Assignor, Assignee and the stockholders of Assignor, the Assignor desires to assign all its right, title and interest in and to the Trademarks and the goodwill of the business symbolized thereby to Assignee, and Assignee desires to accept such assignment.

NOW, THEREFORE, for good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the Assignor agrees as follows:

1. The Assignor hereby does irrevocably contribute, assign, transfer and convey as [of] the date hereof, to the Assignee, its successors and assigns, all right, title and interest in and to the Trademarks and the goodwill of the business symbolized thereby, the same to be held and enjoyed by the Assignee, its successors and assigns, as fully and entirely as the same could have been held and enjoyed by the Assignor had this Assignment not been made.

...

Initially, we reject respondent's contention (at page 8 of its trial brief) that this assignment document is not properly of record because it was not submitted as evidence at trial. The Board's practice allows for substitution of a party based on an assignment, even if that assignment occurs subsequent to the party's testimony period. See TBMP §512.01. In such situations, the Board does not require the assignee to move to reopen its testimony period to submit the assignment document as trial evidence. The assignment document submitted in support of the motion to substitute will be deemed to be evidence of record at final hearing.

Trademark Act Section 10(a)(1) provides:

A registered mark or a mark for which an application to register has been filed shall be assignable with the good will of the business in which the mark is used, or with that part of the good will of the business connected with the use of and symbolized by the mark. Notwithstanding the preceding sentence, no application to register a mark under section 1051(b) of this title shall be assignable prior to the filing of an amendment under section 1051(c) of this title to bring the application into conformity with section 1051(a) of this title or the filing of the verified statement of use under section 1051(d) of this title, except for an assignment to a successor to the business of the applicant, or portion thereof, to which the mark pertains, if that business is ongoing and existing.

The Board held that an assignment of an intent-to-use application which does not comply with Trademark Act Section 10(a)(1), i.e., which is not "an assignment to a successor to the business of the applicant, or portion thereof, to

which the mark pertains, if that business is ongoing and existing," renders the assigned application void. *The Clorox Co. v. Chemical Bank*, 40 USPQ2d 1098 (TTAB 1996).

Petitioner's '600 RUSSKAYA application, at the time of its assignment from A.V. Imports, Inc. to A.V. Brands, Inc., was an intent-to-use application as to which there had been no filing of an amendment to allege use or a statement of use. It thus is an application of the type contemplated by Trademark Act Section 10(a)(1). However, we cannot conclude on this record that the assignment of the '600 RUSSKAYA application did not comply with the requirement of Trademark Act Section 10(a)(1) that it be "an assignment to a successor to the business of the applicant, or portion thereof, to which the mark pertains, if that business is ongoing and existing."

On its face, the assignment specifically states that it is made "in accordance with the terms and conditions of that certain Asset Purchase Agreement, dated as of September 18, 2007, by and among the Assignor [A.V. Imports, Inc.], Assignee [A.V. Brands, Inc.] and the stockholders of Assignor..." The referenced Asset Purchase Agreement upon which the assignment specifically is based is not of record.⁵ However, given the expansive title of the "Asset

⁵ As discussed above, we have stricken as untimely-filed the Asset Purchase Agreement, which was the exhibit to petitioner's

Purchase Agreement" specifically referenced in the trademark assignment, it is not unreasonable to assume that the "assets" covered by the Asset Purchase Agreement included more than just the trademarks (including RUSSKAYA) and their associated goodwill referred to in the assignment document. It also is not unreasonable to assume that the named purchaser of the assets, A.V. Brands, Inc., would be the successor to the spirits import and distribution business (and assets) of the named seller of the assets, A.V. Imports, Inc., or to that portion of the business (and assets) to which the assigned RUSSKAYA mark pertains. Nothing in the record indicates otherwise.

This case thus is distinguishable on its facts from the situation involved in the Board's prior decision, *The Clorox Co. v. Chemical Bank*. In that case involving an assignment of an intent-to-use application, it was apparent from the face of the assignment document itself (entitled TRADEMARK AND TRADENAME SECURITY ASSIGNMENT AND LICENSE AGREEMENT) that the assignment violated Trademark Act Section 10(a)(1). The assignment's terms specifically included a provision that the business to which the assigned mark pertained was not to be transferred to the assignee, but rather was to be retained by the assignor, which was to "operate its business

Aitken declaration submitted for the first time with petitioner's reply brief on the case.

... in relation to the goods as heretofore conducted by the Assignor."

In the present case, in contrast, there is nothing on the face of the assignment document which so clearly demonstrates that the assignment violates Section 10(a)(1). Indeed, the specific reference to an expansively-titled "Asset Purchase Agreement" suggests that the assignment of the RUSSKAYA application was merely part of a broader assignment of A.V. Imports, Inc.'s business, including the assets used in connection with the business pertaining to the RUSSKAYA mark.

For these reasons, we find that petitioner's pleaded '600 RUSSKAYA intent-to-use application was not voided under Trademark Act Section 10(a)(1) by the assignment of the application, prior to the filing of an amendment to allege use or a statement of use, from A.V. Imports, Inc. to A.V. Brands, Inc. A.V. Brands, Inc., as the assignee and current owner of the still-valid application, is entitled to rely on that application (and on the Office's refusal of registration in that application) to establish its standing to petition for cancellation of respondent's RUSSKAYA registration involved in this case.

Additionally and/or alternatively, we find that regardless of the continuing validity of petitioner's '600

RUSSKAYA application, the record establishes that petitioner has standing apart from that application.

As noted above, in a case where the pleaded ground for cancellation is abandonment, a petitioner need not prove that it has a pending application or that it is entitled to registration of the mark. Rather, petitioner's standing can be based on evidence in the record which shows that the petitioner is engaged in the manufacture and sale of goods which are related to those identified in respondent's registration, and that petitioner has a bona fide intention to use the involved mark in connection with those goods. *See American Vitamin Products Inc. v. DowBrands Inc., supra.*

Respondent's own evidence demonstrates that petitioner has the requisite real interest in the outcome of this proceeding, under *American Vitamin Products Inc.* Exhibit 11 to respondent's first notice of reliance is a copy of a January 15, 2004 application to the Bureau of Alcohol, Tobacco and Firearms ("BATF") for a Certificate of Label Approval ("COLA") for RUSSKAYA vodka, filed by original petitioner A.V. Imports, Inc., A.V. Brands, Inc.'s predecessor in interest in and as to the RUSSKAYA mark. Respondent submitted this evidence to support its contention that the Russian Federation state enterprise FTE (identified in the COLA as petitioner's intended supplier of RUSSKAYA vodka) has an interest in this proceeding. (See the

discussion above regarding respondent's "Undisclosed Real Party in Interest" contention.)

