

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 OF RESPONDENT

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BRIEF OF RESPONDENT

Respondent Nike, Inc., respectfully requests that the Court affirm the judgment of the United States Court of Appeals for the Second Circuit.

STATEMENT OF THE CASE

I. Background

1. Respondent Nike designs, manufactures, and sells athletic apparel and equipment. Among Nike's best-known and best-selling sneakers of all time is the "Air Force 1 low" (AF1), first introduced in 1982. Nike sells millions of pairs of AF1 shoes every year, and it has produced the design in approximately 1700 color combinations. Pet. App. 2a.

Nike's AF1 has taken on a unique, iconic status in footwear. That status extends into American popular culture. The shoe is the subject of hit songs and music videos (e.g., <http://youtu.be/BfzsMQGqrt0>) and frequent press coverage. The AF1's design as a consequence has taken on "secondary meaning" that directly associates the design of the shoe with Nike in the public's consciousness. Supp. J.A. SA-48.

It is settled that trade dress with such secondary meaning is entitled to trademark protection. *E.g.*, *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 209 (2000) (federal trademark protection extends "not just to word marks, such as 'Nike,' and symbol marks, such as Nike's 'swoosh' symbol, but also to trade dress" such as clothing designs); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 771 (1992) (restaurant décor). The classic example is the iconic Coca-Cola bottle. *See Wal-Mart Stores*, 529 U.S. at 215. Another is Apple's trademark on the shape and design of its iconic iPhone. U.S. Trademark Reg. No. 3,457,218.

The U.S. Patent and Trademark Office accordingly issued Nike federal trademark registration No. 3,451,905, defined as:

the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on the top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other.

Supp. J.A. SA-1. (Nike's trademark rights in the AF1 design are collectively referred to herein as the "Mark.")

2. Around the twenty-fifth anniversary of the AF1's debut, Nike identified various knock-offs of the AF1's design, including respondent Already's "Soulja Boy Tell Em Signature" design (Soulja Boy). In October 2008, an article listed the Soulja Boy as the "#2" copy of the AF1 design. Supp. J.A. SA-16. A second article identified Already's shoe as "fake air force 1s." *Id.* SA-19. Particularly troubling to Nike in the context of that market perception, a third article explained that Already had hired two Nike shoe engineers to design its own shoes. *Id.* SA-22.

The record sets forth photographs of the two designs:



Nike Mark



Already "Soulja Boy"

By letter, Nike demanded that Already cease this perceived infringement of the Mark. Nike's demand was limited to the Soulja Boy shoe. Already rejected the demand. J.A. 158a-66a. At no point in its response or follow-up discussions did Already provide

Nike with any information regarding the extent of its sales or other information from which Nike would have concluded that the alleged infringement was not causing it material injury in the market.

II. District Court Proceedings

1. Unable to resolve the matter informally at the outset, Nike filed suit against Already in July 2009, but did not initially serve the complaint. Nike alleged that the Soulja Boy design – and Already’s all-white “Sugar” version of the same design – infringed and diluted Nike’s Mark. *See* J.A. 31a-46a. (Because of the overwhelming similarity of the Sugar and Soulja Boy designs in all relevant respects, we henceforth refer to the Soulja Boy for simplicity.)

Already filed an answer on November 19, 2009, denying Nike’s allegations and specifically denying that its shoes infringed on the Mark. *Id.* 48a-54a. Already also filed a counterclaim seeking a declaratory judgment that the AF1 design “is not a valid trademark.” *Id.* 57a. Although Already challenged the Mark as functional, *id.* 54a (Third and Fourth Affirmative Defenses), its principal claims were founded on a sweeping challenge to the recognition of any trademark protection for product designs, *id.* (Answer ¶¶ 39-40 (First and Second Affirmative Defenses)); *id.* 55a-56a (Answer ¶¶ 47-48, 51-52 (Counterclaim)); *see also id.* 59a-71a.

Already thus argues that a clothing design cannot be a trademark because design features are “integral features of ‘goods’” rather than a symbol or device “used ‘on’ or ‘in connection with’ ‘goods.’” *Id.* 55a-56a (Answer ¶ 48) (quoting 15 U.S.C. § 1125(a)(1)); *see also* Pet. Br. 31 n.15. *But see Wal-*

Mart, 529 U.S. at 209-10 (reaffirming that clothing design can constitute a protectable mark). Already further advances the novel theory that the Lanham Act is unconstitutional to the extent that it provides trademark protection to product designs that are not patented (or are unpatentable). *See, e.g.*, Pet. Br. 6 & n.5, 31-33. *But see, e.g., Wal-Mart*, 529 U.S. at 215 (noting that product designs are protectable under trademark law even though the owner often may also obtain “a design patent or a copyright of the design”); *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 154 (1989) (“Trade dress is, of course, potentially the subject matter of patent designs. Yet our decision in *Sears* clearly indicates that the States may place limited regulations on the circumstances in which such designs are used in order to prevent consumer confusion as to source.”) (citing *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964)).

2. Soon after Already’s answer – before Already had provided any discovery – the parties met to discuss settlement. Already not only pressed its position that its Soulja Boy shoes did not infringe the Mark, but it also informed Nike about its business. Whereas it had initially appeared that major chains including Nordstrom, Foot Action, and Finish Line would carry Already’s shoes, in fact only Finish Line distributed them, and even it ceased doing so by April 2010.

After the meeting, Nike decided to end the litigation. Nike explained to the court that based on Already’s presentation in the settlement discussions, Nike had determined that Already’s very limited distribution made it “not truly a commercial threat.” J.A. 113a. Moreover, there had been no further

“associations between Already and Nike in the marketplace” and the “differences in design” between the companies’ shoes were more substantial than in other cases Nike had pursued. *Id.* 114a-15a. Conversely, continuing the litigation would be “incredibly expensive,” *id.* 115a, because it would “involve extensive discovery and costly infringement and dilution surveys, and Defendant’s tactics to date suggest that these proceedings will multiply,” Nike’s Mem. in Support of Motion to Dismiss 5 (filed Apr. 12, 2010).

To eliminate any concerns Already might have that Nike might reinstitute similar litigation at a future date, Nike provided Already with a “covenant not to sue” (the Covenant) and asked that its own claims be dismissed “with prejudice.” J.A. 95a, 135a. In the Covenant, Nike irrevocably promised not to sue Already or any affiliated entity on any federal or state trademark or unfair competition claim for alleged infringement of the Mark by any of the products covered by the Covenant. J.A. 96a-97a.

The Covenant applied not only to the shoes identified in Nike’s complaint, but also to any of Already’s past or current products. The Covenant further applied to any future Already product that constituted a “colorable imitation” of any of Already’s past or present shoes, and furthermore applied infinitely into the future to any shoe sold “after the Effective Date of this Covenant.” J.A. 96a-97a. The phrase “colorable imitation” is defined by statute to “include[] any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.” 15 U.S.C. § 1127.

Believing that the Covenant provided Already with complete protection from any prospect of suit for any relevant product it had made, was currently making, or had any plans to make, Nike moved to dismiss without prejudice Already's counterclaim. Already would therefore have the right to reinstate its claim if it changed its plans and sought to develop a relevant product that fell outside the scope of the Covenant yet created a genuine dispute with Nike over infringement of the Mark.

Already acquiesced in the dismissal of Nike's claims with prejudice but opposed dismissal of its own counterclaim. Already did not dispute that Nike's dismissal of its own claims with prejudice, together with the Covenant, extinguished any possible controversy between the parties arising from Already's production and marketing of its current or past products. But Already asserted that it had Article III standing to challenge the validity of Nike's mark because "the mere existence of a trademark registration certificate can cause injury to a person's business or property." Already's Mem. in Support of Summary Judgment 19 (filed Apr. 26, 2010).

Consistent with its legal theory, Already studiously avoided alleging that it had any desire to produce any potentially infringing product that would not be covered by the Covenant. Indeed, although Already submitted an affidavit from its president stating generally that the company frequently revises its product line, and was "currently developing eight (8) additional shoe lines," the affidavit (and Already's briefing in the district court) conspicuously failed to assert that any of those future revisions might be regarded as infringing

Nike's Mark, much less fall outside the scope of the Covenant. J.A. 173a. Already furthermore did not request that the district court either grant it discovery regarding Nike's future intention to enforce the Mark or conduct further fact-finding regarding Already's own intentions.

3. The district court granted Nike's motion to dismiss. The court first dismissed Nike's claims with prejudice "on consent" of the parties. Pet. App. 25a.

The court then held that in light of the Covenant there was no "actual controversy" over Already's counterclaims, because of the absence of any allegation – much less proof – that Already sought to produce a potentially infringing product that was not protected by the Covenant. *Id.* 26a. The court read the Covenant to "clearly extend[] to future sales of Defendant's current footwear designs, including the Sugar and Soulja Boy shoes, as well as to future sales of 'colorable imitations' of those shoes." *Id.* 29a. Further, Already's factual proof regarding its future intentions "describe[s] only forthcoming modifications of [existing] shoe lines. The March 19 covenant, however, covers all future 'colorable imitations' of the Sugar or Soulja Boy shoes, and the Court has *no indication* that any of [Already's] forthcoming models would extend beyond this broad language." *Id.* 31a (emphasis added). *See also id.* 29a (Already did not even "*allege*" an intention to make such a product (emphasis added)).

The district court also noted that its ruling left Already with a substantial opportunity to pursue its challenge to the validity of the Mark under a provision of the Lanham Act that allows "any person who believes that he is or will be damaged . . . by the

registration of a mark” to bring an administrative cancellation action. 15 U.S.C. § 1064. Finally, the district court held that Already was not entitled to any attorneys’ fees or costs because there was no showing of bad faith by Nike or any other exceptional circumstance. Pet. App. 39a (citing 15 U.S.C. § 1117).

