Mr. Speaker, I would like to

share with my colleagues information that

raises serious concerns about the development

of a free-market system in Russia. Many

of my constituents who develop products such

as software and biological drugs rely on the

enforcement of strong intellectual property

rights laws and copyright protection, and

therefore have an interest in ensuring that

countries such as Russia maintain fair and enforceable

laws in this regard. For this reason,

there is cause for concern regarding the Russian

government placing significant pressure

on SPI, the company that produces the

Stolichnaya beverage, in an effort to reclaim

the intellectual property rights of its brands.

Stolichnaya, nicknamed Stoli to many Americans,

is one of many brands of production the

Russian government is attempting to reclaim

from SPI in the wake of the privatization of

other beverage companies in the 1990’s.

I am concerned about the implications of

such actions on international global property

rights, Russia’s potential WTO and G–8 membership,

and the direction of Russian Democracy

and rule of law. This case is emblematic

of a general situation and is part of a pattern

of disrespect for the rule of law that has unnerved

foreign investors who are concerned

about long-term economic, legal and political

stability of Russia. If we are to hope to crack

down on the copyright infringements on software

produced in the Puget Sound, I believe

that proper enforcement of this issue is an important

step.

I would like to offer my colleagues some

background on SPI and its issues.

SPI is a Dutch-based company that owns

the trademark rights to a large number of beverage

brands including Russia’s most famous

brands, Stolichnaya and Moscovskaya as well

as Russkaya and Limonnaya. It is my understanding

that the SPI Group acquired the

rights for these trademarks by means of buying

out the minority shareholders of a Russian

company, which owned the above-mentioned

trademarks worldwide and was privatized between

1990–1992. It also assumed a $50 million

debt that was inherited by the previous

owner from its state-owned predecessor. SPI

has since invested another $100 million to develop

into a successful international competitor.

The SPI Group has registered the trademarks

for the 43 brands in more than 150

countries. It has a 10-year distribution deal

with Allied Domecq in the U.S. as well as a

distribution deal with First Drinks in the UK

and Bacardi in Greece. Last year, SPI recorded

sales of $680 million. This success,

however, has merely brought the company to

the forefront of the debate over who owns

these trademarks.

It is also my understanding that from 2000

onwards, certain entities within the Russian

State have started various actions against SPI

to obtain its trademark registrations.

In late 2001, in a case brought by the Russian

State Trademark Organization, the Russian

courts ruled that the original privatization

of the company that owned the brand before

SPI was invalid (on a technicality) and returned

the rights for 17 brands controlled

(now) by the SPI Group to the Russian Ministry

of Agriculture.

Since then, SPI, while producing the product

in Russia, has been forced to move its bottling

plant to Riga in Latvia, after the Russian authorities

seized and blocked its exports from

the Russian port of Kaliningrad. Various heated

legal battles have been fought in a number

of Russian and foreign courts as SPI continues

to sell Stolichnaya internationally. In

Russia, a company resurrected by the Government

markets its own Stolichnaya brand

after confiscating back the trademark there.

On 4 March 2002, the Leninsk-Kuznetskiy

City Court seemingly resolved the dispute by

ruling that the Ministry of Agriculture had illegally

registered 17 trademarks belonging to

SPI, including the Stolichnaya trademark, and

ordered that SPI be reinstated as the registered

trademark owner.

However, Russian authorities ignored the

Leninsk-Kuznetskiy City Court’s ruling and employed

intimidation and police-state tactics to

grab the company’s assets and trademark

rights for its own purposes. Some examples of

these tactics include:

The Government’s Federal Security Service,

in a letter dated March 5, 2002, ordering

Kaliningrad Customs to prohibit bulk export of

Stolichnaya produced by SPI in Kaliningrad.

The confiscation of more than 150,000

cases of SPI products seized in Kaliningrad

along with related packaging material.

The filing of criminal charges levied against

Audrey Skurikhin, president of SPI Spirits-Russia,

and its Kaliningrad facility.

As a result of these events, it is my understanding

that the Ministry of Agriculture currently

produces these products in Russia with

virtually identical labeling and uses libel and

intimidation to force distributors and customers

to stop doing business with SPI. In addition,

the Russian Patent Agency gave the rights for

the re-nationalized trademarks to the newly incorporated

company of the Russian Ministry

for Agriculture.

International courts have ruled in favor of

SPI. Court rulings in October 2002 in Hamburg,

Germany and May 2003 in Rotterdam,

Netherlands, rejected the lawsuits brought

against SPI, substantiating SPI’s claims.

Mr. Speaker, in conclusion, the SPI case is

about something larger and more fundamental

for Russia and its relationship with the United

States and other nations of the world—adherence

to the rule of law and political, social and

economic freedom. SPI is an example of the

need to uphold the rule of law and ensure a

better business environment for Russian business.

A stable and democratic Russia, based

on a rule of law, is critical to U.S. interests;

not only for U.S. firms interested in doing business

there, but also for the overall, long-term

U.S.-Russia relationship. Many of my constituents

depend on adherence to the rule of law

and copyright protections to ensure that their

products, particularly software and biotechnology,

are not stolen. We should not let

this SPI case set precedence or be a harbinger

for software and other U.S. industries.