

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 *AMICI CURIAE* LEVI STRAUSS & CO.
AND VOLKSWAGEN GROUP OF AMERICA, INC.
IN SUPPORT OF RESPONDENT NIKE, INC.**

GREGORY D. PHILLIPS
PHILLIPS RYTHER
& WINCHESTER
560 East 500 South,
Suite 200
Salt Lake City, UT 84102
(801) 935-4935

GREGORY S. GILCHRIST
Counsel of Record
GREGORY P. FARNHAM
GIA L. CINCONI
RYAN T. BRICKER
KILPATRICK TOWNSEND
& STOCKTON LLP
Two Embarcadero Center,
8th Floor
San Francisco, CA 94111
(415) 576-0200
ggilchrist@
kilpatricktownsend.com

October 1, 2012

244003



COUNSEL PRESS

(800) 274-3321 • (800) 359-6859

TABLE OF CONTENTS

	<i>Page</i>
TABLE OF CONTENTS	i
TABLE OF CITED AUTHORITIES	iii
INTEREST OF THE <i>AMICI CURIAE</i>	1
SUMMARY OF ARGUMENT.....	3
ARGUMENT.....	5
I. THE EXISTENCE OF AN ALLEGEDLY INVALID TRADEMARK DOES NOT CREATE A CASE OR CONTROVERSY. .	5
II. ALREADY IGNORES THE REAL WORLD COSTS TO DEVELOPING INTELLECTUAL PROPERTY AND THE TRUE RISKS THAT INTELLECTUAL PROPERTY WILL BE SUPPRESSED BY AFFORDING COMPETITORS ACCESS TO THE COURTS FOR PURPOSES OF POLICING “INVALID” TRADEMARKS	11
A. The Costs of Acquiring Trademark Rights in a Product Design Are Substantial.....	12
B. Already’s Proposed Standard Raises the Specter of Unlimited, and Costly, Challenges to Validity.....	15

Table of Contents

	<i>Page</i>
III. FOR A MARK TO HAVE SIGNIFICANT COMMERCIAL IMPACT, IT MUST BE ENFORCED, AFFORDING AMPLE OPPORTUNITY FOR VALIDITY CHALLENGES FROM GENUINELY INTERESTED PARTIES	18
IV. ALREADY’S CLAIMS WILL NOT VINDICATE THE PURPORTED PUBLIC INTEREST IN “CLEARING THE FIELD” OF INVALID TRADEMARKS..	20
CONCLUSION	23

TABLE OF CITED AUTHORITIES

	<i>Page</i>
CASES	
<i>Aetna Life Insurance Co. v. Haworth</i> , 300 U.S. 227 (1937)	20
<i>Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation</i> , 402 U.S. 313 (1971)	16
<i>California Motor Transport Co. v. Trucking Unlimited</i> , 404 U.S. 508 (1972)	9
<i>Deakins v. Monaghan</i> , 484 U.S. 193 (1988)	7, 8
<i>Friends of the Earth, Inc. v. Laidlaw Environmental Services (TOC), Inc.</i> , 528 U.S. 167 (2000)	7
<i>General Motors Corp. v. Lanard Toys, Inc.</i> , 468 F.3d 405 (6th Cir. 2006), <i>cert. denied</i> , 552 U.S. 819 (2007)	12
<i>Golden v. Zwickler</i> , 394 U.S. 103 (1969)	6, 22
<i>Goodyear Tire & Rubber Co. v. Interco Tire Corp.</i> , 49 U.S.P.Q.2d (BNA) 328 (TTAB 1998)	14

Cited Authorities

	<i>Page</i>
<i>In re Ennco Display Systems, Inc.</i> , 56 U.S.P.Q.2d (BNA) 1279 (TTAB 2000)	12, 13
<i>In re Howard Leight Industries, LLC</i> , 80 U.S.P.Q.2d (BNA) 1507 (TTAB 2006)	14
<i>Inwood Laboratories, Inc. v.</i> <i>Ives Laboratories, Inc.</i> , 456 U.S. 844 (1982)	12
<i>Lujan v. Defenders of Wildlife</i> , 504 U.S. 555 (1992)	10
<i>Maryland Casualty Co. v. Pacific Coal & Oil Co.</i> , 312 U.S. 270 (1941)	6, 22
<i>Matthews International Corp. v.</i> <i>Biosafe Engineering, LLC</i> , Fed. Cir. No. 2012-1044, 2012 U.S. App. LEXIS 20137 (Fed. Cir. Sept. 25, 2012)	8, 21
<i>MedImmune, Inc. v. Genentech, Inc.</i> , 549 U.S. 118 (2007)	5, 6, 20
<i>Metro Kane Imports, Ltd. v.</i> <i>Federated Department Stores Inc.</i> , 625 F. Supp. 313 (S.D.N.Y. 1985), <i>aff'd mem.</i> , 800 F.2d 1128 (2d Cir. 1986)	21
<i>Monsanto Co. v. Geertson Seed Farms</i> , 130 S. Ct. 2743 (2010)	6

