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Covington Client Scores Major Victory in Stolichnaya Trademark Litigation

WASHINGTON, D.C., April 7, 2006 — The STOLICHNAYA trademark decision handed down last Friday by the U.S. District Court for the Southern District of New York represents an important victory for defendant Spirits International N.V. (“SPI”), represented by Covington & Burling, and a major setback for the plaintiff, an agency of the government of Russia. At stake in the lawsuit are, among other things, the U.S. rights to the famous STOLICHNAYA brand, one of the best selling vodkas in the world. The Russian government agency had filed a fifteen-count complaint claiming that it -- not SPI or SPI’s co-defendant and U.S. distributor, Allied Domecq -- was the rightful owner of all U.S. rights in numerous STOLICHNAYA trademarks. The complaint charged the defendants with trademark infringement, trademark dilution, copyright infringement, false designation of origin, unfair competition, fraud, unjust enrichment and misappropriation.

On March 31, 2006, the court dismissed all of the claims asserted against SPI and all claims but one asserted against Allied Domecq, and it denied the plaintiff’s motion for summary judgment as to that claim as well. The sole remaining claim against Allied Domecq does not involve ownership rights in the STOLICHNAYA brand; it asserts instead that Allied Domecq’s advertisement of STOLICHNAYA as “Russian Vodka” is somehow misleading, even though it is produced entirely in Russia.

The court thus upheld the U.S. ownership rights in the STOLICHNAYA marks and registrations currently held by Allied Domecq and the reversionary U.S. ownership rights in the STOLICHNAYA marks and registrations held by SPI. The court rejected as irrelevant Russian court decisions that purported to annul SPI’s rights as the legal successor to the Soviet government entity that originally registered the STOLICHNAYA mark in the United States:

“Once a trademark has been registered in the United States its status is independent of the continued validity of its registration abroad, and its duration, validity, and transfer in the United States are governed by [U.S. law].”

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This action is one of many brought by Russian government entities in countries throughout the world pursuant to a directive issued by Russian President Putin in an effort to renationalize intellectual property rights that were privatized during the period of “Perestroika” that surrounded the demise of the Soviet Union. It is expected that this U.S. court decision may influence courts in other countries before which similar Russian government claims to ownership of the STOLICHNAYA and other trademarks are pending.

Covington has extensive experience in international intellectual property disputes and other complex issues of international and domestic law. The firm also represents Bacardi in the international dispute over rights to the HAVANA CLUB rum trademark. That dispute has its roots in the Cuban Government’s confiscation in 1960 of the Arechabala family’s Havana Club rum business. The recent victory in the STOLICHNAYA case represents the firm's latest success in helping clients in matters related to the seizure of intellectual property rights.

Covington & Burling, an international law firm, provides corporate, litigation, and regulatory expertise to help clients achieve their goals. Founded in 1919, the firm has more than 550 lawyers and offices in Washington, New York, San Francisco, London, and Brussels.

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