

The Stolichnaya Vodka Lawsuit in Vietnam: What Intellectual Property Issues Should Be Considered?

The Russian vodka brand, long considered a symbol of culture, quality, and luxury, is facing serious legal challenges globally, including in Vietnam. The decades-long dispute over intellectual property (IP) rights for famous vodka brands such as Stolichnaya has exposed pressing issues in brand protection in Vietnam, especially in the context of international economic integration.

The recent lawsuit in the Hanoi People's Court between Spirits International B.V. (SPI) and FKP Sojuzplodoimport (FKP) has once again ignited heated debate over intellectual property rights, raising important questions about fundamental legal principles such as: the criteria for determining ownership of a trademark, the role of international agreements on [intellectual property](#), and the ability of the Vietnamese legal system to resolve complex transnational disputes. The lawsuit not only poses challenging legal issues but also reflects the complex changes in Russia's socio-economic transition after the collapse of the Soviet Union.

KENFOX IP & Law Office provides foreign-invested enterprises with in-depth analysis of this case to empower them to proactively address challenges in protecting their IP rights in Vietnam.

Case Background

In 2017, SPI filed a lawsuit requesting the Hanoi People's Court to invalidate decisions by the Intellectual Property Office of Vietnam ("VNIPO") regarding the non-recognition of SPI as the owner of four international registered trademarks: "MOSKOVSKAYA", "STOLICHNAYA", "SOVIET WINE SPARKLING" and "RUSSKAYA". SPI asserts that it has legally owned these trademarks since 1999 through a transparent and lawful transfer process.

However, the transfer process for these trademarks was far from straightforward. The aforementioned trademarks were registered during the Soviet era, under the name of the state-owned enterprise WO Sojuzplodoimport. Following the dissolution of the Soviet Union, ownership of these rights became the focal point of protracted and ongoing legal disputes.

Back in 1999, VNIPO officially recognized SPI as the owner of the four aforementioned international registrations based on a change of ownership notification from the WIPO International Bureau.

In 2010, prior to any dispute arising, SPI requested customs surveillance for vodka products bearing the "STOLICHNAYA" trademark, of which they were the owner. On December 2nd, 2010, the IP Rights Protection Enforcement Team (Team 4), in coordination with the Bac Ha Noi Customs Sub-Department, seized and handled a shipment of 14,400 bottles of "STOLICHNAYA" brand vodka, counterfeit and of substandard quality, belonging to Kien Anh Trading and Service Co., Ltd. ("Kien Anh Company"), with a total value of 350 million VND. Notably, these counterfeit products were imported from Russia itself, where FKP claims to be the rightful owner of the trademark. In October 2011, the Hanoi People's Committee issued a sanction decision with a fine of 517 million VND, along with the confiscation and mandatory destruction of all infringing goods.

This very circumstance exacerbated the disputes between SPI and FKP, igniting a battle for ownership of the aforementioned vodka trademarks in Vietnam. A few years later, SPI's distributors in Vietnam reported that their "STOLICHNAYA" vodka products had been temporarily seized by Hanoi market management authorities. The reason being that, prior to this, VNIPO, at the request of FKP, representing the interests of the Russian Federation, had issued a decision not to recognize the long-standing [trademark transfer](#) between SPI and a Russian state-owned company from the 1990s. VNIPO's non-recognition of SPI's ownership led to serious consequences. SPI's distributors in Vietnam quickly encountered difficulties when their products were seized, significantly impacting their business operations in Vietnam.

The Global Battle for the "STOLICHNAYA" Vodka Brand

Globally, in a landmark ruling with global implications, the Hague Court of Appeal (Netherlands) has determined that the legal ownership of two renowned vodka brands, "Stolichnaya" and "Moskovskaya" rests with the Russian Federation. Russian billionaire Yuri Shefler, the owner of SPI Group, is alleged to have unlawfully acquired ownership of these vodka brands during the tumultuous years following the collapse of the Soviet Union. Specifically, Mr. Shefler and SPI are accused of illegally acquiring the rights to the "Stolichnaya" and "Moskovskaya" vodka trademarks during the turbulent privatization process of the 1990s as the Soviet Union dissolved.

Mr. Yuri Shefler and SPI contend that the predecessor of FKP, the Russian state-owned company VAO Sojuzplodoimport, was privatized in 1992 and that he legally acquired this company (along with the trademarks) in 1997.

However, the Hague Court of Appeal asserted that no Russian state-owned company was legally privatized, thus, the trademarks remain the property of the Russian Federation. Existing documents purporting to demonstrate the "privatization" process are not legally reliable. The alleged privatization took place during a "turbulent" period when the Soviet Union collapsed, and many state assets were illegally sold off.