However, respondent's Exhibit 11 also is probative evidence that petitioner is engaged in the sale and distribution of the goods covered by respondent's registration, i.e., vodka, and that it intends to use the RUSSKAYA mark in connection therewith. We note in this regard that (as discussed below) respondent itself relies on its own 2005 COLA for RUSSKAYA as evidence (in rebuttal of petitioner's abandonment claim) of its intention to use the mark in connection with vodka.

We find that respondent's Exhibit 11 suffices to establish petitioner's real interest in this case and thus its standing, under *American Vitamin Products Inc.* Additionally, we note that respondent contends at page 7 of its brief that "[f]or purposes of this proceeding, FTE and Petitioner have closely aligned interests, and Petitioner is acting on their joint behalf." Whatever the validity of this statement with respect to FTE, it is essentially an acknowledgement that petitioner (not just FTE) has an interest in this proceeding.

In summary, we find that petitioner has a real interest in this proceeding by virtue of its ownership of its '600 RUSSKAYA application, which has been refused registration based on respondent's registration. Contrary to

respondent's argument, that application was not voided under Trademark Act Section 10(a)(1) when it was assigned from A.V. Imports, Inc. to A.V. Brands, Inc. Additionally, we find that petitioner has a real interest in this proceeding because, as evidenced by respondent's own Exhibit 11 and as essentially acknowledged by respondent in its brief, petitioner is engaged in the sale and distribution of vodka and has an interest in doing so under the RUSSKAYA trademark.

For these reasons, we find that petitioner has standing in this case which entitles it to petition to cancel respondent's registration on the ground of abandonment.

Abandonment

Having found that petitioner has standing to petition to cancel respondent's registration, we turn now to petitioner's pleaded ground for such cancellation, i.e., its claim that respondent has abandoned the registered RUSSKAYA mark.

Trademark Act Section 14(3), 15 U.S.C. §1064(3), provides that a registration may be cancelled at any time if the registered mark has been abandoned.

In pertinent part, Trademark Act Section 45, 15 U.S.C. §1125, provides:

A mark shall be deemed to be "abandoned" ... [w]hen its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3

consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

A petitioner for cancellation of a registration on the ground of abandonment bears the burden of proving such abandonment by a preponderance of evidence. *Cerveceria Centroamericana S.A. v. Cerveceria India Inc.*, 892 F.2d 1021, 13 USPQ 1307 (Fed. Cir. 1989). Once a petitioner for cancellation has established a prima facie case of abandonment, such as by proving registrant's/respondent's nonuse of the mark for three consecutive years, a rebuttable presumption of abandonment arises. *Id.* The burden of production then shifts to the respondent to produce evidence sufficient to rebut the presumption of abandonment. *Id.* However, the ultimate burden of persuasion on the issue of abandonment remains with the petitioner. *Id.*

The respondent may rebut the presumption of abandonment arising from its nonuse of the mark for three consecutive years by presenting evidence showing that its nonuse during that period was excusable, or evidence showing that, during the period of nonuse, it maintained an intent to resume use of the mark. *See Imperial Tobacco Ltd. v. Philip Morris Inc.*, 899 F.2d 1575, 14 USPQ2d 1390 (Fed. Cir. 1990).⁶

⁶ In the present case, the parties dispute whether a registrant seeking to rebut a prima facie showing of abandonment due to three consecutive years of nonuse must prove both excusable

"To prove excusable nonuse, the registrant must produce evidence showing that, under his particular circumstances, his activities are those that a reasonable businessman, who had a bona fide intent to use the mark in United States commerce, would have undertaken." *Rivard v. Linville*, 133 F.2d 1446, 45 USPQ2d 1374, 1376 (Fed. Cir. 1998). To establish that it had or has maintained an intent to resume use of the mark during the period of nonuse, the registrant must come forward with evidence beyond mere conclusory statements or denials that it lacks such intent to resume use. *See Imperial Tobacco Ltd., supra*, 14 USPQ2d at 1394.

Prima Facie Abandonment Established

The evidence of record establishes that respondent acquired the RUSSKAYA registration involved in this case on May 10, 2001, by assignment from the registration's prior owner, PepsiCo.

There is no dispute that, after its acquisition of the mark on May 10, 2001, respondent made no use in commerce of the registered RUSSKAYA mark for at least the consecutive

nonuse and an intent to resume use (as argued by petitioner), or whether the registrant may rebut the presumption by proving either excusable nonuse or an intent to resume use (as argued by respondent). However, we need not resolve that issue in this case, and shall assume arguendo in respondent's favor that respondent's argument (that it can rebut the presumption of abandonment either by proving excusable nonuse or by proving an intent to resume use) is the correct standard. The point is moot because we find, as discussed *infra*, that respondent in any event has failed to prove either excusable nonuse or an intent to resume use, and thus has failed to rebut petitioner's prima facie case of abandonment regardless of which standard we apply.

three-year period immediately prior to the commencement of this cancellation proceeding on May 19, 2004 ("the nonuse period"). Respondent has presented no evidence of any such use, nor has it contended in its brief that it made any such use.

We find that respondent's nonuse of the registered RUSSKAYA mark in commerce for at least three consecutive years prior to May 19, 2004 is prima facie evidence of abandonment, pursuant to Trademark Act Section 45.

Petitioner having established a prima facie case of abandonment, the burden shifts to respondent to produce evidence sufficient to rebut the prima facie showing of abandonment. Respondent contends that it has presented evidence sufficient to establish that its nonuse of the mark was excusable due to the uncertainty and also the expense resulting from worldwide litigation involving respondent's vodka trademarks. Respondent also contends that, during the period of nonuse, it always maintained an intent to resume use of the mark. We shall consider each of these contentions in turn.

Respondent's Excusable Nonuse Claim

Respondent contends that its nonuse of the RUSSKAYA mark in the United States during the relevant May 2001 to May 2004 nonuse period was excusable nonuse. Respondent first contends that its nonuse was based upon a reasonable

and prudent business decision to postpone use of the mark until respondent's uncertainty as to its ownership rights in the mark, arising from worldwide litigation with entities connected to the Russian Federation, was abated. Second, respondent contends that its nonuse of the mark is excused by the drain on respondent's financial and manpower assets which was caused by the worldwide litigation, assets which otherwise could have been devoted to building the RUSSKAYA brand in the United States.

For the reasons discussed below, we find that the evidence of record fails to establish either of these contentions.

The evidence of record (all of which was submitted by respondent) establishes (and we find) the following pertinent facts, which we shall set forth largely in chronological order and in numbered paragraphs for ease of reference later on. Except where otherwise apparent from the context, references to respondent's "Vodka Trademarks" are references to the marks STOLICHNAYA, MOSKOVSKAYA, and RUSSKAYA. The cited Skurikhin declaration is of record as Exhibit 1 to the Tsyplakov testimony deposition. Mr. Tsyplakov confirmed the accuracy of the facts asserted in the Skurikhin declaration.

