

No. 11-982

IN THE
Supreme Court of the United States

ALREADY, LLC d/b/a YUMS,

Petitioner,

v.

NIKE, INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

**BRIEF FOR THE AMERICAN INTELLECTUAL
PROPERTY LAW ASSOCIATION AS *AMICUS
CURIAE* IN SUPPORT OF RESPONDENT**

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QUESTION PRESENTED

Whether respondent's covenant not to sue petitioner was worded in a fashion that resolved the "actual controversy" in this declaratory judgment suit.

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INTEREST OF AMICUS CURIAE

Amicus curiae American Intellectual Property Law Association (“AIPLA”) is a national bar association of approximately 14,000 members engaged in private and corporate practice, in government service, and in the academic community.¹ AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. AIPLA has no stake in any of the parties to this litigation or in the result of this case other than its interest in seeking the correct and consistent interpretation of the law as it relates to intellectual property issues.²

¹ Pursuant to Supreme Court Rule 37.6, AIPLA certifies that no counsel for a party authored this brief in whole or in part, and that no person or entity, other than AIPLA, its members, or its counsel, has made any monetary contribution to the preparation or submission of this brief. After reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

² In accordance with Supreme Court Rule 37.3(a), counsel for petitioner and counsel for respondent have consented to the filing of the brief of amicus in support of respondent. The consents are submitted herewith.

SUMMARY OF ARGUMENT

At birth this case involved a definite and concrete controversy between the parties concerning Nike's trademark. Nike sought to hold Already liable for infringing its trademark and Already sought to fend off liability by, among other things, establishing that the trademark was invalid. But that controversy ended when Nike agreed not to enforce its trademark against any of Already's current and previous footwear designs and any colorable imitations thereof. At that moment, this case lost the indispensable Constitutional requirement of an actual adverse legal interest between the parties of sufficient concreteness and immediacy to support a declaratory judgment action.

Critically, Already has not identified any *specific* plans to commercialize new products that may conflict with the Nike trademark—much less plans of the required “sufficient immediacy” to define a real controversy. In this context, concrete and immediate commercial plans are the irreducible minimum to establish legal adversity under long-standing Constitutional principles.

This Court's decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), made clear that a case or controversy may exist for declaratory judgment jurisdiction even though a reasonable apprehension of being sued is not shown. In applying the ruling, the Federal Circuit has concluded that declaratory judgment jurisdiction is now determined by looking to the “totality of the circumstances” for evidence of a substantial, immediate, and real controversy between parties with adverse legal interests. See *Sandisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1380-81 (Fed.

Cir. 2007). In this respect, the ruling has been widely perceived to have substantially lowered the “case or controversy” bar in intellectual property cases.³

However, a case or controversy standard that would completely disregard a promise not to sue drops the standard much too low. *MedImmune* did not create an intellectual property exception to the basic requirement of an immediate legal controversy to establish standing. The mere desire of a member of the public to invalidate an intellectual property right or some vague, general plan to commercialize commercial plans does not create the true legal adversity indispensable to support a declaratory judgment action. The Declaratory Judgment Act simply does not authorize attacks on intellectual property in federal court absent an adequate reason to believe that such property constitutes a threat of *sufficient immediacy* to a concrete legal interest of the putative plaintiff.

³ See, e.g., International Trademark Association, *United States Annual Review* (2010), *The Trademark Reporter*, vol. 100, no. 1, p. 241 (*MedImmune* “greatly loosened the requirements for a finding of a cognizable case and controversy,” as a result of which, motions to dismiss declaratory judgment actions in trademark cases “have increasingly met with judicial disfavor”); Megan M. La Belle, *Patent Litigation, Personal Jurisdiction, and the Public Good*, 18 *GEO. MASON L. REV.* 43, 60-61 (2010) (perceiving a “clear consensus that the *MedImmune* standard for establishing a case or controversy is much more lenient and favorable to alleged patent infringers” and noting that “many predicted that this relaxation of the standard would lead to a significant rise in the number of declaratory relief actions filed”); see also Robert C. Kahrl & James W. Walworth, *Post-MedImmune: What Gives Rise to a Justiciable Controversy* (Sept. 1, 2007), available at http://www.aipla.org/learningcenter/library/papers/am/AM07Materials/Documents/ED_2007_AM_Kahrl_PPR.pdf.