- **Decision of the Hague Court of Appeal (24/07/2012):** The Court of Appeal upheld the 2006 preliminary ruling of the Rotterdam District Court in favor of Russia, affirming that the privatization of FKP was invalid and that SPI did not acquire the trademarks in good faith. Consequently, the trademarks remain the property of Russia.
- **Decision of the Supreme Court (20/12/2013):** The Supreme Court upheld the ruling of the Court of Appeal and remanded the case back to the Rotterdam District Court for further proceedings.
- **Decision of the Rotterdam District Court (25/03/2015):** The Rotterdam District Court ordered SPI to transfer ownership of the trademarks to Russia, imposing a fine of 100,000 euros and an additional penalty of 50,000 euros per day for non-compliance. This decision sets a precedent for other [similar lawsuits](#) worldwide.

The Court also ordered SPI not to infringe upon the STOLICHNAYA and MOSKOVSKAYA trademarks and cancelled the word and figurative STOLICHNAYA and MOSKOVSKAYA trademarks that SPI had registered.

Progress of the Trial in Vietnam

On September 27, 2023, the Hanoi People's Court commenced proceedings in the lawsuit filed by SPI. During the trial, SPI argued that they had legally acquired the trademarks from VAO Sojuzplodoimport, which was later renamed ZAO Sojuzplodoimport, and ultimately transferred to SPI.

However, FKP, representing the interests of the Russian Federation, [presented evidence](#) from rulings of the Supreme Arbitrazh Court of the Russian Federation in 2001 and 2002, asserting that this transfer was illegal. According to these rulings, the transfer of the trademarks from VAO Sojuzplodoimport to SPI constituted fraudulent misappropriation of ownership and lacked any legal basis.

Ruling of the Vietnamese Court

On September 30, 2023, the Hanoi People's Court issued a ruling dismissing SPI's lawsuit. The Court affirmed that SPI failed to provide sufficient evidence to demonstrate the legality of the trademark transfer process. It can be inferred from the Court's ruling that:

- **Transfer of Trademarks in Russia:** The transfer of trademarks registered during the former Soviet Union to SPI was illegal, as it contravened the laws of the Russian Federation.
- **Decisions of International Courts:** The Hanoi People's Court referenced rulings from courts in the Netherlands and Austria, indicating that these courts also did not recognize SPI's acquisition as legitimate. This reinforces the argument that SPI does not have legal ownership of the aforementioned trademarks.
- **Subject of the Dispute:** The court rejected SPI's argument that VNIPO erred by not notifying SPI of FKP's request for cancellation of validity through the International Bureau of WIPO. The court held that the primary issue in this dispute is determining the rightful owner of the trademarks, which depends on the decisions of the competent authorities in Russia.

Have the Matters in Dispute Been Comprehensively and Satisfactorily Addressed?

One of the core issues of the lawsuit is the legality of the trademark transfer from VAO Sojuzplodoimport to SPI in 1999. To assess this legality, it is necessary to consider the legal context of Russia at that time, particularly the regulations concerning the privatization of state-owned enterprises and the transfer of assets. Furthermore, compliance with administrative procedures and international trademark registration regulations

is also a crucial factor. Comparing Russian legal provisions with those of Vietnam and international treaties will provide further clarity on the legality of this transaction.

The following legal issues need to be clarified and considered to adequately [resolve this legal battle](#) that neither SPI nor FKP seems willing to abandon.

[i] The Soviet Period and the Early Stages of Privatization

- **Determining Original Ownership:** Who was the original owner of the trademarks? What evidence exists to support VVO Sojuzplodoimport's claim of ownership?
- **Privatization of State-Owned Enterprises in Post-Soviet Russia:** What was the process for privatizing state-owned enterprises in Russia after the dissolution of the Soviet Union? Were there specific regulations regarding the transfer of IP rights during this process?
- **Legal Compliance of Trademark Transfer:** Did the transfer of trademarks from VVO Sojuzplodoimport to VAO Sojuzplodoimport adhere to the Russian legal framework in effect at that time?
- Answering the above questions will help clarify the origins of the trademarks and the changes in ownership during the initial period.