1. Under the Soviet Union, the vodka industry was state-run and all vodka product trademarks were owned by state companies. (Skurikhin Decl. ¶ 2.)

2. The Vodka Trademarks, including STOLICHNAYA, MOSKOVSKAYA and RUSSKAYA, were registered in the USSR and internationally in the name of Soviet State Enterprise VVO Sojuzplodoimport, or VVO. (Skurikhin Decl. ¶ 3.)

3. On May 3, 1988, the RUSSKAYA U.S. registration at issue in this proceeding was issued to VVO.⁷

4. In mid-1990, the Soviet Union began privatization of its state-owned industries as part of the process or campaign known as *perestroika*. (Skurikhin Decl. ¶ 4.)

5. In December 1991, the Soviet Union was dissolved and was transformed into the Russian Federation. (Skurikhin Decl. ¶ 7.)

6. Between September 1990 and January 1992, as part of *perestroika*, VVO, the state-owned vodka company, was privatized and transformed into a private company, VAO Sojuzplodoimport, or VAO. VAO succeeded VVO as the owner of the registered Vodka Trademarks in the Russian Federation. (Tsyplakov Depo. at 22; Skurikhin Decl. ¶¶ 5, 6.)

7. In September 1992, VVO assigned the U.S. registration of the RUSSKAYA mark to PepsiCo.⁸ (Skurikhin Decl. ¶ 8.)

8. From 1993 to 1999, the RUSSKAYA U.S. registration was involved in a TTAB cancellation proceeding brought by a third party (the Pesce cancellation). In 1999 that case was settled in PepsiCo's favor and the cancellation petition was dismissed with prejudice. The parties do not dispute that PepsiCo had continued to use the RUSSKAYA mark during the pendency of the Pesce cancellation proceeding.

⁷ The Office's records identify the registrant as V/O Sojuzplodoimport. However, the parties do not dispute that this is the same entity as VVO Sojuzplodoimport. As do the parties, we shall refer to the company as VVO.

⁸ At the time of the assignment, the record owner of the U.S. registration remained VVO, even though the privatization and transformation of VVO into VAO had already occurred in Russia. Because neither party has addressed this issue, we shall assume in this case that VAO was the actual and proper assignor of the registration to PepsiCo.

9. On November 15, 2000, respondent entered into a ten-year exclusive U.S. distribution agreement with Allied Domecq Spirits USA ("Allied"), pursuant to which Allied would import and distribute respondent's vodka products in the U.S. under various of respondent's Vodka Trademarks, specifically including STOLICHNAYA. (Petitioner's Notice of Reliance, Exh. K.) The 2000 agreement did not specifically mention or provide for U.S. distribution of vodka under the RUSSKAYA brand. (Id.; Oliynik Depo. at 12; Gusev Depo. at 8-9.) However, and contrary to petitioner's argument based on the agreement's non-competition clause, neither did the agreement on its face necessarily preclude respondent from U.S. distribution of RUSSKAYA vodka under the agreement at a later time. (Distribution agreement at ¶¶ 1.4 and 1.17.)

10. Meanwhile, on March 13, 2000, as part of a campaign to re-nationalize the industries which had been privatized a decade earlier under *perestroika*, Vladimir Putin, as acting president of the Russian Federation, issued an order directing Russian Federation authorities to take steps to reacquire the Vodka Trademarks for the Russian Federation. (Skurikhin Decl. ¶ 20, Exh. F.)

11. On November 20, 2000, the Russian Federation authorities brought suit in the Russian courts (the "Russian litigation") seeking to invalidate the January 1992 transformation of the state enterprise VVO into the private company VAO (see above at paragraph numbered 6), based on VAO's alleged noncompliance in 1992 with a technical provision of the laws governing the privatization process. (Skurikhin Decl. ¶¶ 21-25, Exhs. G-H.)

12. On May 10, 2001, during the pendency of the Russian litigation, PepsiCo assigned the RUSSKAYA U.S. registration involved in this proceeding to Spirits International, respondent herein.

13. The Russian litigation culminated in an October 16, 2001 decision by The Presidium of the Supreme Court of Arbitration of the Russian Federation, which held that the 1992 transformation of VVO into VAO was invalid, that VAO was not the legal successor to VVO or its property, and that ownership of such property therefore had remained with the state. (Skurikhin ¶ 26, Exh. I.)

14. Respondent "is challenging the validity of the Presidium Decision in proceedings before the European Court of Human Rights." (Skurikhin Decl. ¶ 27.) The record does not show when this challenge was commenced.

15. On the basis of the Presidium decision, the Russian Patent Office (on a date which is not apparent from the evidence of record) transferred to the Russian Federation respondent's Russian registrations of the Vodka Trademarks, including the Russian registrations of the STOLICHNAYA, MOSKOVSKAYA and RUSSKAYA marks, which had been acquired by VAO (respondent's predecessor) in 1992 as part of the privatization of the vodka industry. (Skurikhin Decl. ¶ 29.)

16. In 2002, the Russian Federation created a state enterprise known by the acronym FTE, which was formed "to take actions outside the Russian Federation in order to recover the trademark rights to the - the rights to the famous Vodka Trademarks which allegedly belong to the Russian Federation." (Tsyplakov Depo. at 18.)

17. In April 2003, based on the transfer in Russia of the Russian trademark registrations from respondent to the Russian Federation, the Russian Patent Office applied to the World Intellectual Property Organization (WIPO) for recordation of a change of ownership of seven international trademark registrations (including of the RUSSKAYA trademark), naming the state enterprise FTE as owner of the registrations in place of respondent. (Tsyplakov Depo. at 35-39; Exh. 3.) In June 2003, WIPO performed the ministerial acts of recording the change in ownership of the international registrations and of notifying all of the national patent offices in member countries of the change in ownership. (Tsyplakov Depo. at 35-39.)

18. In response to WIPO's actions, respondent assertedly has challenged the recordation and has informed WIPO that respondent still claimed ownership of the international registrations. (*Id.* at 39-42.) The date on which respondent took this action is not apparent from the record. Respondent also assertedly has initiated administrative and legal proceedings in the various national extension countries to reclaim its ownership of the international registrations. (*Id.*)

The record does not reveal when any of those proceedings were commenced.

19. The present TTAB cancellation proceeding involving respondent's U.S. RUSSKAYA trademark registration was commenced on May 19, 2004.