MedImmune only reaffirmed the proposition that jurisdiction over a declaratory judgment action concerning intellectual property rights unyieldingly depends upon the existence of a real and substantial controversy. There was an actual controversy in *MedImmune* because the claims asserted by the declaratory judgment plaintiff, if successful, would mean it did not owe royalties to the defendant under their patent licensing agreement. The heart of the decision was that steps taken by a licensee to avoid the harm threatened by its licensor did not obviate that controversy for purposes of declaratory judgment jurisdiction. In effect, the *MedImmune* declaratory judgment plaintiff put up a shield, whereas in this case the declaratory judgment defendant surrendered its sword.

While normally the party contending there is a live case or controversy would bear the burden of proving jurisdiction, it is argued that the “voluntary cessation” doctrine shifts the burden to the plaintiff in this context to show there is *no* jurisdiction. That doctrine, however, applies to defendants who voluntarily cease violating the law because there is a risk they may resume their illegal activity if the case were deemed moot. Expanding that doctrine to cover plaintiffs who broadly covenant not to sue defendants is unwarranted since there is no risk of immediate resumption of illegal activity. Even more fundamentally, in the “voluntary cessation” cases the law-breaker knows whether it will resume its activity and it has the proof to show whether a true controversy still exists. Here, the party receiving the covenant controls the proof as to whether it has specific commercial plans defining a concrete and immediate controversy. It would be exactly backwards

to require the rights owner to prove that the party receiving the covenant has no such future plans.

In this case there is no continuing dispute regarding infringement, regardless of who bears the burden, and thus no ongoing controversy that an adjudication of validity could resolve. The effect of the covenant not to sue removes any concrete and sufficiently immediate adverse legal interest in this case, separate from what might be raised by members of the public generally, as to whether Nike's trademark is valid. Already may continue to sell its footwear without paying royalties to Nike and without risk of an infringement claim. Moreover, it has not at all identified concrete commercial plans of sufficient immediacy (or even without sufficient immediacy) that may conflict with Nike's trademark.

A contrary result, allowing litigation to proceed without real adversity, would invite collusive actions and strike suits. For example, opportunistic litigants could challenge valuable intellectual property in federal court to pressure for quick settlements that would be below the pricey cost of defense. The party challenging the intellectual property might even be willing to agree to an outcome that would further validate that intellectual property for a price.

Congress has already provided a suitable avenue for the public to challenge the validity of trademarks and patents before the U.S. Patent and Trademark Office. These administrative proceedings have safeguards so that they are not dependent on the kind of adversity of legal interest required for federal court actions and are

the proper avenue for simple challenges to the validity of vested intellectual property rights.⁴

ARGUMENT

I. THE CASE AND CONTROVERSY OVER INFRINGEMENT WAS RESOLVED WHEN NIKE DELIVERED AN UNCONDITIONAL COVENANT THAT EXTINGUISHED ALREADY'S COUNTERCLAIM.

A. The Validity of the Trademark Is Not Justiciable Because There No Adversity of Legal Interests Between the Parties.

Already's counterclaim challenging Nike's trademark ceased to be justiciable when Nike delivered a covenant not to sue. That covenant ensured that Already faced no present or even foreseeable (much less, imminent) infringement suit. As a result, there is no definite and concrete dispute between the parties that is of sufficient immediacy to establish federal jurisdiction over a declaratory judgment action concerning the trademark's validity.

While *MedImmune* may have lowered the bar for initiating declaratory judgment actions (at least in the eyes of the intellectual property community) by not requiring an apprehension of an imminent suit, it did not create a broad intellectual property exception to the basic "case or controversy" requirement of the Constitution. See, e.g., *Prasco, LLC v. Medicis Pharm.*

⁴ See 15 U.S.C. § 1064 (permitting trademark cancellation actions by "any person who believes that he is or will be damaged"); 35 U.S.C. §§311, 321 (establishing procedures for challenging a patent by "a person who is not the owner of a patent").

