

[IP Law Daily, TRADEMARK—S.D.N.Y.: Controversy exists over whether Classic Liquor infringes Spirits' vodka brands, \(Jan. 4, 2016\)](#)

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By Peter Reap, J.D., LL.M.

A dispute between Classic Liquor Importers and Spirits International (SPI) over whether Classic Liquor was infringing SPI's trademarks of variations of the term ELIT with Classic Liquor's ROYAL ELITE vodka was a justiciable controversy under the Declaratory Judgment Act, the federal district court in New York City has decided (*Classic Liquor Importers, Ltd. v. Spirits International B.V.*, December 30, 2015, Rakoff, J.). Furthermore, Classic Liquor's claim for cancellation of SPI's marks under a theory of "retroactive estoppel" was without basis and was dismissed with prejudice.

On October 30, 2014, Classic Liquor filed a trademark application in the USPTO for the name ROYAL ELITE. In a cease-and-desist letter mailed to Classic Liquor on May 5, 2015, SPI alleged that Classic Liquor's proposed use of the ROYAL ELITE mark in connection with liquor and beverage products would infringe SPI's United States trademarks of variations of the term ELIT. SPI held registered trademarks in a stylized version of the term ELIT, a figurative representation of the term ELIT, the term STOLICHNAYA ELIT, and a figurative representation of the term STOLICHNAYA ELIT.

Classic Liquor filed suit seeking (1) a declaratory judgment that its vodka bottles and the trademarks and trade dress used thereon did not infringe SPI's trademarks; and (2) the cancellation of two of SPI's registered trademarks on the ground that "elit" was unregistrable because it had the exact same meaning as the descriptive term "elite."

Declaratory judgment claim. SPI argued that the court lacked subject-matter jurisdiction over Classic Liquor's declaratory judgment claim because the claim was impermissibly hypothetical in nature. SPI contended that Classic Liquor had not yet brought its product to market. This premise was undermined by the sworn representation of Classic Liquor's president that Classic Liquor has, in fact, been shipping and selling products under the ROYAL ELITE mark since September 2015. The affidavit was properly before the court for purposes of responding to defendant's jurisdictional attack, the court observed.

Moreover, because Classic Liquor's products had entered the consumer marketplace, SPI's arguments that Classic Liquor had not sufficiently fixed its mark, had not sufficiently alleged concrete plans to launch its products, and had brought a suit in which evidence of actual consumer confusion will be unavailable were without basis. Even though Classic Liquor might not have commenced its sales and distribution at the time it filed its original complaint, Classic Liquor had a reasonable apprehension that it faced a potential infringement suit.

SPI pointed to its self-serving representation in its October 28, 2015 letter to Classic Liquor—sent months after this litigation commenced—that it had no "present intent to sue Classic Liquor for trademark infringement." However, even if one were to credit (which the court did not) SPI's assertion that it has no intention of suing Classic Liquor, the action presented a "substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

Cancellation claim. SPI sought to dismiss Classic Liquor's cancellation claim for failure to state a claim. Classic Liquor seized on SPI's contention in its TTAB filing that "[t]he words 'Elit' and 'Elite' are identical in sound and commercial impression, and are nearly identical in appearance." In what was essentially a "retroactive estoppel" argument, Classic Liquor asserted that if SPI now contended that "elit" and "elite" were identical, then SPI's marks that were still contestable on descriptiveness grounds and must be cancelled because "Elite" was a merely descriptive term.

While Classic Liquor would perhaps have a viable cancellation claim if it plausibly pleaded that “elit” was a descriptive term that had not acquired secondary meaning, it did not so plead, the court noted. Instead, Classic Liquor took the position in its May 21, 2015, letter to SPI that “elit” is a “coined term” and, by definition, not descriptive. In any event, Classic Liquor’s estoppel-based theory of cancellation had no basis in trademark law and was dismissed with prejudice.

The case is [No. 1:15-cv-06503-JSR](#).

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Companies: Classic Liquor Importers, Ltd.; Spirits International BV

Cases: Trademark NewYorkNews