20. FTE has commenced litigation against respondent in various countries, in every case challenging respondent's ownership of one or more of the Vodka Trademarks on the basis of the outcome of the Russian litigation. Respondent specifically cites to litigation in the Netherlands, Austria, Brazil, Australia, and Chile (Tsyplakov Depo. at 25-31; Skurikhin Decl. ¶¶ 31-38), and in the United States (Tsyplakov Depo. at 14-15, 33-34, Exh. 2).

21. The litigation in the Netherlands was commenced in March 2003, and involves FTE's challenge to respondent's ownership of its MOSKOVSKAYA mark in the Netherlands. (Skurikhin Decl. ¶¶ 31-33, Exh. J.)

22. The litigation in Austria was commenced in July 2004, and involves FTE's challenge to respondent's ownership of its STOLICHNAYA and MOSKOVSKAYA marks in Austria. (Tsyplakov Depo. at 26-27; Skurikhin Decl. ¶¶ 34-35, Exh. L.)

23. The litigation in Brazil was commenced in September 2004, and involves FTE's challenge to respondent's ownership of the STOLICHNAYA mark in Brazil. (Skurikhin Decl. ¶¶ 36-37, Exh. M.)

24. The litigation in Australia involves FTE's challenge to respondent's ownership of the STOLICHNAYA and MOSKOVSKAYA marks in Australia. (Tsyplakov Depo. at 29-30; Skurikhin Decl. ¶ 38.) The date of the commencement of the Australian litigation is not apparent from the record.

25. As to the asserted litigation in Chile (referenced in Tsyplakov Depo. at 30-31), the record does not reveal its date of commencement nor the mark(s) involved therein.

26. In October 2004 (according to respondent's trial brief at 17), FTE commenced litigation against respondent in the United States District Court for the Southern District of New York. This U.S. litigation involves FTE's challenge to respondent's ownership and

registrations of respondent's various STOLICHNAYA marks in the United States. (Tsyplakov Depo. at 14-15, 33-34, Exh. 2).

27. In addition to the countries discussed above, Mr. Tsyplakov also named numerous additional countries in which FTE assertedly has initiated litigation challenging respondent's ownership of the Vodka Trademarks. (Tsyplakov Depo. at 17-19.) He also testified that respondent in turn has initiated litigation in numerous countries challenging FTE's right to register the Vodka Trademarks. (Tsyplakov Depo. at 43-44.) Respondent contends that, in all, and including the various WIPO proceedings involving respondent's international registrations, FTE and respondent are involved in litigation in at least twenty countries regarding the Vodka Trademarks. (*Id.*) The record does not reveal when any of these proceedings in other countries were commenced.

28. In all, respondent's legal costs resulting from the worldwide litigation have exceeded \$20 million (Tsyplakov Depo. at 46.)

29. During the relevant 2001-2004 period of respondent's nonuse of the RUSSKAYA mark in the United States, respondent was marketing RUSSKAYA vodka in numerous other countries. (Oliynik Depo. at 13; Gusev Depo. at 13-14.)

30. Respondent at all relevant times has been marketing STOLICHNAYA vodka in the United States. (Oliynik Depo. at 13.)

31. In October 2005, respondent made a shipment of thirty cases of RUSSKAYA vodka to its United States distributor, Allied, pursuant to the parties' 2000 distribution agreement (see above at numbered paragraph 9). (Gusev Depo. at 11-13, Exhibits 1-4.)

"Litigation Uncertainty" Excuse for Nonuse

Respondent contends that its nonuse of the RUSSKAYA mark in the United States during the May 2001 to May 2004 nonuse period at issue here was excusable. According to respondent, it was the result of a prudent, reasonable

business decision to postpone what would be a significant and expensive effort to develop the RUSSKAYA brand in the United States until respondent's uncertainty as to its ownership rights in the mark had abated. Respondent contends that this legitimate uncertainty arose from the worldwide litigation between respondent and FTE, in which FTE has challenged respondent's ownership rights in the Vodka Trademarks and is attempting to usurp those rights for itself.

In support of this "litigation uncertainty" contention, respondent relies on the March 2007 testimony of Mr. Tsyplakov, respondent's general counsel with respect to respondent's intellectual property, who testified that promotion of the RUSSKAYA brand in the United States "requires significant investments" on respondent's part, and that respondent therefore "has decided to wait until the dispute concerning the ownership in respect of STOLICHNAYA trademarks in the United States is resolved and then make such investment in the promotion of RUSSKAYA brands in the United States market." (Tsyplakov Depo. at 35.) He also testified:

[s]o there is a kind of instability and uncertainty in respect of that issue [respondent's ownership rights in the RUSSKAYA mark], and that is why SPI Group has made the business decision to concentrate its business efforts on the promotion of the key brands of the group, namely STOLICHNAYA, MOSKOVSKAYA, while not to invest

money in the development of the RUSSKAYA brand, RUSSKAYA vodka trademark due to such uncertainty.

(Tsyplakov Depo. at 25.) He also testified:

Taking into account such uncertainty regarding the outcome of the proceedings SPI Group has decided to concentrate mainly on promotion of our key brands, STOLICHNAYA and MOSKOVSKAYA, while not to make investments, huge investments into promotion of RUSSKAYA brand which is less known than STOLICHNAYA and MOSKOVSKAYA because we - although we are confident in our legal position in those disputes we, nevertheless, could not predict the court decisions on those proceedings. ... So in order to - not to expose the Group, the company to such risks it was again decided to concentrate on our star brands, primary brands like STOLICHNAYA and MOSKOVSKAYA.

(Tsyplakov Depo. at 32-33.) Likewise:

Those proceedings, like any other proceedings, are quite expensive with uncertain outcome. Although we are confident in our legal position we are not sure what decision would be rendered by the competent authorities who resolve those disputes. Taking this into account it was our decision to concentrate on the promotion of our key brands, STOLICHNAYA and MOSKOVSKAYA, and not to make investments in promotion of RUSSKAYA brand.

(Id. at 42-43.)

Respondent also relies on the March 2007 testimony of Mr. Oliynik, respondent's "new products manager." When Mr. Oliynik was asked to state the reasons why respondent was not distributing RUSSKAYA vodka in the United States, he testified:

There were a number of reasons between 1997 and 2003. One of those reasons was that the U.S. distributor was not very much willing to sell RUSSKAYA because I believe it thought, or he thought that it could take a market share from the core brand, STOLICHNAYA, and because they were

very carefully choosing the right period of time for launching or relaunching products.

But the main reason was that SPI group got involved in a dispute regarding the trademark ownership rights which cost Group a lot of money and human resources, and as you may understand it is difficult to know in advance the outcome of any legal dispute. However, we believe that all such disputes will be resolved in our favour and that is basically what is happening now. But at the point in time it was decided that the moment was not right to invest a lot of money in the product which had to be relaunched in the American market because relaunching very often costs much more money than launching of a new product. So because of that uncertainty and I would say primarily because of that uncertainty the decision was to postpone this project and not to invest, not to reallocate a lot of resources from the base brand to the RUSSKAYA brand.