III. The Decision Of The Second Circuit

The Second Circuit affirmed, agreeing that no controversy remained in the case based on the “improbability of future infringement.” Pet. App. 1a. The court reasoned that under *MedImmune, Inc. v. Genetech, Inc.*, 549 U.S. 118, 127 (2007), a sufficient Article III controversy exists to adjudicate a request for declaratory relief if “the adversity of legal interests that exists between the parties is real and substantial and admits of specific relief through a decree of conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.” Pet. App. 11a-12a. The court of appeals pointedly agreed with Already that *MedImmune* had held that a declaratory judgment plaintiff need not show in every case that “the *defendant’s* conduct created a real and reasonable apprehension of liability on the part of the plaintiff.” Pet. App. 11a (quoting *Starter Corp. v. Converse*, 84 F.3d 592, 595 (2d Cir. 1996) (per curiam) (emphasis added)). But the court explained that after *MedImmune* it remains critical to determine the “intention or lack of intention, on the part of the party asserting jurisdiction, to *engage in new activity or to develop new potentially infringing products* that arguably are not covered by the covenant.” *Id.* 13a (emphasis added).

Already argued that Nike had the burden to prove that it would not resume its conduct – *i.e.*, its enforcement of the Mark. The Second Circuit did not reach that question. Instead, it explained that Already’s claim to standing failed at the threshold, because of the absence of any assertion by Already that *it* sought to produce a shoe that could create a controversy. Nike’s “broad” Covenant, which “cover[s] both present and future products,” “renders the threat of litigation remote or nonexistent even if [Already] continues to market or sell [its prior] shoes or significantly increases their production.” *Id.* 14a. Further, Already has not even “*asserted* any intention to market” a potentially infringing shoe that fell outside the covenant. *Id.* (emphasis added). Nor had it requested a remand for further fact-finding or to supplement the record. “Given the absence of record evidence that [Already] intends to make any arguably infringing shoe that is not unambiguously covered by the Covenant,” the court of appeals held that “this hypothetical possibility does not create a ‘definite and concrete’ dispute.” *Id.* 15a n.5.

Finally, the Second Circuit affirmed the district court’s denial of Already’s request for attorneys’ fees. *Id.* 20a. The court found no abuse of discretion in the finding that Nike had acted promptly and in good faith. *Id.*

SUMMARY OF THE ARGUMENT

Already’s counterclaim presents a justiciable controversy only if Already is threatened with a concrete harm. Nike’s dismissal of its own claims with prejudice and its conveyance of the Covenant

eliminate any reasonable prospect of any controversy arising between the parties relating to any past or current Already shoe, or any future “colorable imitation” of those shoes. The justiciability of Already’s purported claim accordingly depends on *its own* future conduct – specifically, its desire to produce a shoe that is not covered by the dismissal and Covenant and thus that could give rise to a controversy. It is settled that Already itself must establish those intentions. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 561 (1992); *Lewis v. Continental Bank Corp.*, 494 U.S. 472, 477, 481 (1990).

This case presents no justiciable controversy because Already does not allege any desire to produce a shoe that might be regarded as infringing and yet is not encompassed within the scope of the judgment and Covenant. The district court found, and the court of appeals agreed, that Already had made no such allegation and submitted no such proof. Already does not challenge those findings.

Already’s arguments that it nonetheless suffers an Article III injury all lack merit. The two cases on which Already relies are inapposite, or contradict its argument. *Altvater v. Freeman*, 319 U.S. 359, 364 (1943), held that a judgment that a patent is invalid does not render moot a counterclaim alleging the patent’s invalidity when “the[] dispute went beyond the single claim and the particular accused devices involved in that suit.” This is a very different case, because there is no allegation of a dispute between Nike and Already that extends beyond the shoes covered by the Covenant. *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83, 98 (1993),

held that when a district court properly exercises Article III jurisdiction to determine both a patent's validity and whether the patent is infringed, the court of appeals in turn has jurisdiction to consider both those questions. That rule does not aid Already, because in this case the Article III controversy ended before the district court considered the validity of the Mark.

Already's remaining arguments just reprise assertions that this Court has repeatedly rejected in other cases. The fact that the Mark generally affects shoe manufacturers is no substitute for the absence of any alleged injury suffered by the plaintiff in this case – Already. Already's very brief attempt to invoke declarations from potential investors that it submitted below ignores the correct conclusions of both lower courts that the declarations are speculative and misunderstand the broad protections from potential liability provided by the Covenant.

Already is not saved from its failure to establish its own future intentions by invoking the “voluntary cessation” doctrine. That doctrine relates to the future intentions of the *defendant* – here, Nike. If it applies, it would give rise to a presumption that Nike would later continue to enforce the Mark where its legal rights permitted. But that presumption would do nothing to support Already's claim to standing, which fails for lack of evidence of Already's own intentions.

In any event, the voluntary cessation doctrine is inapplicable, because it applies only when a defendant might moot a case by temporarily suspending the allegedly unlawful conduct that has injured the plaintiff, only to return later to its old

ways after the case is dismissed. But there is no such risk here, where the recurrence of any injury is precluded by a judicial judgment of dismissal and a judicially enforceable, irrevocable covenant.

For essentially the same reason, if the voluntary cessation doctrine does apply here, it is easily satisfied. There is no realistic prospect of Nike returning to the conduct that gave rise to this dispute by enforcing the Mark against Already.

Already's argument that this Court should adopt a new rule broadly permitting competitors standing in trademark cases is directly contrary to this Court's long-settled precedents interpreting Article III. In any event, the allegation that Nike could maintain a truly harmful invalid mark in perpetuity through strategic use of covenants not to sue is fanciful. Congress has provided broad access to an effective administrative cancellation remedy for anyone who "believes he is or will be damaged . . . by the registration." 15 U.S.C. § 1064. Further, Nike's ability to end declaratory judgment challenges to the validity of the Mark in district court by issuing covenants is limited by the doctrine of trademark abandonment: a mark may be cancelled if its holder too freely allows others to use it without actively supervising the production of the product, since in that circumstance the mark would lose its power to signify to consumers the true source of the product. Finally, to the extent a trademark owner files suit then issues a covenant not to sue in bad faith, a court has broad discretion to award the alleged infringers attorneys' fees and costs. Indeed, such an award was considered, and rejected, in this case because Nike acted in good faith.

ARGUMENT

In its brief on the merits, Already abandons the erroneous premise of the petition for certiorari that Nike's Covenant is limited to Already's "then-existing commercial activities," Pet. i, and it does not repeat its completely false representation at the certiorari stage that the Covenant is "limited to products that petitioner had made or sold prior to" its issuance, *id.* 14. Already instead argues that, although the Covenant applies to future products, Already has no obligation to allege any desire to produce any potentially infringing product that is not covered by the Covenant. Instead, according to Already, Nike has the burden to disprove Already's intentions.

Those arguments lack merit. The following uncontroversial rule – rooted in basic Article III principles – disposes of this case: When a party dismisses its claims with prejudice and conveys a covenant not to sue that covers any dispute that could reasonably be expected to arise between the parties in the future, there is no Article III jurisdiction to decide the case.

- I. **In The Wake Of Nike’s Dismissal Of Its Own Claims With Prejudice And Its Comprehensive Covenant Not To Sue, There Is No Article III Jurisdiction To Adjudicate This Case, Including Already’s Invalidity Counterclaim.**
 - A. **To Establish Article III Jurisdiction, A Plaintiff Alleging That A Trademark Is Invalid Must At The Very Least Allege A Desire To Make A Product That Reasonably Could Give Rise To A Controversy Over The Mark.**

Article III of the Constitution grants the federal courts the power “to decide legal questions only in the context of actual ‘Cases’ or ‘Controversies.’” *Alvarez v. Smith*, 130 S. Ct. 576, 580 (2009). The “case or controversy” requirement is central to the Constitution’s division of authority among the branches of government, reflecting the “common understanding of what activities are appropriate to legislatures, to executives, and to courts.” *Steel Co. v. Citizens for a Better Env’t*, 523 U.S. 83, 102 (1998) (quoting *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 559-60 (1992)).

The federal courts accordingly have jurisdiction to adjudicate disputes only at the insistence of a plaintiff who proves he or she personally has “suffered, or [is] threatened with, an actual injury traceable to the defendant and likely to be redressed by a favorable judicial decision.” *Lewis v. Continental Bank Corp.*, 494 U.S. 472, 477 (1990). The “injury in fact” sufficient to invoke the limited powers of the federal courts must be “concrete and particularized,”

and “actual or imminent, not ‘conjectural’ or ‘hypothetical.’” *Lujan*, 504 U.S. at 560 (quoting *Whitmore v. Arkansas*, 495 U.S. 149, 155 (1992)).

“This case-or-controversy requirement subsists through all stages of federal judicial proceedings.” *Lewis*, 494 U.S. at 477. “This means that, throughout the litigation, the plaintiff ‘must have suffered, or be threatened with, an actual injury traceable to the defendant and likely to be redressed by a favorable judicial decision.’” *Spencer v. Kemna*, 523 U.S. 1, 7 (1998) (quoting *Lewis*, 494 U.S. at 477). Whether considered under the rubric of “standing,” “ripeness,” or “mootness,” the requirement of an ongoing, non-speculative threat of actual or imminent injury remains. See, e.g., *DaimlerChrysler Corp. v. Cuno*, 547 U.S. 332, 352 (2006).

When Article III standing depends on the plaintiff’s own future conduct, then the plaintiff of course bears the burden of demonstrating its intentions. Article III is not satisfied when “the plaintiff alleges only an injury at some indefinite future time, and the acts necessary to make the injury happen are at least partly within the plaintiffs’ own control.” *Lujan*, 504 U.S. at 564 n.2. The Constitution instead requires that the plaintiff suffer or risk a particularized injury that is “actual or imminent.” *Id.* at 560.