[ii] The transfer of trademarks to SPI

- **Legal Status of Trademarks During the Soviet Era and After its Dissolution:** How did the legal status of trademarks evolve during the Soviet era and after the dissolution of the Soviet Union?
- **Legality of 1999 Trademark Transfer:** Was the 1999 transfer of trademarks from VAO Sojuzplodoimport to SPI in accordance with Russian law at that time? (Did VAO Sojuzplodoimport possess the legal authority to transfer the trademarks to SPI? Has SPI furnished adequate proof of payment and relevant agreements pertaining to this transfer? Are there comprehensive contracts, transfer records, and other documentation related to the trademark transfer? What evidence has SPI presented to substantiate the legality of its ownership and transfer of the trademarks?)
- **WIPO's Records and Notifications:** What records, if any, does WIPO have regarding the trademark transfer process? Has WIPO issued any notifications related to this dispute?
- **WIPO Registration and International Recognition of Trademark Transfer:** What was the process for registering the transfer of trademark ownership with WIPO, and how was it subsequently [recognized internationally](#)?
- **Handling of WIPO Communications:** How were notifications or communications from WIPO concerning changes in ownership and adherence to international agreements managed?
- **SPI's Use of the Trademarks:** How did SPI utilize the trademarks following the transfer of ownership?
- **Persuasiveness of SPI's Evidence:** Does the evidence offered by SPI convincingly demonstrate its rightful ownership?
- **Court's Assessment of Evidence:** How did the court evaluate the credibility and legality of the documents supporting SPI's claim of legal ownership?
- **Persuasiveness of FKP's Evidence:** Does the evidence offered by FKP convincingly disprove SPI's ownership?

[iii] Legal Disputes and Court Rulings

- **Recognition and Enforcement of Foreign Court Decisions:** To what extent are decisions from Russian courts, Dutch courts, and other international courts recognized and given legal effect in Vietnam? Have these rulings been recognized and enforced in Vietnam in accordance with Vietnamese law and international agreements?
- **Consideration of Foreign Rulings:** Did VIPO take these rulings into account when making its decision?
- **Precedents and Procedures for Recognition and Enforcement:** Are there any precedents in Vietnamese law for the recognition and enforcement of international court judgments? What is the process involved?

[iv] Role of VNIPO

- **VNIPO's Handling of Madrid System Trademarks:** How did VNIPO fulfill [the legal procedures and processes](#) for trademarks designated for protection in Vietnam under the Madrid system, with respect to the parties involved in this case?

- **Notification to SPI:** Was SPI adequately notified of FKP's cancellation request? If not, what were the procedural errors?
- **Adherence to IP Regulations in VIPO Decisions:** Are the decisions made by VNIPO concerning the recognition of trademark ownership in accordance with the regulations of IP law, Vietnamese procedures, and international IP agreements to which Vietnam is a signatory?
- **Justification for VNIPO's Ruling:** Was the ruling of VNIPO supported by sound legal reasoning and the evidence submitted by the parties?

Final thoughts

The legal battle over the Stolichnaya trademark in Vietnam is not merely an isolated lawsuit, but rather reflects broader issues concerning IP rights, intertwined with complex legal, economic, and historical factors. This necessitates the court possessing extensive legal knowledge, judicial experience, and meticulousness in evaluating the evidence. The case originates from the Soviet era, spanning various periods of transition and involving significant historical events. Clarifying the history of the formation and transfer of ownership of the trademarks is of paramount importance.

The lawsuit not only involves Vietnamese IP law but also pertains to international legal provisions, particularly those concerning trademarks. The case demands that the court possess not only a profound understanding of domestic law but also a comprehensive grasp of international law to correctly interpret and apply legal regulations, ensuring the fairness and objectivity of the ruling.

The parties in the lawsuit will undoubtedly present various types of evidence, ranging from legal documents and contracts to evidence demonstrating the use of the trademarks. The court needs to meticulously assess the authenticity and probative value of each piece of evidence.

The aforementioned lawsuit is likely to continue, with ongoing disputes anticipated. Therefore, the court must conduct a thorough analysis to filter and evaluate the information comprehensively, employing scientific methods to assess the authenticity and probative value of the evidence presented by the parties. The court should also consult international conventions and treaties on IP rights, as well as rulings from other international courts, to ensure the issuance of a satisfactory judgment in the case between SPI and FKP.

The court's decision will not only mark the conclusion of the lawsuit but also set a significant milestone in the journey to [protect IP rights](#) in Vietnam. The ruling in this case will not only affect the disputing parties but also establish an important precedent in IPR protection in Vietnam. It will shape the approach of both domestic and international businesses towards building and protecting their brands in the Vietnamese market and influence the way future IPR disputes are resolved. Therefore, the court's decision must ensure fairness, objectivity, and a solid legal basis.

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