(Oliynik Depo. at 13-15.)

We are not persuaded by respondent's "litigation uncertainty" excuse for its nonuse of the mark. We find that respondent (upon whom rests the burden of producing evidence sufficient to rebut petitioner's prima facie case of abandonment) has failed to establish, as a factual matter, that its nonuse of the RUSSKAYA mark in the United States between May 2001 and May 2004 was due to its claimed uncertainty as to its ownership of the mark in the United States arising from the worldwide litigation between respondent and FTE.

To begin with, we note that respondent has failed to present any contemporaneous documentary evidence to corroborate its witnesses' testimony that its nonuse of the mark was due to its uncertainty as to its U.S. ownership

rights in the mark arising from the worldwide litigation. Respondent's only evidence for this assertion is the very vague and conclusory statements of Mr. Tsyplakov and Mr. Oliynik (quoted above). They testified variously that, due to its alleged litigation uncertainty, respondent "has decided to wait" to use the RUSSKAYA mark; that respondent "has made the business decision" to postpone use of the RUSSKAYA mark; and that "it was again decided," "it was our decision," "it was decided," and "the decision was" to postpone use of the RUSSKAYA mark. These vague statements do not identify with particularity or even generally who it was that made the decision, how the decision was made or, more importantly in this case (see *infra*), when the decision was made.

Before we reach the "when" question regarding respondent's decision to postpone use until after its litigation uncertainty had abated, we will address petitioner's argument that the worldwide litigation outlined above is irrelevant and does not support respondent's "litigation uncertainty" excuse because most if not all of that litigation involves respondent's STOLICHNAYA and MOSKOVSKAYA marks, and not the RUSSKAYA mark at issue here. Petitioner argues that any litigation, U.S. or foreign, which involves marks other than RUSSKAYA does not excuse

respondent's nonuse of the RUSSKAYA mark in the United States.

In response to this argument, respondent argues that even where the other litigation does not concern respondent's ownership rights in the RUSSKAYA mark specifically, but rather concerns respondent's ownership rights in its other Vodka Trademarks such as STOLICHNAYA and MOSKOVSKAYA, the other litigation still creates uncertainty as to respondent's rights in the RUSSKAYA mark. According to respondent, FTE's challenge to respondent's ownership of the Vodka Trademarks in all of the foreign litigation, and in the Southern District of New York, is based on FTE's contention that each country's agencies and courts should recognize and give effect to the October 16, 2001 final decision of the Russian litigation, which effectively held that the 1992 privatization of the state enterprise VVO into the private company VAO (respondent's predecessor in interest) was invalid and that VAO therefore was not the legal successor to VVO and its property, including the Vodka Trademarks; that VAO therefore could not lawfully transfer the Vodka Trademarks; and that respondent therefore is not the owner of the Vodka Trademarks due to this defect in its chain of title to the marks. (See above at numbered paragraph 13.) Respondent contends that if this underlying legal theory upon which FTE's challenge to respondent's

ownership of the other Vodka Trademarks were to succeed in any of the other foreign and U.S. litigation, the same theory could be asserted and relied upon by FTE in any subsequent litigation (including litigation in the United States) attacking respondent's ownership of the RUSSKAYA mark as well.

In support of this argument, respondent relies on the testimony of its general counsel Mr. Tsyplakov. At pages 21-25 and 31-33 of his deposition, he testified:

That is why the issue of validity of transformation of the initial owner of the trademarks STOLICHNAYA, MOSKOVSKAYA, RUSSKAYA and others into the private entity which was the subject matter of Russian proceedings is of central importance to all other proceedings and to the - is of central importance to all other proceedings.

...

This legal theory is - can equally be used for the purposes of challenging the ownership of all trademarks which were initially registered in the name of the Soviet State Enterprise, including RUSSKAYA. ... If we obtain any adverse judgments in any jurisdiction this could theoretically lead to other adverse judgments in other jurisdictions which could impair, make serious impact on our trademark rights.⁹

Likewise with respect to the U.S. litigation in the Southern District of New York involving the STOLICHNAYA mark, Mr. Tsyplakov testified:

⁹ Regarding this last sentence, respondent never identifies what "theory" it would be that would expose respondent to adverse judgments in other countries based on an adverse judgment in one country. Aside from its vagueness, this statement obviously is inconsistent with the basic territoriality principle of trademark law. See discussion, *infra*.

The legal challenge, the legal grounds for the challenge of ownership of STOLICHNAYA trademarks in the United States could be the same for the eventual challenge of SPI Group's ownership in RUSSKAYA trademark in the United States. If SPI Group is not successful in the United States proceedings initiated by FKP Sojuzplodoimport [another name for FTE] and the U.S. court would render the judgment establishing the fact that due to invalidity of transformation of the Soviet State Enterprise, VVO Sojuzplodoimport, into the private company VAO Sojuzplodoimport, SPI Group cannot be considered as valid owner of STOLICHNAYA trademarks in the United States. The same judgment could be rendered in respect of RUSSKAYA trademark.

(Tsyplakov Depo. at 33-35).

Respondent has cited no authority for the proposition that a registrant's nonuse of the registered mark at issue can be excused due to the existence of litigation involving a different mark or marks. Indeed, the Federal Circuit seems to have suggested otherwise in *Imperial Tobacco*, *supra*:

The record shows that Imperial's ongoing and major litigation concern was over its desire to use [the registered mark] **JPS** in combination with JOHN PLAYER SPECIAL as used abroad, and to use the mark on packaging having a distinctive black and gold trade dress similar to that used by Philip Morris on its BENSON AND HEDGES cigarettes. Its unsuccessful efforts to license **JPS** for cigarettes were also directed to the use of **JPS** in this manner. The board inferred that litigation fears and licensing efforts were attributable to Imperial's desire to sell **JPS** cigarettes in a particular display, not because it could not use **JPS** as registered for cigarettes. We see no other reasonable inference.

14 USPQ2d at 1396. (Italics in original; footnote omitted.)

However, for purposes of this decision, we will assume arguendo that respondent's argument is tenable, and that the litigation involving the other Vodka Trademarks is not irrelevant solely because it did not involve the registered RUSSKAYA mark.

This assumption avails respondent little, however, because we find that the other foreign and U.S. litigation (even including litigation as to other Vodka Trademarks) upon which respondent relies for its "uncertainty" excuse is largely immaterial for another reason, i.e., it took place too late to affect respondent's decision not to use the RUSSKAYA mark in the United States during the May 2001 to May 2004 nonuse period at issue in this case.