Corp., 537 F.3d 1329, 1339 (Fed. Cir. 2008) (“Although *MedImmune* clarified that an injury-in-fact sufficient to create an actual controversy can exist even when there is no apprehension of suit, it did not change the bedrock rule that a case or controversy must be based on a *real* and *immediate* injury or threat of future injury that is *caused by the defendants*—an objective standard that cannot be met by a purely subjective or speculative fear of future harm.”) (emphasis in original); *Surefoot LC v. Sure Foot Corp.*, 531 F.3d 1236, 1242 (10th Cir. 2008) (reasonable apprehension of a suit no longer required after *MedImmune* but there must still be a controversy between the parties, not just a request for an advisory opinion); *Geospan Corp. v. Pictometry Int’l Corp.*, 598 F. Supp. 2d 968, 970 (D. Minn. 2008) (“although *MedImmune* lowers the bar for declaratory judgment jurisdiction, a substantial controversy is still required”).

Indeed, appellate courts applying *MedImmune* to declaratory judgment actions involving intellectual property have cited it as *reaffirming* the basic elements of the case or controversy requirement, including concreteness and immediacy. A product must therefore be demonstrably planned and defined before a concrete and immediate dispute can be said to exist. See, e.g., *Vantage Trailers, Inc. v. Beall Corp.*, 567 F.3d 745, 749 (5th Cir. 2009) (the design of the potentially infringing product must be fixed in material way with respect to the potentially infringing characteristics); *Int’l Harvester Co. v. Deere & Co.*, 623 F.2d 1207, 1216 (7th Cir. 1980) (“For a decision in a case such as this to be anything other than an advisory opinion, the plaintiff must establish that the product presented to the court is the same product which will be produced if a declaration of noninfringement is obtained.”). The plan

for commercialization must be sufficiently immediate, not put off to an undefined or distant future. See, e.g., *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1346-47 (Fed. Cir. 2007) (plans to file a new drug application “in a few years” were not sufficiently immediate). The Federal Circuit very recently relied on this principle of immediacy to find no declaratory judgment jurisdiction in *Matthews International Corp. v. Biosafe Engineering, LLC*, 2012-1044, 2012 U.S. App. LEXIS 20137, at *14 (Fed. Cir. Sept. 25, 2012) (“[W]hen it is unclear when any even arguably infringing activity will occur, a dispute will lack the immediacy necessary to support the exercise of declaratory judgment jurisdiction.”).

There is no actual controversy here because the purported harm is neither concrete nor immediate. Already has identified no specific plans to design a new shoe that would subject it to an infringement claim by Nike, much less do so in the near future. The district court properly found the claims from investors about what they might do in the future were insufficient. Thus, unlike the patent validity issue in *MedImmune*, adjudication of the trademark’s validity in this case would not determine the respective rights of parties with adverse legal interests. It would have no effect on Already’s legal obligations to Nike or on any of its specifically identified activity on the horizon, such as an ability to market its current products or products of a specific design. See *Flast v. Cohen*, 392 U.S. 83, 96 (1968) (noting the “oldest and most consistent thread in the federal law of justiciability . . . that federal courts will not give advisory opinions”); *Hall v. Beals*, 396 U.S. 45, 48 (1969) (“[t]he case has therefore lost its character as a present, live controversy of the kind that must exist

if we are to avoid advisory opinions”). In *MedImmune*, the declaratory judgment plaintiff was a patent licensee that developed doubts about the validity of the licensor’s patent. The licensee opted for a declaratory judgment suit to challenge the patent, but did so while continuing to make the required payments under the license. This Court concluded that the licensee did not eliminate the adversity between the parties by raising the shield of continued compliance under the licensing agreement. In this case, however, any potential harm anticipated by Already as the declaratory judgment plaintiff was clearly removed when Nike as the declaratory judgment defendant surrendered its sword with a covenant not to sue.