In *Lujan*, the Court held that there was no jurisdiction because the plaintiffs would suffer an Article III injury only if they returned to Sri Lanka, but had expressed nothing more than a generalized intent to travel there some time in the future. “Such ‘some day’ intentions – without any description of concrete plans, or indeed even any specification of

when the some day will be – do not support a finding of the ‘actual or imminent’ injury that our cases require.” 504 U.S. at 564.

Likewise, in *Lewis v. Continental Bank*, statutory revisions mooted a bank’s challenge to a state banking regulation. In opposing dismissal, the bank noted that the controversy would recur if it changed its business plan to operate as “an uninsured rather than an insured” bank. 494 U.S. at 479. This Court held that the mere possibility that the bank could run its business in a way that would provoke a live controversy was insufficient: “the mere power to seek is not an indication of the intent to do so, and thus does not establish a particularized, concrete stake that would be affected by our judgment.” *Id.* The bank’s challenge to Florida law’s “application to an uninsured bank that it has neither applied for *nor expressed any intent to apply for* amounts to a request for advice as to ‘what the law would be upon a hypothetical state of facts.’” *Id.* (citation omitted, emphasis added).

In *MedImmune*, 549 U.S. at 122-23, 127, the Court applied the requirement that the plaintiff must identify a non-speculative injury in the context of a patent licensee’s suit for a declaratory judgment that a patent was invalid. The plaintiff alleged that it had standing because it sought to make an arguably infringing product (*i.e.*, that was its future intention), and it was injured by the prospect of either paying license fees or facing liability for infringement. This Court rejected the Federal Circuit’s holding that no justiciable controversy existed because the license eliminated any “reasonable apprehension” that the plaintiff would soon be sued for infringement. Of

note, this Court did not suggest that standing existed on the broad theory that any competitor can challenge the intellectual property rights of its competitors. Instead, it reaffirmed and applied its prior holding that in order for the federal courts to have jurisdiction, the dispute must

be “definite and concrete, touching the legal relations of parties having adverse legal interests”; and that it be “real and substantial” and “admit of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.”

Id. at 127 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240-41 (1937) (alteration omitted)).

Applying that standard, the Court held that it was not dispositive that there was no prospect that litigation would immediately break out between the parties. Instead, the plaintiff-licensee had standing because it faced a non-speculative risk of injury no matter what it did: if it continued to pay royalties, it suffered that financial loss; and if it stopped paying, the plaintiff “allege[ed] (without contradiction) a threat . . . to enjoin sales.” *Id.* at 128.¹

¹ Notably, the decisional law establishes that lower courts have had no trouble applying *Medimmune* principles when determining that a sufficiently broad covenant like Nike’s eliminates an Article III case or controversy. See *Dow Jones & Co. v. Ablaise Ltd.*, 606 F.3d 1338, 1345-46 (Fed. Cir. 2010) (covenant not to sue divested court of jurisdiction over declaratory judgment claims for patent invalidity and non-

B. This Case Presents No Article III Controversy Because Already Has Not Even Alleged That It Faces A Non-Speculative Threat Of Injury.

1. This Court's precedents establish that there is no Article III jurisdiction in this case because Already does not even allege a desire to produce a product that is not encompassed within the Covenant and the dismissal of Nike's claims. There was a concrete dispute between the parties when Nike filed its suit because Already was actively producing the Soulja Boy Shoe. But although the district court had jurisdiction the "day before" Nike issued the Covenant, Pet. Br. 20, the parties' dispute was conclusively resolved when Nike covenanted not to sue Already again over the Soulja Boy design and dismissed its claims with prejudice.

The with-prejudice dismissal of Nike's claims results in a judgment on the merits in Already's favor

infringement); *Barco N.V. v. Tech. Props. Ltd.*, No. 08-5398, 2010 WL 604673, at *2 (N.D. Cal. Feb. 19, 2010) (same, patent invalidity); *Furminator, Inc. v. Ontel Prods. Corp.*, 246 F.R.D. 579, 590-92 (E.D. Mo. 2007) (same, patent and trademark invalidity); *Global DNS, LLC v. Kook's Custom Headers, Inc.*, No. C08-0268RSL, 2008 WL 4380439, at *3-*4 (W.D. Wash. Sept. 22, 2008) (same, trademark invalidity); *Crossbow Tech., Inc. v. YH Tech.*, 531 F. Supp. 2d 1117, 1120-21 (N.D. Cal. 2007) (same, patent invalidity); *see also, Ciber, Inc. v. Ciber Consulting, Inc.*, 326 F. Supp. 2d 886, 888-89 (N.D. Ill. 2004) (pre-*Medimmune* case relying on the Supreme Court's decision in *Aetna Life Ins.*, finding that covenant defeated Article III case or controversy where purported claim of continued harm from existence of trademark was speculative).

that the Soulja Boy shoe does not infringe the Mark. Under settled claim preclusion principles, the dismissal bars any subsequent infringement action based on claims Nike made or could have brought in its original action. *See, e.g., San Remo Hotel, L.P. v. City & Cnty. of San Francisco*, 545 U.S. 323, 336 n.16 (2005). The Covenant includes not only the shoe that gave rise to the initial lawsuit, but also any other product that might reasonably give rise to a trademark dispute between the parties in the future: the shoes Already then made, any shoe it had ever previously made, and any later “colorable imitation” of any of Already’s shoes. The Covenant is irrevocable, judicially enforceable, and applies indefinitely in the future. J.A. 97a.

Thus, as the court of appeals explained, the “language of the Covenant is broad, covering both present *and future* products.” Pet. App. 14a (emphasis added). It covers current and previous designs as well as “any *colorable imitations thereof*, regardless of whether the footwear is produced . . . before *or after*” the date of the Covenant. J.A. 97a (emphasis added). The phrase “colorable imitation” is a term of art, defined in the Lanham Act to include “any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.” 15 U.S.C § 1127.²

² The facts of this case are therefore very different from those in the Federal Circuit case that gave rise to the dissent by Judge Dyk on which Already relies. *See* Pet. Br. 41 (citing *Benitec Austl., Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340 (Fed. Cir. 2007), *cert. denied*, 553 U.S. 1014 (2008)). In that case, the

To be sure, the Covenant has limits. Nike explained below, and the Second Circuit accepted, Pet. App. 15a n.5, that it does not extend to a counterfeit of Nike's Mark. Nor does it apply to a shoe that is sufficiently different that it is not a covered "colorable imitation" of any past or current Already product. That shoe would not be protected by the Covenant, but of course would not give rise to a claim of infringement unless it amounted to a colorable imitation of the Mark or sufficiently confused the public. A pair of green galoshes, for example, would be beyond the scope of the Covenant, but there would be no risk of such shoes provoking infringement litigation by Nike.

The dispositive fact in this case is that, despite every opportunity to do so, Already did not allege in the district court (or even on appeal) that it had any plans or desire to produce a product that is not covered by the Covenant or encompassed within the *res judicata* effect of the judgment in its favor. Quite the contrary. In opposition to Nike's motion to dismiss, Already submitted an affidavit from its president, who described Already's frequency of new design releases and stated that Already was presently working on eight new lines of shoes. J.A. 171a-74a. But he conspicuously did *not* assert that any of those designs would even arguably fall outside the scope of the Covenant, much less fall outside the Covenant and resemble the AF1 in any meaningful

patent holder dismissed its infringement claims "*without prejudice*" and "*did not* offer a formal covenant not to sue." 495 F.3d at 1351 (Dyk, J., dissenting) (emphasis added).

way. Already presented no other evidence of its future plans.

As the district court explained, Already's evidence was limited to "forthcoming modifications of [existing] shoe lines. The March 19 Covenant, however, covers all future 'colorable imitations' of the Sugar or Soulja Boy shoes, and the Court has *no indication* that any of [Already's] forthcoming models would extend beyond this broad language." Pet. App. 31a (emphasis added). Even at the very late stage of its merits brief in this Court, although Already states that in the *past* it developed forty-five shoe designs and marketed five of them, Pet. Br. 2, it makes no representations about its *future* desires or intentions.

After reviewing the evidence submitted by both parties, the district court made the factual finding that there was "no indication that any of [Already's] forthcoming models would extend beyond [the Covenant's] broad language." Pet. App. 31a. Reviewing the same record on appeal, the Second Circuit easily concluded that no controversy could arise, given that Already has not even "*asserted* any intention to market any such shoe." *Id.* 14a (emphasis added). It thus relied squarely on the "absence of record evidence that [Already] intends to make any *arguably* infringing shoe that is not *unambiguously* covered by the Covenant." *Id.* 15a n.5 (emphasis added).

"Where an intermediate court reviews, and affirms, a trial court's factual findings, this Court will not 'lightly overturn' the concurrent findings of the two lower courts." *Easley v. Cromartie*, 532 U.S. 234, 242-43 (2001). This is not such an extraordinary case, because Already did not raise the factual

question of its future plans as an issue in the petition for certiorari, and even in its merits briefing Already does not seriously assert that the lower courts were wrong. Thus, Already said, for example, that there are sound reasons why a shoe company might have the “capability and economic interest” in making shoes that could infringe Nike’s Mark. Pet. Br. 26; *see also id.* 34-35 (noting commercial value of the design). But it did not actually say that Already itself has any interest in making such a shoe. And in any event, it is far too late in the case for Already to make that factual claim now.