On the record established by respondent, we have no reasonable basis for concluding otherwise than that, with three possible exceptions (i.e., the original Russian litigation, the WIPO action, and the Netherlands litigation), all of the foreign and U.S. litigation proceedings or matters upon which respondent specifically relies for this "uncertainty" excuse were not even commenced until after the close of the 2001-2004 nonuse period, i.e., not until after respondent already had abandoned the RUSSKAYA mark in the United States. That post-May 2004 litigation, outlined above and re-summarized below, as a factual matter cannot have caused any uncertainty on

respondent's part as to its ownership of the RUSSKAYA mark in the United States during the May 2001 to May 2004 nonuse period. Nor can it serve as a legal basis for excusing respondent's nonuse of the RUSSKAYA mark in the United States during that nonuse period.

Specifically, the litigation in Austria was not commenced until July 2004. (See above at numbered paragraph 22.) The litigation in Brazil was not commenced until September 2004. (See above at numbered paragraph 23.) The United States litigation in the Southern District of New York was not commenced until October 2004. (See above at numbered paragraph 26.) As to the remaining litigation proceedings or matters in various other countries upon which respondent relies, respondent's evidence (consisting chiefly of the vague testimony of respondent's general counsel, Mr. Tsyplakov), fails to establish when any of those proceedings or matters were commenced, and it certainly does not establish that any of those proceedings or matters were commenced prior to May 2004. These other matters include: respondent's appeal of the Presidium's decision in the initial Russian litigation to the European Court of Human Rights (see above at numbered paragraph 14); respondent's challenge to WIPO's recordation of FTE's change of ownership of the seven international registrations, and respondent's initiation of remedial proceedings in the WIPO member

countries (see above at numbered paragraph 18); the litigation in Australia (see above at numbered paragraph 24); the litigation in Chile (see above at numbered paragraph 25); and the litigation in any other of the countries named by Mr. Tsyplakov (see above at numbered paragraph 27).

Moreover, we find that even the three foreign proceedings or matters which it appears were already pending during the 2001-2004 nonuse period did not provide a reasonable legal basis, either independently or together, for any uncertainty on respondent's part as to its ownership of the RUSSKAYA mark in the United States.

First, the initial Russian litigation (upon which respondent puts primary reliance) which invalidated the 1992 transformation of the state-owned entity VVO into the private entity VAO, respondent's predecessor in interest, was commenced in November 2000 and was concluded in October 2001 with the Presidium decision. (See above at numbered paragraphs 11 and 13.) We note that this litigation regarding the VVO/VAO transformation did not directly involve ownership of respondent's Vodka Trademarks (including RUSSKAYA), but we will assume that the Presidium decision laid the groundwork for the Russian Patent Office's eventual transfer (at a date uncertain on this record) of respondent's Vodka Trademarks to the Russian Federation.

However, even if we deem the October 2001 Presidium decision to have deprived respondent of its title to the Vodka Trademarks (including RUSSKAYA) in Russia, that decision was not a reasonable basis for any uncertainty on respondent's part as to its title to its RUSSKAYA mark in the United States.

The status of [a party's] trademark rights in Russia has no bearing on the question of who owns the trademark rights in the United States. See, e.g., *Otokoyama 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").

Federal Treasury Enterprise Sojuzplodoimport, et al., v. Spirits International N.V., et al., 425 F.Supp.2d 458, 470-71 (S.D.N.Y. 2006).

The territoriality of trademark rights is hornbook law, and we reasonably assume that respondent, which by its own account is an international company which owns hundreds of trademarks and trademark registrations around the world including numerous U.S. registrations, would have been aware of this basic principle of trademark law. It thus would have had no reason to be uncertain of its U.S. rights in the RUSSKAYA mark, even after the Russian high court had ruled adversely to respondent as to respondent's rights in the Vodka Trademarks in Russia. Respondent's alleged reliance

on this Russian court decision as the basis for any "litigation uncertainty" and as an excuse for its nonuse of the mark in the United States is not factually credible, and it was legally unreasonable in any event.¹⁰

The second of the three foreign matters which the evidence shows to have occurred prior to May 2004 involved WIPO. In April 2003, the Russian Patent Office applied to WIPO for recordation of a change in ownership of seven international trademark registrations (including of the RUSSKAYA mark), naming FTE as the owner in place of respondent. In June 2003, WIPO performed the ministerial acts of recording the change in ownership of the international registrations and notifying the relevant member countries thereof. (See above at numbered paragraph 17.) However, we find that the Russian Patent Office's application for, and WIPO's performance of, these purely ministerial acts in 2003 are not a reasonable basis for respondent's claimed uncertainty as to its ownership rights in the RUSSKAYA mark in the United States during the 2001-

¹⁰ We note as well that respondent's alleged uncertainty as to its ownership of its registered RUSSKAYA mark in the United States was not reasonable for another reason. Respondent's RUSSKAYA registration, which so long as it exists is prima facie evidence of respondent's ownership of the mark in the United States, is over five years old. Therefore, respondent's ownership of and chain of title to the registered mark, vel non, is not available as a ground for cancellation of the registration. See Trademark Act Section 14(3), 15 U.S.C. §1064(3). Again, it is unlikely that respondent, the owner of a portfolio of numerous U.S. registrations, would be unaware of this fact.

2004 nonuse period. As respondent surely must be aware, the state of the WIPO register, per se, has no effect on substantive trademark rights in the member countries.

The third of the three matters which the evidence shows to have been pending during the 2001-2004 nonuse period is the 2003 litigation in the Netherlands between respondent and FTE. (See above at numbered paragraph 21.) Respondent itself initiated that litigation by obtaining, based on its ownership rights in the MOSKOVSKAYA mark, a March 19, 2003 court order attaching a shipment by FTE (or its proxy) of MOSKOVSKAYA vodka into the Netherlands. FTE filed a challenge to the court's attachment order on April 17, 2003, claiming that FTE, not respondent, was the owner of the MOSKOVSKAYA mark. FTE based its claim of ownership on the final decision of the Russian Federation courts and agencies which had invalidated respondent's ownership of the mark and awarded ownership to FTE. (See paragraph 13, above.)

On May 13, 2003, the Rotterdam district court found for respondent, upholding respondent's attachment of FTE's shipment of MOSKOVSKAYA vodka into the Netherlands. The court specifically found that respondent was the owner of the MOSKOVSKAYA mark, and specifically and roundly rejected FTE's arguments to the contrary which were based on the Russian litigation. (Skurikihn Decl. Exh. J.) Although the Rotterdam court's order was interlocutory in nature, it

reasonably should have allayed or at least lessened respondent's claimed uncertainty as to its ownership of the RUSSKAYA mark in the United States. We certainly cannot assume that the court's favorable order would have increased or reinforced respondent's claimed uncertainty, if it affected respondent's thinking at all.