The action is therefore moot, because “[t]o qualify as a case fit for federal-court adjudication, an actual controversy must be extant at all stages of review, not merely at the time the complaint is filed.” *Arizonans for Official English v. Arizona*, 520 U.S. 43, 67 (1997) (citation and quotation marks omitted); see also *Honig v. Doe*, 484 U.S. 305, 317 (1988) (“That the dispute between the parties was very much alive when suit was filed . . . cannot substitute for the actual case or controversy that an exercise of this Court’s jurisdiction requires.”).

This does not mean a court is deprived of jurisdiction over an invalidity counterclaim merely because no infringement is found. To the contrary, as this Court explained in *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83, 96 (1993), such a finding does not end the controversy because the noninfringement finding remains subject to review in the courts of appeals and in this Court. The appellate

courts continue to have jurisdiction over the invalidity counterclaim, which may become dispositive if the noninfringement finding is reversed. See *id.* at 97. Moreover, for so long as a plaintiff continues to assert infringement, the questions of noninfringement and invalidity remain “two possible alternative grounds” for decision, both of which lie within the courts’ proper jurisdiction. *Id.* at 98.

But, as noted in *Cardinal Chemical*, a very different situation would be presented “[i]f, before the court had decided the case, either party had advised it of a *material change in circumstances that entirely terminated the party’s controversy.*” *Id.* (emphasis added). Unlike a mere finding of noninfringement, such material change—like a complete resolution of a controversy through an unqualified covenant—would require dismissal of the action. *Id.*

In both *MedImmune* and *Cardinal Chemical*, jurisdiction was present because the parties continued to have adverse legal interests that would be resolved by an adjudication of validity. This case is simply the other side of the same coin. Where, as here, the parties have no actual adverse legal interests, the federal courts have no jurisdiction to hear Already’s counterclaim that the trademark is invalid.

Nor is there an independent basis for jurisdiction in 15 U.S.C. § 1119 that would authorize courts to address validity “in any action” involving a registered mark. This provision does not apply since, without a case or controversy, there is no “action” involving a registered mark. Rather, it is designed to promote efficiency by permitting “all questions in respect to a registered trademark [to] be determined in one proceeding, thus

preventing vexatious and harassing litigation.” *Simmonds Aeroaccessories, Ltd. v. Elastic Stop Nut Corp. of Am.*, 257 F.2d 485, 491 (3d Cir. 1958). The statute was never intended to create a free-standing cancellation action in federal court by parties who once had—but no longer have—an actual legal interest in the validity of the trademark, nor could it do so consistent with the Constitution. See *Bond v. United States*, 131 S. Ct. 2355, 2361-62 (2011) (one who maintains a federal action must show not only that it has standing to obtain relief, but must also point to an ongoing Article III controversy).⁵

Instead, Congress has provided a separate, administrative proceeding for cancelling trademarks before the U.S. Patent and Trademark Office, which is not subject to the restrictions of Article III. See 15 U.S.C. § 1064 (authorizing cancellation petition “by any person who believes that he is or will be damaged . . . by the registration of a mark”). Similarly, in the patent context, Congress has recently expanded the post-grant administrative review process. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6, 125 Stat. 284 (2011). Now, cancellation of a patent may be based on any statutory ground of invalidity, see 35 U.S.C. § 321(b), and can be established under a “more likely than not” standard, see 35 U.S.C. § 324(a).

⁵ In any event, the Court need not reach this argument because it was not included in Already’s merits brief. See, e.g., *Wolston v. Reader’s Digest Ass’n, Inc.*, 443 U.S. 157, 166 n.7 (1979) (finding petitioner to have abandoned an argument that the Court of Appeals rejected and petitioner did not raise before this Court).

These administrative proceedings are the appropriate vehicles for hearing nonjusticiable invalidity challenges. The U.S. Patent and Trademark Office, as a specialized agency, offers expertise, experience and procedures that dispense with the need for classic, legal adversity. And the administrative process relieves clogged federal dockets of unnecessary litigation, allowing courts to focus on cases with live controversies that require immediate resolution.