For those reasons, Already is wrong to argue the Second Circuit applied the “reasonable apprehension of suit” standard applied by the Federal Circuit in *Super Sack Manufacturing Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1059 (Fed. Cir. 1995), which Already asserts this Court rejected in *MedImmune*. In fact, the Second Circuit read *MedImmune* to eliminate the “reasonable apprehension” requirement. Pet. App. 11a. The court of appeals did not rely on any predictive judgment about Nike’s behavior, and thus did not believe there was insufficient proof that Nike would later sue Already. Instead, the flaw in Already’s claim to standing was the absence of “evidence of intention, or lack of intention, on the part of the party asserting jurisdiction, to engage in new activity or to develop new potentially infringing products that arguably are not covered by the covenant.” Pet. App. 13a. The court of appeals correctly held that this case does not present a justiciable dispute because *Already*

provided no proof that its own conduct could give rise to any dispute of any kind.³

Already also complains that it should not have to “pre-disclose” its future plans to obtain a declaratory judgment. Pet. Br. 35. But “[t]he requirements of case or controversy are of course no less strict under the Declaratory Judgments Act than in case of other suits.” *Altwater v. Freeman*, 319 U.S. 359, 363 (1943). And as *Lujan* and *Lewis*, *supra*, illustrate, this Court has repeatedly required exactly that when those plans are the predicate for the plaintiff’s injury-in-fact. Here, Already’s refusal to say that it has any

³ The United States reads *MedImmune* to require that the plaintiff face a “genuine threat of enforcement” of the right, U.S. Br. 8, though the threat need not be “imminent,” *id.* 15. This case does not present that question.

The fact that Already does not even allege a *desire* to produce a product that could give rise to a dispute over the Mark also makes it unnecessary to decide in this case what degree of preparation on behalf of the plaintiff is required in order to give rise to Article III standing. This is the easy case in which the plaintiff’s position is unqualified. Compare, e.g., *Vantage Trailers, Inc. v. Beall Corp.*, 567 F.3d 745, 751 (5th Cir. 2009) (no standing where challenger’s design was not “substantially fixed as to the potentially infringing elements”) with U.S. Br. 25 n.5 (“[I]t is sufficient if the plaintiff establishes that it plans to engage in conduct that it believes remains under the threat of enforcement.”). Although the district court asked whether Already had “taken any ‘meaningful preparatory steps’ to create shoes that could potential infringe the Nike Mark,” Pet. App. 30a, the Second Circuit correctly found no need to address the precise degree of planning required because Already had “not asserted any intention to market” a shoe that “would potentially infringe [Nike’s] mark and yet not fall under the Covenant,” *id.* 14a.

intent to produce a shoe subject to a claim of infringement under Nike's Mark, despite the Covenant, amounts to a request for an advisory opinion.

2. In sum, this case presents no justiciable controversy because Already's Article III standing depends on its own future intentions, and Already did not allege any desire to produce a product that could give rise to a dispute with Nike. Already has failed to identify *anything* concrete that it is presently inhibited from doing, and that it would do differently, if it won its counterclaim.

Two illustrations demonstrate the implausibility of Already's contrary conception of Article III standing. First, simply reverse the parties' litigating positions. Obviously, there would not now be Article III jurisdiction over a suit by Nike against Already for a declaration of Nike's trademark rights, absent some proof that Already intended to make an infringing product not covered by the Covenant. That is because no controversy remains between the parties. Yet Already's own suit depends on that same controversy arising from Already's future intentions.

Second, consider Already's counterclaim seeking a declaration that the Soulja Boy shoe does not *infringe* the Mark, J.A. 57a-58a (¶¶ iv-v), which Already continues to pursue, Pet. Br. 1. Given the Covenant, plainly no controversy remains over that question. Yet on Already's sweeping theory of Article III standing, the district court presumably would retain jurisdiction over that counterclaim.

C. There Is No Merit To Already's Contrary Argument That It Has Been Injured Despite The Absence Of Any Desire To Produce A Product That Could Give Rise To A Controversy Over The Mark.

1. Already alleges that two of this Court's precedents establish that the case presents a continuing Article III controversy. *Altwater v. Freeman*, 319 U.S. 359, 360 (1943), was one of a series of suits brought by a patentee against its licensee over several of the licensee's products. In the case before this Court, the patentee alleged that it was due payments under the license. The licensee argued that the license did not apply to the patent and also counterclaimed seeking, *inter alia*, a declaratory judgment that the patent was invalid. *Id.* at 361. The court of appeals found that the license was inapplicable and that the challenged product did not infringe one claim of the patent. *See id.* at 362. It held that those findings mooted the licensee's request for a declaratory judgment of invalidity.

This Court reversed. It reasoned that the counterclaim must present an Article III controversy, but a justiciable controversy remained "since their dispute went beyond the single claim and the particular accused devices involved in that suit." *Id.* at 363-64. Given the licensee's other products, "[a] controversy was raging, even apart from the continued existence of the license agreements . . . That controversy concerned the validity of the reissue patents. Those patents had many claims in addition to the single one involved in the issue of

infringement. And petitioners were manufacturing and selling additional articles claimed to fall under the patents.” *Id.* at 364-65. In addition, the judgment of invalidity would determine the effect of a prior injunction requiring the licensee to pay royalties to the patentee, a fact that the Court found “underlines and gives added emphasis to the claim that there is a controversy between the parties” *Id.* at 365 n.5.

Already argues that “[h]ere, as in *Altvater*, petitioner’s counterclaim goes ‘beyond’ the infringement and dilution claims that [Nike] asserted; it challenges the validity of the purported trademarks that respondent asserted.” Pet. Br. 24. But this Court’s decision in *Altvater* did not rest on the breadth of the licensee’s *claims*; instead, it turned on the parties’ ongoing *dispute*. In that case, unlike this one, the determination of whether the patent was valid remained a live controversy because the patent was being enforced against *other* products of the licensee, and furthermore the licensee was being required to pay royalties. As this Court later recognized in *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83 (1993), *Altvater* “emphasized . . . the ongoing nature of the *Altvater* parties’ dispute”: “the counterclaimant was a licensee, and there was no question but that its obligations to the patentee would continue unless the patent were found invalid.” *Id.* at 94, 100 n.22. There is no such allegation in this case, and hence no justiciable controversy.

Already also relies on *Cardinal Chemical*. There, the district court held that the respondent’s patent was both not infringed and invalid. 508 U.S. at 86.

The court of appeals affirmed the former finding, and on that basis vacated the latter holding as moot. *See id.* at 87. Recognizing that it was “perfectly clear that the District Court had jurisdiction to entertain Cardinal’s counterclaim for a declaratory judgment of invalidity,” *id.* at 96, this Court held:

The Federal Circuit’s decision to rely on one of two possible alternative grounds (noninfringement rather than invalidity) did not strip it of *power* to decide the second question, particularly when its decree was subject to review by this Court. Even if it may be good practice to decide no more than is necessary to determine an appeal, it is clear that the Federal Circuit had jurisdiction to review the declaratory judgment of invalidity. The case did not become moot when that court affirmed the finding of noninfringement.

Id. at 98. The Court’s decision thus addressed “the jurisdiction of an intermediate appellate court – not the jurisdiction of either a trial court or this Court.” *Id.* at 95.⁴

Already asserts that *Cardinal* “emphasized ‘the importance to the public at large of resolving

⁴ *Cardinal* carefully distinguished (a) the obligations of a party like Already that is seeking a declaratory judgment to demonstrate that its ongoing business activities could give rise to a dispute from (b) the distinct obligations of “a successful litigant” that has secured a judgment of invalidity and merely “seek[s] an affirmance of a declaratory judgment.” *Id.* at 100 n.22.

questions’ involving the validity” of intellectual property rights. Pet. Br. 40 (quoting 508 U.S. at 99-100). But that language does *not* appear in *Cardinal’s* discussion of Article III standing. Rather, that discussion came only after the Court resolved “the ‘case or controversy’ requirement of Article III”; it then addressed whether there were “other grounds” for not deciding the question of validity. 508 U.S. at 99. Here, *Cardinal* is no help to Already, because this case does not concern the jurisdiction of the court of appeals and because Article III jurisdiction was lacking before the district court decided the validity of Nike’s Mark.

Although it lacks any support in this Court’s precedents, Already claims that Article III standing exists to decide this case because a “registered claim of state and federal trademark law rights purports to impose a direct, continuing restraint on the conduct of petitioner’s athletic footwear business.” Pet. Br. 20. The record belies this argument: Already does not allege that the Mark now inhibits it from doing anything in particular, or that it would do anything differently if it prevailed.

In any event, nearly every statute imposes a “restraint on the conduct” of regulated parties. *Id.* That does not mean that everyone subject to the statute has automatic standing to challenge its validity. Quite to the contrary, this Court has long held that the validity of the statute may only be challenged by those who face a “genuine threat of enforcement,” *see MedImmune*, 549 U.S. at 129 (collecting cases), even when it is alleged that the statute “invades” a “federal right” under the Constitution. Pet. Br. 31.

Thus, although a criminal statute plainly places a restraint on individual conduct, standing to challenge the statute, even on constitutional grounds, requires that the plaintiff prove both “an intention to engage in a course of conduct arguably affected with a constitutional interest, but proscribed by a statute” and that “there exists a credible threat of prosecution thereunder.” *Babbitt v. United Farm Workers Nat’l Union*, 442 U.S. 289, 298 (1979). A sufficiently broad Covenant not to sue eliminates jurisdiction precisely because it removes any genuine threat of enforcement of the Mark and lifts any “continuing restraint” on the conduct covered by its terms.

It makes no difference that Already “continue[s] to dispute” the Mark’s validity. Pet. Br. 25. “[A] dispute solely about the meaning of a law, abstracted from any concrete actual or threatened harm, falls outside the scope of the constitutional words ‘Cases’ and ‘Controversies.’” *Alvarez*, 130 S. Ct. at 580-81.

Already insists that the controversy cannot be over because it did not get everything it wants or all it might obtain in litigation – namely, invalidation of the Mark. Pet. Br. 24. But the constitutional question is whether Already’s injury-in-fact persists after the judgment in Already’s favor and after the Covenant, not whether litigation might have remedied that injury differently.