For all of these reasons, we find that the testimony of Mr. Tsyplakov, respondent's general counsel for intellectual property matters, is not credible or at the least is wholly unpersuasive. We find, as a factual matter, that the foreign and U.S. litigation upon which respondent relies, most of which commenced after respondent already had abandoned the mark due to its nonuse between May 2001 and May 2004, cannot have been a basis for any claimed uncertainty on respondent's part as to its U.S. ownership rights in the RUSSKAYA mark during the nonuse period. It therefore cannot serve as a reasonable basis for excusing respondent's nonuse of the RUSSKAYA mark in the United States during that period. Even the three litigation matters that were pending or concluded during the three-year nonuse period could not and should not have caused any reasonable uncertainty on respondent's part as to its ownership rights in the registered RUSSKAYA mark in the United States, and cannot be considered to be a valid excuse for nonuse of the mark.

"Drain on Resources" as Excuse for Nonuse

Respondent argues, at pages 18-19 of its trial brief, that another reason for its nonuse of the RUSSKAYA mark in the United States (in addition to its alleged uncertainty as to its title to the RUSSKAYA mark in the United States arising from the worldwide litigation) was the burden on respondent's financial and manpower resources arising from the worldwide litigation. Mr. Tsyplakov testified that respondent has spent over \$20 million in connection with the litigation as of May 2007. (Tsyplakov Depo. at 46.) Citing to this testimony, and to Mr. Tsyplakov's testimony (at page 42 of his deposition) that "[t]hose proceedings, like any other proceedings, are quite expensive..." and also to Mr. Oliynik's testimony (at page 14 of his deposition) that the litigation has "cost Group a lot of money and human resources..." respondent argues that the worldwide litigation "has obviously taken a huge toll on SPI's time, finances and human resources. ... SPI's ongoing legal battles have also been enormously time-consuming, diverting human resources that could otherwise have focused on rebuilding the market for RUSSKAYA vodka in the U.S."

We are not persuaded by this argument. Mr. Tsyplakov's testimony that, as of his May 2007 deposition, respondent had spent over \$20 million in connection with the Vodka Trademark litigation does not establish how much of that

money was spent during the nonuse period in question, i.e., May 2001 to May 2004. As noted above, that period predates the commencement of most if not all of the worldwide litigation over the Vodka Trademarks. The same goes for respondent's asserted expenditures of time and human resources in connection with the Vodka Trademark litigation. Nor are we persuaded by Mr. Tsyplakov's assertion that the "human resources" devoted to the worldwide litigation "could otherwise have focused on rebuilding the market for RUSSKAYA vodka in the U.S.." That testimony is vague at best. Saying that the resources "could" have been used to build the U.S. market for RUSSKAYA vodka is not the same as saying that those resources, in fact, would have been devoted to developing the RUSSKAYA brand in the United States.

On this last point, we note that respondent's witnesses repeatedly stated that it would be very expensive and require a significant investment to "relaunch" the RUSSKAYA brand in the United States. For example, Mr. Tsyplakov, respondent's general counsel, testified that promotion of the RUSSKAYA brand in the United States "requires significant investments" on respondent's part. (Tsyplakov Depo. at 35.) He also testified that U.S. promotion of the RUSSKAYA mark would require "huge investments." (Id. at 25.) Mr. Oliynik testified (at page 15 of his deposition) that respondent would have had "to invest a lot of money in

the product which had to be relaunched in the American market because relaunching very often cost much more money than launching of a new product." Mr. Gusev stated that respondent's plan is to "launch" RUSSKAYA "with big marketing support and push." (Gusev Depo. at 14.) Mr. Oliynik, at page 17 of his deposition, stated that:

... RUSSKAYA is a very well-established old brand which if relaunched in the American market properly can help us gain an additional market share of the vodka market and our co-brand, STOLICHNAYA, can really benefit of that addition to the portfolio of vodka brands of SPI Group in America. Personally I believe that within a short period of time it can be one of the most profitable products in our portfolio, but of course it will require significant marketing investment.

These contentions, to the extent that they are intended to suggest that respondent's nonuse of the mark during the three-year nonuse period can be excused because a resumption of use of the RUSSKAYA mark in the United States would require "huge investments" and "big marketing support and push," are not persuasive. They are belied by the fact that in October 2005, after petitioner filed its petition to cancel respondent's registration (and after the three-year nonuse period), respondent made a shipment of thirty cases of RUSSKAYA vodka to its U.S. distributor, Allied Domecq, for sale in the United States. (Gusev Depo. at 11-13, Exhibits 1-4.) It does not appear that this shipment involved "huge investments," or required a costly "relaunch"

or a "big marketing support and push." Respondent simply made the shipment, as it could have done at any time during the three-year nonuse period. As the court stated in *Imperial Tobacco, supra*, 14 USPQ2d at 1395, "The board noted that when Imperial finally made sales of JPS cigarettes in 1987, there was no implementation of a complex marketing strategy to introduce them. As the board pointed out, Imperial simply began selling cigarettes in 1987, as it could have all along." Likewise in *Rivard v. Linville, supra*, 45 USPQ2d at 1377, the court noted:

The board found, moreover, that "within months of receiving notice of [Linville's] cancellation proceeding, [Rivard] negotiated license agreements with three United States entities to use the ULTRACUTS mark to render such services in the United States, and settled on a city in which to open a hair styling salon ... which appears to be lacking in the features [that, according to Rivard's testimony, he had] previously deemed essential" to a salon's location. ... This finding, which is supported by the record, not only detracts from Rivard's credibility, but also more than adequately supports the conclusion that Rivard's approximately five years of nonuse is not excusable.

For these reasons, we find that respondent has failed to establish as a factual matter that its nonuse of the RUSSKAYA mark in the United States from 2001 to 2004, the nonuse period at issue here, was due to any diversion of resources during that period to the worldwide litigation which otherwise would have gone to a resumption of use of the RUSSKAYA mark in the United States. Its alleged "drain

on resources" excuse for nonuse of the mark is not persuasive.

Conclusion - No Excusable Nonuse

For all of the reasons discussed above, we find that respondent has failed to come forward with evidence sufficient to establish that its undisputed failure to use the RUSSKAYA mark in the United States between May 2001 and May 2004 was excusable nonuse. The worldwide litigation upon which respondent relies, almost all of which had not even commenced until after respondent had already abandoned the mark in the United States, does not excuse respondent's nonuse of the mark during the nonuse period. Nor is respondent's nonuse excused by the alleged diversion of resources resulting from that litigation.