B. The Case-or-Controversy Requirement is Not Satisfied.

This Court's decisions in *MedImmune* and *Cardinal Chemical* cannot be read to find a live case or controversy here.

MedImmune reaffirms the case or controversy requirement in declaratory judgment actions involving intellectual property. *MedImmune* explains that it asserted a "compulsory counterclaim" and argues that jurisdiction over this issue was "not at all dependent on the fate of respondent's complaint." Pet. Br. 37, 38 (citing *Cardinal Chemical*, 508 U.S. at 96, 99-103). But whether a counterclaim is compulsory or not has no effect upon Article III requirements. There must at least be some live controversy over infringement or some other matter creating adverse legal interests in the trademark's validity of a sufficiently immediate nature. See *Maryland Cas. Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941) ("Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having *adverse legal interests, of sufficient immediacy and reality* to warrant the issuance of a declaratory judgment.") (emphasis

added); accord *MedImmune*, 549 U.S. at 127. Here, there is none.

The Court's decision in *Cardinal Chemical* likewise fails to support a case or controversy finding here. A live infringement claim persisted in that case, and the mere presence of an intellectual property right that a competitor deems objectionable is insufficient to maintain a lawsuit. Already invokes *Cardinal Chemical* to argue that intellectual property acting as "scarecrow" can by itself give rise to justiciable claims. See Pet. Br. 29-30 (quoting *Cardinal Chemical*, 508 U.S. at 96). The "scarecrow" alluded to in that case, however, was the fear of a possible future infringement action—fear that Already can no longer claim. As this Court observed, when parties face potential claims, a declaratory judgment action frees them from making the "*in terrorem* choice between the incurrence of a growing potential liability for . . . infringement and abandonment of their enterprises." *Cardinal Chemical*, 508 U.S. at 96. But such unattractive alternatives are not presented here. The only "scarecrow" in this case is one that existed in the past, before it was taken down by Nike's covenant. Indeed, as far as Already is concerned, absent the identification of new products that it would like to commercialize on a reasonably immediate basis, Nike's trademark is no more a scarecrow than any other intellectual property that exists. And Already has no more established legal interest in maintaining a suit against Nike's trademark than any other member of the public. If anything, Already has *less* interest than other members of the public, because unlike Already, they possess no guarantee that they will not be sued for

infringing the trademark based on their existing commercial plans.⁶

Allowing Already's counterclaim to go forward in these circumstances would violate this Court's instruction that jurisdiction cannot be established by "generalized grievances" for an injury that is "undifferentiated and common to all members of the public." *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 575 (1992). Indeed, although Already notes that Nike has not canceled its trademark registration and "stands ready" to enforce its rights, Pet. Br. 27, Already cannot identify any interest that *it* has in such enforcement based on currently existing commercial plans that are sufficiently immediate. Instead, it can point only to enforcement actions against others and its generalized desire to sell new products. See Pet. Br. 35 (noting cease and desist letters, settlement agreements, consent judgment and default judgment based upon Nike's trademark).

⁶ *Altvater v. Freeman*, 319 U.S. 359, 363 (1943) is also inapposite. See Pet. Br. 23-24. *Altvater* allowed a challenge to validity to proceed despite dismissal of an infringement claim because the parties' "dispute went beyond th[at] single claim and the particular accused devices involved in that [infringement] suit." *Altvater*, 319 U.S. at 363-64. Here, in contrast, there is no live dispute beyond what was involved in Nike's infringement claim. Already asserts that its claim "goes beyond" infringement because "it challenges the [trademark's] validity." Pet. Br. 24. But that could be said of a validity challenge brought by any member of the public. What existed in *Altvater*—but does not exist here—was a live dispute between those parties that was not resolved by dismissal of the more narrow infringement claim, creating an actual controversy over validity.

Nor can jurisdiction be established by Already's conjecture that "*new shoes*" (i.e., ones that are "not colorable imitations of old designs") could be the subject of an infringement action by Nike. Pet. Br. 24. Jurisdiction over a declaratory judgment action cannot be "based upon a hypothetical state of facts." *MedImmune*, 549 U.S. at 127 (quotation omitted).