For example, in *Weinstein v. Bradford*, 423 U.S. 147 (1975), a prisoner filed suit challenging the constitutional adequacy of North Carolina’s parole procedures. Had his case gone to trial and he prevailed, he would have obtained a declaration that the procedures were invalid, which would have benefitted not only him, but also all other parole

applicants. Nonetheless, this Court held that the case was moot when the plaintiff was paroled and subsequently discharged from supervision. *Id.* at 148. In light of that development, it was “plain that [the plaintiff] can have no interest whatever in the procedures followed by [North Carolina] in granting parole.” *Id.* The Court so held even though the plaintiff’s parole did not give him everything he had asked for, or would have been entitled to had he prevailed at trial. That fact was immaterial because the release eliminated any Article III injury particular to the plaintiff. And his broader desire to see the parole procedures invalidated for the benefit of others was insufficient to keep the case or controversy alive. *See also, e.g., Taylor v. McElroy*, 360 U.S. 709, 711 (1959) (granting of a security clearance rendered moot the plaintiff’s challenge to clearance procedures).

Already also suggests that trademark standards are so vague, and Nike purportedly so litigious, it could reasonably fear suit no matter what its future shoes look like. Pet. Br. 31. But Already’s alleged fears lack any actual basis. *See* J.A. 32a (district court noting that the only other trademark litigation ever commenced between Nike and Already was brought by Already), 39a (finding no basis to conclude Nike brought suit in bad faith). And this Court has been clear that speculative fears of future injury are insufficient to establish Article III jurisdiction. “A hypothetical threat is not enough.” *United Pub. Workers of Am. v. Mitchell*, 330 U.S. 75, 90 (1947). *See, e.g., City of Los Angeles v. Lyons*, 461 U.S. 95, 107 n.8 (1983) (“It is the *reality* of the threat of repeated injury that is relevant to the standing

inquiry, not the plaintiff's subjective apprehensions.") (emphasis in original); *Babbitt*, 442 U.S. at 298 ("[P]ersons having no fears of state prosecution except those that are imaginary or speculative, are not to be accepted as appropriate plaintiffs.") (quoting *Younger v. Harris*, 401 U.S. 37, 42 (1971)).

Given that Already does not allege any intention to produce such a product, the possibility that at some point in the future Nike might "allege new equitable claims, presumably arising out of other events" is a "mere 'speculative contingency,'" not "sufficiently real and immediate to show an existing controversy." *Deakins v. Monaghan*, 484 U.S. 193, 200 n.4 (1988) (quoting *Hall v. Beals*, 396 U.S. 45, 49 (1969); *O'Shea v. Littleton*, 414 U.S. 488, 496 (1974)). Cf. *City News & Novelty, Inc. v. City of Waukesha*, 531 U.S. 278, 285 (2001) ("[A] live controversy is not maintained by speculation that City News might be temporarily disabled from reentering a business that City News has left and currently asserts no plan to reenter.").

Finally, Already argues that even in the wake of the judgment and the Covenant it is "impossible to know the identity of all persons who see [a] registration and draw conclusions from it." Pet. Br. 34. According to Already, some of them might be investors and some of those might believe that Already's shoes might infringe that mark. And although Already has every incentive to make all of them aware of its immunity from suit, some might slip through the cracks. Perhaps. But again, the hypothesized injuries depend on all manner of contingencies and independent decisions of third parties. And that is insufficient. See, e.g., *Bennett v.*

Spear, 520 U.S. 154, 167 (1997); *O'Shea*, 414 U.S. at 498.

In a single sentence, Already claims that these injuries are not hypothetical and that it provided specific “evidence to the district court that the continued existence of the ‘905 Registration has tended to deter investment in petitioner’s athletic shoe business notwithstanding respondent’s covenant.” Pet. Br. 33. Already has effectively abandoned any reliance on the affidavits, which it did not cite in the cert. petition and mentions in only a single sentence of the argument in its merits brief. Both the Court and Nike are at a substantial disadvantage in understanding what role Already believes the declarations play in establishing its standing.

In any event, the most the investors were willing to say in these boilerplate statements was that they would “consider” making an investment if Already prevailed in its counterclaim. *See also Lujan*, 497 U.S. at 888 (standing cannot be based on the “conclusory allegations of an affidavit”). That is hardly surprising, as any prudent investor takes into account myriad factors in making an investment decision. That fact is not sufficient to create a case or controversy. Thus, the affidavits add nothing to Already’s broader claim that all competitors always have standing to challenge any mark in their field, whether they can prove any direct injury or not. *See infra* at 58-60. If these sorts of affidavits were sufficient to confer standing, then every would-be invalidity plaintiff will be able to produce them in every subsequent case.

Further, the very brief declarations plainly misunderstand either the scope of the Covenant or Already's future intentions. If the would-be investors understood both, they would have no concerns, because there is no realistic prospect of any trademark dispute arising between the parties. Certainly, the investors can have no genuine remaining worries at this point, given that – after the declarations were prepared – both of the lower courts confirmed the extensive protections that have been provided to Already.

As the court of appeals explained, the declarations fail to appreciate that there is no reason to believe that Already “intends to make any arguably infringing shoe that is not unambiguously covered by the Covenant.” Pet. App. 15a n.5. Rather, as the district court recognized, the investors’ view that Already is subject to suit for making “similar” shoes simply misunderstands the scope of the Covenant’s “colorable imitations” provision. *Id.* 34a. To the extent these individuals continue to misapprehend the risks, Already cannot bootstrap its failure to correct their misunderstanding (or their simple unreasonableness) into an Article III controversy. *See Bennett*, 520 U.S. at 167 (an Article III injury “must be fairly traceable to the challenged action of the defendant, and not the result of the independent action of some third party not before the court”).⁵

⁵ Already also submitted an affidavit from its Vice President for Sales, making the distinct claim that Nike was actively discouraging competitors from carrying Already's shoes.

II. The “Voluntary Cessation” Doctrine Does Not Excuse Already’s Failure To Show Any Prospect That It Will Produce A Potentially Infringing Shoe Outside The Scope Of The Covenant.

Already argues that even if *it* has not come forth with allegations regarding its future intentions, this case remains a justiciable controversy under the “voluntary cessation” doctrine. It asserts that the doctrine was triggered when Nike initiated this litigation, then terminated it. And Already claims that Nike failed to carry the “heavy burden” of establishing that the parties’ dispute over the Mark’s validity will not recur. Those arguments lack merit.

A. Even If It Applied, The Voluntary Cessation Doctrine Would Not Save Already’s Standing.

This Court’s precedents applying the voluntary cessation doctrine arise from a common fact pattern. The plaintiff files suit, challenging some act of the defendant. The defendant then ceases the activity, but retains the right to recommence it. The defendant thereby creates a particular dilemma: dismissing the case as moot would allow the

That affidavit was based on nothing but unsubstantiated hearsay, which Nike vehemently denies. J.A. 176a-77a. But still much more important here, it has no relationship to Already’s claim of standing. The affidavit does not allege that the Mark had anything to do with the asserted bullying tactics; if Already prevailed in invalidating the Mark, that judgment would not limit Nike’s commercial power. *See* U.S. Br. 31 n.7.

defendant to later resume its allegedly illegal activities by avoiding an adverse federal court judgment. The settled rule is thus that “[t]he voluntary cessation of challenged conduct does not ordinarily render a case moot *because* a dismissal for mootness would permit a resumption of the challenged conduct as soon as the case is dismissed.” *Knox v. SEIU*, 132 S. Ct. 2277, 2287 (2012) (emphasis added). For example, last Term in *Knox*, although the defendant union offered to refund the fee that the plaintiff union members alleged was unlawful, the case was not moot because it was “not clear why the union would necessarily refrain from collecting similar fees in the future.” *Id.* at 2287. In such a case, the defendant must prove that “the challenged conduct cannot reasonably be expected to start up again.” *Friends of the Earth, Inc. v. Laidlaw Env’tl Servs. Inc.*, 528 U.S. 167, 189 (2000).

The voluntary cessation doctrine is thus an application of – not an exception to – the bedrock Article III principle that the federal courts have the power to adjudicate only actual controversies. The defining feature of cases subject to the doctrine is that a concrete dispute remains between the parties because the plaintiff would be injured by the defendant’s activities if they are resumed. The voluntary cessation doctrine applies an evidentiary presumption that the defendant will do so. *See Steel Co. v. Citizens for a Better Env’t*, 523 U.S. 83, 109 (1998).

Even if the voluntary cessation doctrine applied to Nike’s dismissal of its claims with prejudice and issuance of the Covenant, it would not help Already. The exclusive concern of the voluntary cessation

doctrine is the likelihood that *the defendant* will resume the challenged activity: “The plain lesson of these cases is that there are circumstances in which the prospect that a defendant will engage in (or resume) harmful conduct may be too speculative to support standing, but not too speculative to overcome mootness.” *Friends of the Earth*, 528 U.S. at 190. That is why, even when it applies, the voluntary cessation test is satisfied if there is “no reasonable expectation that the wrong will be repeated,” *United States v. W.T. Grant Co.*, 345 U.S. 629, 633 (1953) (citation omitted), a test that focuses on the behavior of the defendant, not the likelihood that the plaintiff will be harmed by that repeated conduct.

Thus, if the voluntary cessation doctrine applied here, Nike would have the burden to rebut a presumption that Nike both “considers that it still has valid state and federal law rights” in the Mark, and also “stands ready to assert those rights in the future as it has aggressively done in the past.” *Already Br. 25*. But even if those facts are presumed, *Already* still lacks standing.

The doctrine does not, as *Already* mistakenly presumes, lessen its obligation to prove that *it* would be injured by a recurrence of the defendant’s conduct – in this case, *Already*’s obligation to prove that its own conduct could give rise to a dispute with Nike over the validity of the Mark. While the voluntary cessation doctrine permits a court to assume that a defendant will resume its challenged conduct – here, that Nike will later again assert its statutory right to prevent third parties from infringing the Mark – it does not allow a court to assume that the plaintiff will engage in conduct that creates the prospect of

injury or otherwise lessen the “irreducible constitutional minimum” of an injury in fact that is “actual or imminent, not ‘conjectural or hypothetical.’” *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992) (citations omitted).