Indeed, on this record it appears that the more likely reason for respondent's nonuse of the RUSSKAYA mark in the United States for at least the three years prior to May 2004 was not due to its litigation with FTE, which for the most part was commenced after May 2004, but rather was the result of a purely business-driven decision not to market RUSSKAYA vodka in the United States during that period. We find more credible than Mr. Tsyplakov's rote recitals of respondent's "litigation uncertainty" excuse is Mr. Oliynik's testimony that one reason for respondent's nonuse

was that the U.S. distributor was not very much willing to sell RUSSKAYA because I believe it thought, or he thought that it could take a market share from the core brand, STOLICHNAYA, and because they were very carefully choosing the right period of time for launching or relaunching products.

(Oliynik Depo. at 13.)

We find on this record that respondent's assertion that its nonuse of the mark was due to the uncertainty and expense occasioned by other litigation between respondent and FTE is nothing more than post hoc rationalization.

No Proof of Intent to Resume Use

In addition to our finding that respondent has not rebutted the prima facie case of abandonment by proving that its nonuse of the RUSSKAYA mark in the United States for at least the three-year period prior to May 2004 was excusable, we also find that respondent has failed to rebut the prima facie case of abandonment with proof that, during the three-year nonuse period, it had maintained a bona fide intent to resume use of the mark.

The conclusory statements of respondent's witnesses that respondent has always maintained an intent to resume use the RUSSKAYA mark in the United States (Oliynik Depo. at 13; Gusev Depo. at 14; Tsyplakov Depo. at 46-47) do not suffice to establish that respondent, during the nonuse period, had maintained an intent to resume use. As noted by the Federal Circuit Court of Appeals, "A registrant's

proclamations of his intent to resume use or commence use in United States commerce during the period of nonuse are awarded little, if any, weight." *Rivard v. Linville, supra*, 45 USPQ2d at 1376. "In every contested abandonment case, the respondent denies an intention to abandon its mark; otherwise there would be no contest." *Imperial Tobacco, supra*, 14 USPQ2d at 1394. Thus, to establish that it had the requisite intent to resume use of the mark during the period of nonuse, respondent must come forward with evidence beyond mere conclusory statements or denials that it lacked such intent to resume use. *Id.*

We find the testimony of respondent's witnesses in their 2007 depositions, stating that respondent has been involved in "negotiations" with its U.S. distributor regarding the importation of RUSSKAYA vodka into the United States, to be equally vague and unpersuasive. This is especially so as to the extent to which the "negotiations" occurred during the 2001-2004 nonuse period at issue here.

For example: Mr. Oliynik, at pages 12-13 of his May 2007 deposition, testified:

Q. Has the SPI Group had any negotiations with its US importer/distributor concerning the distribution of RUSSKAYA vodka in the US?

A. Yes.

Q. Did you yourself participate in such negotiations?

A. Yes, I was personally participating in these negotiations many times between 1997 and September 2003.

Q. Do you know the current status of those negotiations?

A. No, I do not.

Mr. Gusev, at pages 8-10 of his May 2007 deposition, testified:

Q. More specifically, what involvement, if any, have you had with respect to the SPI Group's distribution and sale of RUSSKAYA vodka in the US?

A. We had many negotiations throughout the years with our partners in the United States regarding this brand, and my personal involvement was such that I was participating in these negotiations, working out proposals for partners and that was my involvement.

...

Q. Has the SPI Group had any negotiations with either its current US importer/distributor or any of its predecessors concerning the distribution of RUSSKAYA vodka in the US?

A. Yes. ... We have worked out a business proposal for the launch of our brand RUSSKAYA in the United States, and we have approached our partners. Among other approaches the most recent one was in 2005 when we had discovered and we believe we have seen a big market opportunity for this brand in the mainstream imported vodka segment of the United States market. We have outlined a business proposal and we were negotiating about the launch plan and details of the promotion of the brand.

Q. What is the current status of those negotiations?

A. The current status of these negotiations is that we are currently finalising these negotiations with our partners and we actually expect to receive their first order for bigger quantity of RUSSKAYA, but in the very short period of time from now.

Q. Has the SPI Group taken any steps to sell RUSSKAYA vodka in the US to your knowledge?

A. Yes. ... SPI Group was negotiating with its partners in the United States and that is it. We are negotiating. Now we are very near to the finalisation of this process.

We find that this testimony, upon which respondent bases its claim of a bona fide intent to resume use of the mark in the United States, is too vague and conclusory to be entitled to significant probative weight.

Finally, we note that respondent has not come forward with a single piece of contemporaneous documentary or other tangible evidence to corroborate the merely conclusory statements of its witnesses that respondent had been involved in business negotiations with its U.S. distributor, or that it had always maintained an intent to resume use of the RUSSKAYA mark in the United States. We find that the absence of any such evidence weighs against a finding that, during the nonuse period, respondent had maintained the requisite bona fide intent to resume use of the mark in United States commerce.¹¹

In summary, we find that respondent's proffered evidence simply does not suffice to establish that, during the relevant 2001-2004 nonuse period at issue in this case, respondent had maintained a bona fide intent to use the

¹¹ *Cf. Commodore Electronics Ltd. v. CBM Kabuchiki Kaisha*, 26 USPQ2d 1503, 1507 (TTAB 1993) (in the similar context of determining whether an intent-to-use applicant had the requisite bona fide intent to use the mark in commerce, "absent other facts which adequately explain or outweigh the failure of an applicant to have any documents supportive of or bearing upon its claimed intent to use its mark in commerce, the absence of documentary evidence on the part of an applicant regarding such intent is sufficient to prove that the applicant lacks a bona fide intention to use the mark in commerce as required by Section 1(b)." See also *L.C. Licensing Inc. v. Berman*, 86 USPQ2d 1883, 1891-92 (TTAB 2008).

RUSSKAYA mark in the United States. Because respondent lacked the requisite intent to resume use, we find that respondent has failed to rebut petitioner's prima facie case of abandonment on that basis.

Abandonment - Conclusion

For all of the reasons discussed above, we find that respondent's undisputed failure to use the RUSSKAYA mark in the United States for at least the consecutive three-year period between May 2001 and May 2004 constitutes prima facie abandonment. We find that respondent has failed to rebut the prima facie case of abandonment because it has failed to establish that its nonuse was excusable, or that it had maintained during the nonuse period a bona fide intent to resume use of the mark in the United States.

Therefore, we conclude that respondent abandoned the RUSSKAYA mark at least as early as May 2004, and that its registration of the mark must be cancelled and removed from the register.

Conclusion and Decision

Having carefully reviewed all of the evidence of record (including any evidence not specifically discussed in this opinion), and having carefully and fully considered all of respondent's arguments (including any arguments not specifically discussed in this opinion), we conclude that petitioner has established its standing to petition to

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cancel respondent's registration on the ground of abandonment. We also find that respondent abandoned the registered RUSSKAYA mark in the United States, and that such abandonment warrants cancellation of the registration.

Decision: The petition to cancel is granted.