And it is not Nike's "heavy burden" to show that a case or controversy exists. Pet. Br. 22-30. This putative burden, drawn principally from cases concerning voluntary cessation of unlawful activity, is supposedly warranted "because otherwise 'the courts would be compelled to leave the defendant free to return to his old ways.'" Pet. Br. 25 (quoting *Friends of the Earth, Inc. v. Laidlaw Env'tl. Servs. Inc.*, 538 U.S. 167, 189 (2000)) (alterations omitted). But this explanation merely illustrates why such a burden would serve no purpose here. Contrary to Already's suggestion, Nike can no longer sue Already for infringing its trademark based on any existing or actually planned commercial activity and thus is not "free" to resume the activity that first created jurisdiction over Already's counterclaim.

This Court and lower courts have criticized the expansion of the voluntary cessation doctrine to cases where the actionable conduct cannot be voluntarily resumed. See *Deakins v. Monaghan*, 484 U.S. 193, 200 n.4 (1988) (re-initiation of litigation after a suit is dismissed with prejudice is not conduct that falls under the voluntary cessation doctrine); *Iron Arrow Honor Soc'y v. Heckler*, 464 U.S. 67, 71-72 (1983) (questioning the doctrine's applicability to a case involving a voluntary act of a third-party); *Ctr. for Biological Diversity v. Lohn*, 511 F.3d 960, 965 (9th Cir. 2007)

(declining to apply the exception where cessation was indirectly caused by a court order); *Mo. Prot. & Advocacy Servs., Inc. v. Carnahan*, 499 F.3d 803, 811-12 (8th Cir. 2007) (same where cessation was not voluntary); *Rendell v. Rumsfeld*, 484 F.3d 236, 243 (3d Cir. 2007) (same where a suit was based on a recommendation that was later rejected); *F.E.R. v. Valdez*, 58 F.3d 1530, 1534 (10th Cir. 1995) (same where a dispute “has been completely eradicated”).

The Court should continue to confine the voluntary cessation doctrine to cases where defendants are free to resume actionable conduct, and should not expand the doctrine beyond its well settled boundaries. In *Cardinal Chemical*, the Court reaffirmed that the “party seeking declaratory judgment has the burden of establishing the existence of an actual case or controversy.” 508 U.S. at 95. Once jurisdiction has been established, a declaratory judgment defendant only bears the burden of coming forward with new information that would moot the case. *Id.* at 98 (“If a party to an appeal suggests that the controversy has, since the rendering of judgment below, become moot, that party bears the *burden of coming forward with the subsequent events* that had produced the alleged result.”) (emphasis added); see also *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d at 1344-45 (interpreting *Cardinal Chemical* and distinguishing between burden of production and burden of proof); *Diamonds.net LLC v. IDEX Online, Ltd.*, 590 F. Supp. 2d 593, 601 (S.D.N.Y. 2008) (same). That burden was satisfied here when Nike submitted to the district court the covenant that it had delivered to Already, thereby notifying that court of the “material change in circumstances that entirely

terminated the party's controversy." *Cardinal Chemical*, 508 U.S. at 98.

Placing the burden on the rights owner to show that the party that received the covenant has no future concrete and immediate plans would make no sense since such evidence resides with the party asserting that there is a controversy. See generally *United States v. Fior D'Italia, Inc.*, 536 U.S. 238, 257 n.4 (2002) (noting the "general rule that burdens shift to those with peculiar knowledge of the relevant facts"). In allocating the burden of persuasion, this Court should, as it has done before, look to the party that is likely to be in a better position to satisfy it. See *Shinseki v. Sanders*, 556 U.S. 396, 410 (2009). In true "voluntary cessation" cases, the question is whether an infringing party can clearly show not only that it has ceased but also that it will not resume its unlawful conduct, and the answer is often exclusively in the alleged infringer's possession.⁷ Here it is the alleged infringer, Already, not Nike, that knows whether it has plans to produce potentially infringing products, and it has not shown that concrete and sufficiently immediate plans exist. If the rights owner is forced to make a negative-showing about the