Already assumes that the voluntary cessation doctrine allows it to hold its tongue about its future plans and through silence secure an adjudication of an entirely hypothetical dispute. But it cites no support for such a rule, which would create its own potential for manipulation of the courts’ jurisdiction by declaratory judgment plaintiffs eager to circumvent Article III while punishing forthcoming plaintiffs who honestly disclose that they have no plans to produce a potentially infringing product.

Nor would the rule Already advances make any practical sense. On Already’s understanding, the voluntary cessation doctrine would erect an almost insurmountable burden to a district court finding that a covenant not to sue ended the Article III controversy. The party issuing the covenant will rarely if ever be able to definitively disprove the intentions of its litigation opponent. As the United States recognizes, “[i]nformation about these activities is uniquely within the plaintiff’s possession,” so “placing the burden of production on the plaintiff reduces the need for potentially extensive discovery into the plaintiff’s activities and plans.” U.S. Br. 25; *see also, e.g., Concrete Pipe & Prods. of Cal., Inc. v. Constr. Laborers Pension Trust*, 508 U.S. 602, 626 (1993) (“It is indeed entirely sensible to burden the party more likely to have information relevant to the facts” (citing *W. Bailey*, ONUS PROBANDI 1 (1886) (citing POWELL ON

EVIDENCE 167-71) (“In every case the *onus probandi* lies on the party who wishes to support his case by a particular fact which lies more peculiarly within his knowledge, or of which he is supposed to be cognizant.”)).

The voluntary cessation doctrine thus cannot solve the root flaw in Already’s claim to Article III standing. On the critical question of Already’s intentions, the burden of proof is irrelevant. Because Already did not assert any desire to produce a potentially infringing product not covered by the Covenant, there was no factual dispute to resolve.

B. In Any Event, The Voluntary Cessation Doctrine Does Not Apply Or Is Satisfied.

1. Already and the United States argue that the voluntary cessation doctrine applies because the present controversy was eliminated by Nike’s unilateral action. Pet. Br. 22-23; U.S. Br. 22. But that view cannot be squared with this Court’s cases or the underlying rationale for the doctrine.

Unlike the defendants in this Court’s voluntary cessation cases, Nike has no power to re-engage in the allegedly unlawful conduct that forms the basis of Already’s standing in this case: assertion of an invalid trademark against Already’s products. The dismissal with prejudice precludes reassertion of the original infringement claims and, because the Covenant is irrevocable and judicially enforceable, Nike has no power to challenge Already’s sale of any product falling within its capacious scope. While Nike’s decision to dismiss its action and offer the Covenant were voluntary, its decision to refrain from suing Already in the future is not – it will be

restrained by the binding legal force of the judgment and the Covenant.

In similar circumstances, where a controversy is ended through a judicially enforceable act that precludes the defendant from backsliding, this Court has held that the voluntary cessation doctrine does not apply. *Deakins v. Monaghan*, 484 U.S. 193 (1988), is illustrative. There, the plaintiffs sought an injunction to prohibit law enforcement officials from presenting evidence to a state grand jury. While the case was pending before this Court, the grand jury returned an indictment against some of the respondents without having been presented with the evidence. The federal court plaintiffs then represented that they did “not wish to pursue their claims for equitable relief in federal court,” *id.* at 198-99, which this Court concluded would require a dismissal of those claims with prejudice, *id.* at 200. On that basis, the Court held that there was “no longer a live controversy between the parties over whether a federal court can hear respondents’ equitable claims.” *Id.* at 199.

Although the federal plaintiffs had in some sense “ceased” the conduct giving rise to the Article III controversy – their pursuit of equitable relief – the Court unanimously held that the voluntary cessation doctrine did not apply. It explained that the case was distinct from “one in which a defendant attempts to avoid appellate review by voluntarily ceasing the challenged conduct without losing the ability to reinitiate the conduct once the mooted case is dismissed.” *Id.* at 200 n.4 (emphasis omitted) (citing *United States v. Concentrated Phosphate Export*

Ass'n, Inc., 393 U.S. 199, 203 (1968); *United States v. W.T. Grant Co.*, 345 U.S. 629, 632 (1953)).

The petitioners argued to the contrary that the “respondents’ promise to amend their complaint is an empty one, because nothing will prevent respondents, particularly those not indicted, from nullifying that amendment by further amendment or from filing a new complaint if they are dissatisfied with the relief obtained in the state criminal proceeding.” 484 U.S. at 200. But that argument, the Court explained, “misconceive[s] the effect respondents’ representations and our reliance thereon will have on the shape of the federal litigation.” *Id.* at 200. The fact that the judgment would result in a “dismissal with prejudice . . . will prevent a regeneration of the controversy by a reassertion of a right to litigate the equitable claims in federal court.” *Id.* Because “the ‘conduct’ that petitioners fear will be resumed is the pursuit of the federal litigation,” the justifications for applying the voluntary cessation doctrine were absent; the “litigation is dismissed with prejudice, it cannot be resumed in this or any subsequent action.” *Id.* at 200 n.4; see also *Arave v. Hoffman*, 552 U.S. 117 (2008) (per curiam) (case mooted when, after grant of certiorari, petitioner abandons claim that was sole remaining issue on appeal).

As these cases illustrate, when a defendant makes a judicially enforceable commitment to avoid the conduct that forms the basis for an Article III controversy, there is no reason to apply a special rule premised on the defendant’s unfettered ability to “return to [its] old ways.” *W.T. Grant Co.*, 345 U.S. at 632.

2. Already's and the United States's arguments to the contrary are unpersuasive.

The Government speculates that a “trademark owner might attempt, through use of an artfully drafted covenant,” to manipulate the courts’ jurisdiction. U.S. Br. 23. But Nike’s Covenant is unequivocal. In any event, doubts about whether the covenant resolves the existing controversy, so that the defendant could return to the conduct that injures the plaintiff, should be resolved *before* the case is dismissed in the first instance. The court’s construction of the covenant is binding. In this case, although Nike drafted the Covenant, its scope is a question of law for the courts, whose interpretation must take into account that its purpose was to resolve any live controversy between the parties. *See* Pet. App. 34a (district court construing the Covenant “broadly”). If Already had complained below that the Covenant was unclear or not broad enough to encompass some reasonably foreseeable future product, Nike could have amended the Covenant to accommodate any reasonable concerns. The district court would then have decided whether the Covenant was sufficiently comprehensive. Moreover, if Nike ever *did* bring suit against a future Already product and claimed that it fell outside the scope of the Covenant, that question would be resolved by a court without regard for any interest Nike might have in “manipulation.” *Cf. Reed Elsevier, Inc. v. Muchnick*, 130 S. Ct. 1237, 1249 (2010) (noting that the doctrine of judicial estoppel “typically applies when, among other things, a party has succeeded in persuading a court to accept that party’s earlier position, so that judicial acceptance of an inconsistent position in a

later proceeding would create the perception that either the first or the second court was misled”) (citation and internal quotation marks omitted).

Nor does Nike’s conduct otherwise implicate any goal of preventing evasion of the jurisdiction of the federal courts. The “concerns about jurisdictional manipulation” that underlie the voluntary cessation test, U.S. Br. 22, are concerns about potential “resumption of the challenged conduct as soon as the case is dismissed.” *Knox*, 132 S. Ct. at 2287. Here, as discussed, the dismissal with prejudice and judicially enforceable Covenant eliminate that risk.

Further, there is nothing manipulative about resolving litigation by voluntarily providing a plaintiff a remedy for the alleged injuries at the foundation of the suit. If a party is willing to resolve a case promptly on that basis, substantial interests favor dismissing the litigation. Given that the federal courts are seriously overburdened and that the Framers intended the courts to exercise limited rather than expansive power, there is a strong basis to encourage – not dissuade – a plaintiff to voluntarily withdraw a suit with prejudice and provide both the courts and the opposing party certainty that the controversy will not recur. But if Already’s position were the law, plaintiffs facing counterclaims would lack any incentive to voluntarily dismiss their own claims; that would be a pure act of unilateral disarmament.

In this case, for example, there was nothing even remotely improper about Nike’s decision to end the litigation. Early in the case, Already demonstrated to Nike that Already’s products did not pose as significant a threat as first appeared. Continuing the

litigation would have been enormously expensive and time consuming for both parties, as infringement and dilution claims typically require production of consumer surveys and the retention of expert witnesses.

Such dismissals are common and should be encouraged. Indeed, Already itself moved to dismiss trademark litigation *it had commenced against Nike* shortly after this suit was filed, asserting that it had concluded that the alleged infringement was not as serious as initially feared and that the cost of litigation did not warrant pursuing the matter further. *See* Motion to Dismiss ¶¶ 8-9, *Already, LLC v. Nike, Inc.*, No. 4:09-cv-480-A (July 1, 2010, N.D. Tex.).⁶

3. But Nike would easily satisfy the voluntary cessation test in any event. Nike has shown beyond peradventure that there is “no reasonable expectation” that Nike will assert its Mark against Already’s past or current products or future colorable imitations of those products – namely, shoes sufficiently similar to the ones that led to this litigation. Accordingly, the only occasion for future conflict would be Already’s production of a shoe falling outside the scope of the Covenant yet

⁶ Already is not aided by any further requirement that a party which voluntarily ceases complained-of conduct prove that its actions “have completely and irrevocably eradicated the effects of the alleged violation.” *County of Los Angeles v. Davis*, 440 U.S. 625, 631 (1979); Pet. Br. 26. As noted, Already’s counterclaim includes no claim for damages. There are thus no “effects” for Nike to “eradicate.”

sufficiently similar to the AF1 to give rise to reasonable infringement concerns.

Absent some indication from Already that it has a desire or plans to produce such a shoe, the likelihood of future conflict is simply too speculative to give rise to a justiciable controversy, even under the voluntary cessation test. Here, there is “no threat or probability of resumption of the abandoned warfare” initiated by Nike, *United States v. Oregon State Med. Soc’y*, 343 U.S. 326, 334 (1952), including because Already never alleged any desire to produce such a shoe.

C. The Court Should Reject The United States’s Suggestion That The Case Be Remanded For Further Fact-Finding.

Although the United States did not participate in the lower court proceedings and has no particular familiarity with the record, it suggests something neither party believes is appropriate: a remand for further factual development under the voluntary cessation standard. Even assuming that doctrine applies, that suggestion is unwarranted. Because Already’s claim to standing fails for lack of any allegation that it even *desires* to produce a product that is not covered by the Covenant, discovery and fact-finding in the lower courts would be empty, wasteful exercises.

Already did not request a remand in either its petition for certiorari or its merits brief. This Court granted certiorari based on petitioner’s representation that the case required no further factual development, because Already claimed a statutory right to standing (which it has since

abandoned) and because the Covenant did not apply to later products (which was untrue). If Already had gone still further and taken the position that the facts of the case (including particularly the scope of the Covenant and the record evidence of its own intentions) were unclear, then there is a substantial prospect that the petition would have been denied. This Court instead granted certiorari to decide the legal question of the effect of a covenant not to sue.

The Government's view that the lower courts have "not had the opportunity" to properly assess the record, U.S. Br. 10, reflects a basic misunderstanding of how the case was litigated below. There is only one reason that "petitioner's planned business activities are unclear," *id.* 8: Already has steadfastly refused to suggest that they will give rise to an injury. In the district court, Already had every opportunity to put on any evidence it wanted regarding its own future intentions. That question was squarely before the lower courts. Even under the voluntary cessation test Already advocated, its future intentions were relevant to rebut Nike's claim that there was no "reasonable expectation that the wrong will be repeated." *United States v. W.T. Grant Co.*, 345 U.S. 629, 633 (1953) (citation omitted).

Already's passing reference to the fact that the district court dismissed the case "without holding any evidentiary hearing," Pet. Br. 15, omits the critical fact that Already did not *request* a hearing. When the district court found that there was "no indication that any of [Already's] forthcoming models would extend beyond" the Covenant, Pet. App. 31a, Already did not challenge that finding on appeal or ask either court for an opportunity to supplement the record.

Neither the petition for certiorari nor Already's merits briefs alleged that the lower courts had failed either to give petitioner a sufficient opportunity to develop facts or to properly construe the Covenant.

To believe that further fact-finding on remand would actually produce relevant further *facts*, Already would at least have had to represent to the lower courts that it seeks to produce a shoe that could give rise to a controversy. The fact that Already does not even allege that it "plans to engage" in any activity that could give rise to a controversy, U.S. Br. 25 n.5, makes a remand pointless.⁷

Nor is there any relevant ambiguity regarding the scope of the Covenant.

Already successfully urged the district court to "take Nike at its word" that the Covenant provides a "robust" protection that "irrevocably and unconditionally affords [Already] and [Already's] customers complete freedom from allegations" that its existing shoes or their "colorable imitations" infringe the Mark. Already's Mem. in Support of Summary Judgment 16 (filed Apr. 26, 2010). The phrase "colorable imitation" is defined by statute as "any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive." 15 U.S.C. § 1127. *Contra* Pet. Br. 9 n.8 (citing a narrower, pre-statutory definition without

⁷ In fact, other than the YUM's Sweet Series Sugar, which was the subject of Nike's initial suit and is indisputably covered by the Covenant, none of the shoes currently advertised on YUM's website bear any resemblance to the Nike AF1. *See* <http://www.yumslife.com/shop/shoes>.

explanation). But in any event, contrary to the United States's understanding, both of the lower courts had the opportunity to construe the Covenant. Pet. App. 14a, 29a-34a. Precisely because Nike did not provide further specificity, the district court believed it appropriate to adopt the "broad" reading that now binds Nike. Pet. App. 29a-30a n.2.

The United States also does not explain how the lower courts can further construe the Covenant. The open question is presumably what future products it covers. But in the absence of any allegation by Already that it seeks to make *any* potentially infringing product that is not unambiguously covered by the Covenant, there is no relevant ambiguity to resolve.⁸

An opinion remanding the case would also expressly leave open the prospect that Article III jurisdiction remains, despite the absence of any suggestion by Already at any stage of the case that it desires – much less intends – to produce any product that the Covenant does not unambiguously cover. Because it is unlikely that this Court would later review the lower courts' fact-bound ruling on remand, this Court's ruling would not provide definitive guidance on the effect of a covenant not to sue. Much

⁸ Any covenant that extends to subsequent products must choose some verbal formulation that lacks scientific precision, precisely because it must reach a good that has not yet been developed. The phrase "colorable imitation" is well-suited to that role, because it captures the further evolution of existing products, in contrast to an entirely new and distinct product line.

of the benefit to the lower courts and litigants of a clear ruling by this Court will be lost.

Finally, Already will not be disadvantaged by affirmance of the dismissal of its counterclaims without prejudice. If in fact an actual controversy arises in the future, Already will be free to file a new suit. See *City News & Novelty, Inc. v. City of Waukesha*, 531 U.S. 278, 285 n.2 (2001) (“If City News seeks a license in the future, and if Waukesha attempts to invoke its five-year bar, nothing in the prior proceedings or in our disposition today will disable City News from contesting the bar’s application.”); *United States v. Oregon State Med. Soc’y*, 343 U.S. 326, 339-40 (1952) (“Affirmance is, of course, without prejudice to future suit if practices in conduct of the Oregon Physicians’ Service or the county services, whether or not involved in the present action, shall threaten or constitute violation of the antitrust laws.”).

In these circumstances, the Court’s practice is to affirm, not vacate and remand. Even when this Court concludes that the court of appeals applied the wrong legal standard, when the evidence “is sufficient under the correct standard,” there is no reason “to remand the case.” *Global-Tech Appliances v. SEB S.A.*, 131 S. Ct. 2060, 2071 & n.10 (2011). Remand is simply “unnecessary” when nothing “turned on the mistake.” *Morrison v. National Austl. Bank Ltd.*, 130 S. Ct. 2869, 2877 (2010).⁹

⁹ If the Court were to remand, it should leave open the possibility that if the court determined it had Article III jurisdiction it might nonetheless exercise its discretion under

III. The Court Should Reject The Sweeping Claims Of Already And Its *Amici* That Every Marketplace Participant Has Standing To Challenge The Intellectual Property Rights Of Any Other.

Having failed to show that the Covenant is too narrow, Already argues instead that “[n]o covenant, no matter how broad,” can eliminate a justiciable controversy over the validity of a trademark. Pet. Br. 33-34. Already and its *amici* thus claim that the existence of a trademark always and necessarily creates a justiciable controversy over its validity between the mark holder and every participant in the relevant industry (and perhaps beyond), even if the mark cannot be shown to have any direct and concrete effect on the plaintiff’s business.

That cannot possibly be right, and clearly it is not. Already’s theory of standing avowedly extends to every “company engaged in the business of designing and marketing athletic shoes.” Pet. Br. 21; *see also Amicus* Br. of Law Profs. 3 (standing extends to all “participants in that field”); *Amicus* Br. of Public Patent Found. 12 (“[T]he public has standing to challenge the validity of any issued patent or registered trademark in court.”). Any shoe manufacturer could sue every other over the validity of every patent and trademark. Any electronic manufacturer could sue every other. And so on

the Declaratory Judgment Act to deny relief given the facts of the case. *See* U.S. Br. 26-27.

Contrary to petitioner's submission, it is Already's position that creates the real risk of extortive litigation tactics. As noted, on its view, any market participant has Article III standing to challenge the intellectual property rights – both patents and trademarks – of every other. If that claim meets resistance, the challenge can simply be withdrawn. Any competitor could also intervene in every suit between other industry participants insisting on a determination of all the plaintiff's and defendant's intellectual property rights, precluding any settlement of the case.

Already's concern that settled law provides an advantage for large market participants over smaller competitors has matters backwards too. On Already's proposal, larger firms will have every incentive to institute federal court suits challenging the entire intellectual property portfolios of their smaller rivals. The defendant will either capitulate by issuing a license or face the prospect of spending millions of dollars to defend the case.

Already also fails to explain how its claim to special privilege for intellectual property cases would actually remain cabined to that one sphere. Many other plaintiffs no doubt believe that their interests in pursuing litigation are just as strong. *E.g.*, No. 11-1025, *Clapper v. Amnesty Int'l USA* (presenting the question whether plaintiffs had standing to challenge constitutionality of Foreign Intelligence Surveillance Act based on showing an "objectively reasonable likelihood" that their future communications would be monitored).

In truth, Already's attorneys are openly pursuing an agenda of dramatically changing the settled

understanding of the Patent and Trademark Office and the holders of numerous rights that trade dress like Nike's Mark is protectable. Already's only apparent role is to stand in as the nominal plaintiff; the suit has nothing to do with Already's own plans or the effect the Mark is presently having on Already. That sort of sweeping theory is by its nature best addressed to Congress or the expert administrative agencies, not federal district courts without any concrete factual controversy before them.¹⁰

¹⁰ Though not relevant to the Question Presented, Already's discussion of the theory of its counterclaim in its brief – that product designs are not properly the subject of federal trademark registration, *see* Pet. Br. 6, 32-33, 42-43 – is based on a fundamental misunderstanding of the holdings in *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) and *Sears, Roebuck & Co v. Stiffel Co.*, 376 U.S. 225 (1964). *Sears* and *Compco* addressed federal *preemption* of state unfair competition laws. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 152-56 (1989) (explaining that *Compco* and *Sears* addressed federal preemption of an Illinois unfair competition law). These decisions do not, as Already suggests, preclude *federal* trademark protection for product designs. And, if there were any question, this Court further clarified these decisions in *Bonito Boats*, noting that it “is clear from the balance struck in *Sears* itself” that “the extrapolation of such a broad preemptive principle from *Sears* [that “*States* are completely disabled from offering any form of protection to articles or process which fall within the broad scope of patentable subject matter”] is inappropriate.” 489 U.S. at 154 (emphasis added). Moreover, *Compco* itself recognized that a design may properly be entitled to a “design patent or *other federal statutory protection*,” 376 U.S. at 238 (emphasis added), which obviously includes federal trademark protection under the Lanham Act.