⁷ The government's amicus brief distorts the "voluntary cessation" doctrine by arguing that the trademark owner bears the burden of demonstrating that it is "absolutely clear" the covenant not to sue is broad enough eliminate the dispute. Br. of United States 21-26. This approach improperly focuses not on the cessation of unlawful conduct but on the cessation of attempts to enforce lawful rights. As explained above, the trademark owner in this situation simply bears the burden of production to show new facts. It is then up to the declaratory judgment plaintiff to overcome those new facts as part of its burden of persuasion that declaratory judgment jurisdiction continues to exist.

covenant-receiving party's future plans, courts will risk issuing advisory opinions on claims for declaratory judgment—precisely what this Court has been careful to guard against. See *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 239-41 (1937).

Even if the burden imposed by the voluntary cessation doctrine were applicable, that doctrine is easily met in this circumstance. A case involving voluntary cessation of unlawful activity becomes moot if it is “absolutely clear that the allegedly wrongful behavior could not reasonably be expected to recur.” *Parents Involved in Community Schools v. Seattle School Dist. No. 1*, 551 U.S. 701, 719 (2007). That is the situation here. The covenant not to sue makes it absolutely clear that Nike's supposedly improper enforcement of its trademark against Already will not recur.

II. PERMITTING LITIGANTS TO TEST VALIDITY OF INTELLECTUAL PROPERTY IN DISTRICT COURTS ABSENT LIVE CLAIMS FOR INFRINGEMENT WOULD OPEN THE DOOR TO COLLUSIVE ACTIONS, STRIKE SUITS, AND EXTORTIVE SETTLEMENTS.

Allowing an attack on intellectual property rights to continue without an adverse legal interest of any immediacy would create all the problems one would expect to accompany such indiscriminate access to federal court. This permissiveness would encourage collusive actions between parties without adverse legal interests, invite strike suits, and require courts to proceed with unnecessary and wasteful litigation better handled by administrative procedures crafted by Congress.

Permitting a claim to go forward on the grounds urged by Already would open the door to collusive actions because litigation that “upholds” the validity of intellectual property can increase the value of such property. Parties who have resolved the gist of their dispute might collusively use litigation to inflate the intellectual property. This is especially true where the party “attacking” the intellectual property ultimately shares a license to it and thus would benefit from the perception that it is battle-hardened and has already overcome a litigation challenge.

Lowering the bar to declaratory judgment actions even further would also invite “strike suits.” See Avery Katz, *The Effect of Frivolous Lawsuits on the Settlement of Litigation*, 10 INT'L REV. L. & ECON. 3, 4 (1990) (explaining that strike suits are frivolous actions initiated by plaintiff knowing that the “defendant is willing to pay settlement up to the amount of his defense costs”). These spurious actions are well known in securities litigation. See, e.g., Dionne Searcey & Ashby Jones, *First, the Merger; Then the Lawsuit*, WALL ST. J., Jan. 10, 2011, at C1 (“[Strike suits] have mushroomed, legal experts say, partly because the practice has proven lucrative for plaintiffs’ attorneys who know that companies are eager to be rid of litigation and have been settling quickly.”) In the intellectual property context, opportunistic litigants could sue to challenge the validity of valuable intellectual property and then offer to settle for less than the cost of defense and agree to some kind of validation of the intellectual property. The owner would face the choice between litigating the validity of its intellectual property (even though it is not being

asserted) or resolving that matter for less than it would cost to defend its property.

In short, further loosening of the Article III case or controversy requirement would burden the system with unnecessary litigation that should be resolved appropriately through the administrative processes established by Congress for precisely this purpose. See 15 U.S.C. § 1064. The availability of administrative remedies concerning trademark (and patent) validity underscores the importance of limiting federal court actions addressing the same subject to those truly presenting an actual case or controversy.

CONCLUSION

For the foregoing reasons, AIPLA urges the Court to affirm the judgment of the court of appeals.

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