A. The Requirements Of Article III Need Not And Cannot Be Relaxed In The Trademark Context.

Already's radical assertion that the ordinary requirements of Article III standing should be eliminated in the context of challenges to intellectual property rights fails to account for numerous countervailing considerations.

First, an administrative regime permits any party "who believes that he is or will be damaged" by a trademark registration to seek cancellation of the mark. 15 U.S.C. § 1064; *see also id.* § 1052. In the district court, Already emphasized its "continuing right, under at least 15 U.S.C. § 1064, to seek cancellation of the '905 Registration in an administrative proceeding commenced in the PTO." Already's Mem. in Support of Summary Judgment 23 (filed Apr. 26, 2010).

It is settled that a party may bring such an action if the existence of the mark has deterred its commercial activities. U.S. Br. 27 (citing *Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 1029 (C.C.P.A. 1982)). Those claims are adjudicated by the expert agency charged by Congress with determining whether a mark is protectable – the Patent and Trademark Office's Trademark Trial and Appeal Board (TTAB). The proceedings are adversarial, discovery is available, and the parties are entitled to present evidence under the same standards that govern civil litigation in federal court. 37 C.F.R. §§ 2.120(a), 2.122(a). Importantly, through the TTAB, the party challenging the mark may secure a ruling that has preclusive effect in federal court proceedings. *Levy v. Kosher Overseers Ass'n of*

Am., Inc., 104 F.3d 38, 42 (2d Cir. 1997). An appeal lies with the Federal Circuit or a district court. 15 U.S.C. § 1071.

Having declined to avail itself of the TTAB procedure, Already's objection that the ruling below prevents it from challenging the validity of the Mark rings particularly hollow. Moreover, the fact that the decision may encourage the filing of validity challenges before an expert agency rather than generalist courts is no vice.¹¹

Second, a trademark holder is unable to moot a case by withdrawing its claims and issuing a covenant so long as the counterclaimant has included a claim for damages. *See, e.g., Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Human Res.*, 532 U.S. 598, 608-09 (2001). Accordingly, the question in this case only arises when, as here, the challenger's claims are based solely on predictions (perhaps speculation) of future harm.

Third, any competitor can attempt to produce an exact copy of the mark – *i.e.*, a counterfeit. And in that context, a covenant not to sue could not preclude

¹¹ Already has raised the prospect that broad agency standing rules might permit some companies with only a tenuous stake in a mark's validity to challenge a mark before the TTAB, even though they would be unable to satisfy the Article III requirements for seeking review of the agency decision in federal court. Cert. Reply 9-10. But the fact that Congress may have seen fit to allow especially broad access to an agency process is obviously no ground for relaxing Article III principles. And even if left unreviewed in rare cases, a TTAB adjudication of validity provides substantial protection from the specter of invalid registrations.

the plaintiff from securing the relief it seeks. That is because a covenant not to challenge a counterfeit effectively grants the recipient a naked license to produce the trade dress, and naked licensing will be deemed an abandonment of the mark because it undermines consumers' association of the mark with its owner. *See, e.g.*, 4 MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 18:48 (4th ed. 2012) (“[U]ncontrolled and ‘naked’ licensing can result in such a loss of significance of a trademark that a federal registration should be cancelled.”); Edward K. Epsing, Annotation, *Granting of “naked” or unsupervised license to third party as abandonment of trademark*, 118 A.L.R. Fed. 211 (1994). Under the Covenant in this case, by contrast, the Mark retains its exclusive association with Nike because it excludes both counterfeits and other products that are not colorable imitations of Already's prior shoes.

Fourth, and relatedly, a trademark owner could not perpetually avoid validity challenges by routinely granting covenants not to sue without risking claims that it had abandoned the mark, even if the covenant did not permit counterfeits. Eventually, the mark holder's grant of permission to the production of large numbers of confusingly similar products would undermine any claim that the mark continued to signify to the public the goods' origin with the mark holder.

Fifth, the Lanham Act contains a built-in safeguard against attempts to manipulate the jurisdiction of the federal courts. Congress provided for an award of attorney fees in “exceptional cases.” 15 U.S.C. § 1117(a). That standard may be satisfied when a party in bad faith institutes litigation in an

attempt to exact a settlement, then withdraws the suit when it meets resistance, given Congress's purpose to "afford protection to defendants 'against unfounded suits brought by trademark owners for harassment and the like.'" *Noxell Corp. v. Firehouse No. 1 Bar-B-Que Rest.*, 771 F.2d 521, 524 (D.C. Cir. 1985) (quoting S. Rep. No. 93-1400, at 5 (1974)). The availability of such attorney fee awards protects plaintiffs "from the suddenly repentant defendant." *Gwaltney of Smithfield, Ltd. v. Chesapeake Bay Found., Inc.*, 484 U.S. 49, 67 n.6 (1987).

Here, the district court and the court of appeals both rejected Already's request for fees, Pet. App. 20a, 38a-39a, and Already no longer pursues that claim. Nor could it. Nike operated in manifest good faith. Nike did not "abruptly deliver[]" the Covenant. *Contra* Pet. Br. 14. It only learned of the very limited nationwide distribution of Already's shoes in a settlement meeting after the litigation had commenced. Already could have advised Nike of that fact in response to Nike's pre-litigation cease-and-desist letter, but chose not to. Nike also concluded on the basis of Already's own defense of the infringement allegations that any consumer confusion created by the Soulja Boy shoes was *de minimis*.¹²

¹² Already quotes a single sentence by the district judge that the Soulja Boy shoes did not appear particularly similar to the Mark, Pet. Br. 14, ellipsing out the judge's acknowledgment that he was glancing at images of the parties' shoes in passing from thirty feet away, *see* J.A. 87a. But in any event, it would have been entirely appropriate for Nike to withdraw its suit based on a determination that it was likely to lose its claims on

Fifth, principles of federalism counsel additional restraint. Already's counterclaim seeks a significant declaration changing the settled understanding of the scope of *state* trademark law as well. *See* Pet. Br. 11.

B. The Mere Existence Of A Trademark Registration Provides No Basis For Standing To Challenge Its Validity.

Already argues that so long as the Mark remains on the federal register it stands as a “scarecrow” to all of Nike’s competitors (including Already) and, therefore, susceptible to challenge under the Declaratory Judgment Act. Pet. Br. 29 (quoting *Cardinal Chem.*, 508 U.S. at 96). It is not, however, sufficient for Already to simply hypothesize that a trademark could conceivably someday deter some competitor from taking some unspecified action. Basing standing on a mere “statistical probability” or even a “*realistic* threat” of harm would “would make a mockery of [the Court’s] prior cases,” *Summers v. Earth Island Inst.*, 555 U.S. 488, 497-98, 500 (2009) (emphasis in original), which require instead that the plaintiff’s own personal “threatened injury must be ‘certainly impending’ to constitute injury in fact.” *Whitmore v. Arkansas*, 495 U.S. 149, 158 (1990) (internal quotation marks and citations omitted).

the merits. The judge’s statement does not suggest that the judge harbored any doubt about the *validity* of the Mark, and thus does not support Already’s attempt to argue that – notwithstanding the district court’s attorneys’ fees ruling – Nike withdrew its claims and issued the Covenant to avoid a judgment that the Mark was invalid.

For the same reasons, Already's repeated reference to injuries Nike's Mark might inflict on others – other shoe manufacturers and the public at large, Pet. Br. 26-27, 40 – are constitutionally irrelevant. Because this is not a class action or similar representative litigation, Already does not even arguably have a cognizable interest in the alleged injuries of unrelated third parties. *Compare Genesis HealthCare Corp. v. Symczk*, No. 11-1059. The “Article III question is not whether the requested relief would be nugatory as to the world at large, but whether [*the plaintiff*] has a stake in that relief.” *Lewis*, 494 U.S. at 479 (emphasis in original). Although Already might “derive great comfort and joy from the fact that . . . a wrongdoer gets his just deserts, or that the Nation's laws are faithfully enforced, that psychic satisfaction is not an acceptable Article III remedy because it does not redress a cognizable Article III injury.” *Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 107 (1998).

Already and its *amici* claim that a different rule should apply here in order to facilitate broader challenges to what they perceive to be a pattern of “unlawful Government agency action” in the registration of invalid patents and trademarks. Pet. Br. 31; *see also id.* 40-43; *Amicus Br. of Public Patent Foundation 6* (“[I]t is not unfair to accuse the U.S. Patent and Trademark Office of being a rubber stamp.”).

Already has provided no evidence to support its suggestion that the federal trademark register is full of invalid “scarecrow” marks, awarded by an agency that misunderstands or routinely defies statutory and constitutional limitations on trademarks. But

more fundamentally, Already's argument betrays a profound misunderstanding of the central purpose of Article III, which is to constrain the occasions upon which courts are called upon to cast judgment upon the conduct of the other branches. *See, e.g., Raines v. Byrd*, 521 U.S. 811, 819-20 (1997). Where judicial review of executive action is unnecessary to "protect the interest of the complaining party," allowing "courts to oversee legislative or executive action 'would significantly alter the allocation of power . . . away from a democratic form of government.'" *Summers*, 555 U.S. at 493 (citations omitted). "Continued adherence to the case-or-controversy requirement of Article III," on the other hand, "maintains the public's confidence in an unelected but restrained Federal Judiciary." *Arizona Christian Sch. Tuition Org. v. Winn*, 131 S. Ct. 1436, 1442 (2011).

CONCLUSION

For the foregoing reasons, the judgment of the court of appeals should be affirmed.

Respectfully submitted,

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