Cited Authorities

	<i>Page</i>
<i>Park 'n Fly Inc. v. Dollar Park & Fly, Inc.</i> , 469 U.S. 189 (1985)	13
<i>Parklane Hosiery Co. v. Shore</i> , 439 U.S. 322 (1979)	16
<i>Prasco, LLC v. Medicis Pharm. Corp.</i> , 537 F.3d 1329 (Fed. Cir. 2008)	8
<i>Public Service Commission v. Wycoff Co.</i> , 344 U.S. 237 (1952)	20
<i>Ritchie v. Simpson</i> , 170 F.3d 1092 (Fed. Cir. 1999)	14
<i>Wal-Mart Stores, Inc. v. Samara Brothers, Inc.</i> , 529 U.S. 205 (2000)	12, 18

CONSTITUTION AND STATUTES

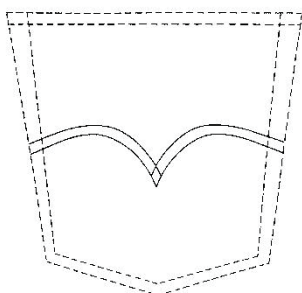
U.S. Const. art. III	<i>passim</i>
15 U.S.C. § 1063(a)	14
15 U.S.C. § 1064	15
15 U.S.C. § 1064(3)	15
15 U.S.C. § 1065	15
15 U.S.C. § 1091	13

Cited Authorities

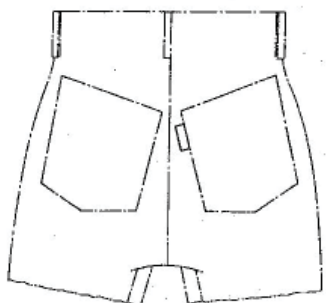
	<i>Page</i>
15 U.S.C. § 1115(a).....	15
15 U.S.C. § 1119	15
OTHER AUTHORITIES	
PHILLIP E. AREEDA, HERBERT HOVENKAMP & EINER ELHAUGE, <i>ANTITRUST LAW</i> (1996).....	10
J. THOMAS MCCARTHY, <i>TRADEMARKS AND UNFAIR COMPETITION</i> (2d ed. 1984)	13
J. THOMAS MCCARTHY, <i>MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION</i> (4 th ed. 2012)	19
Michael S. Mireles, Jr., <i>Towards Recognizing and Reconciling the Multiplicity of Values and Interests in Trademark Law</i> , 44 <i>IND. L. REV.</i> 427 (2011).....	19
Trademark Manual of Examining Procedure (8th ed., Oct. 2011).....	13
Trademark Trial and Appeal Board Manual of Procedure (3d ed. rev. 1, June 2012).....	14, 15

INTEREST OF THE AMICI CURIAE¹

Levi Strauss & Co. has been in business since the 1850s, and has been selling denim jeans under the LEVI'S® brand since 1873. Since that time, LEVI'S® jeans have become among the most recognizable and imitated clothing in the world. Levi Strauss currently sells products under the LEVI'S®, DOCKERS®, dENiZEN®, and Signature by Levi Strauss & Co.™ brands in 110 countries around the world. Levi Strauss & Co. is the owner of over 100 United States trademark registrations, including for design marks such as its famous Arcuate Stitching Design and Tab trademarks, pictured below:



U.S. Reg. No. 1,139,254



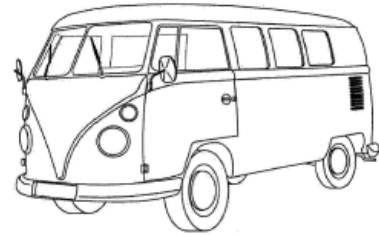
U.S. Reg. No. 1,157,769

1. No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amici*, or their counsel, made a monetary contribution intended to fund its preparation or submission. The Respondent has filed a blanket waiver with the Court consenting to the submission of all *amicus* briefs and the Petitioner's consent is submitted herewith.

Volkswagen Group of America, Inc. is the exclusive United States importer of Volkswagen, Audi, Bentley, Bugatti, and Lamborghini vehicles, through itself and its affiliated companies. Volkswagen Group has dealer locations in all 50 states; its product range extends from fuel-efficient small cars to luxury vehicles, and includes some of the most recognizable and famous auto designs in the world. The Volkswagen Group and its affiliated companies own approximately 370 United States trademark registrations, including for design marks such as the famous Volkswagen Beetle and Microbus silhouettes:



U.S. Reg. No. 3,043,073



U.S. Reg. No. 3,774,873

Levi Strauss & Co. and Volkswagen Group have an interest in this matter because as owners of large trademark portfolios, they are concerned that the standard for jurisdiction proposed by Appellant Already, LLC, d/b/a Yums would expose them and other brand owners to litigation of abstract and hypothetical disputes. Already's proposed jurisdictional rule would permit litigants with no personal stake in the outcome to preempt the opposition and cancellation procedures already in place at the United States Patent and Trademark Office to determine the validity of trademarks. Levi Strauss & Co. and Volkswagen Group believe this brief presents arguments and perspectives that will be of help to the Court in considering this matter.

SUMMARY OF ARGUMENT

Already and its amici are asking this Court to eliminate any meaningful content to Article III’s “case or controversy” requirement where intellectual property rights are concerned. They propose a broad rule that affords declaratory relief jurisdiction to any party who – acting with any motive – claims to vindicate the public interest in suppression of “invalid” trademarks. The Court should resist any standard for Article III jurisdiction that depends on assertion of this purported interest.

Already is particularly hard-pressed to claim any stake in the validity of Nike’s trade dress mark. To counter the immunity it has received by virtue of Nike’s covenant not to sue, Already claims “injury” from the mere existence of allegedly “invalid” trademark rights. It posits that such injury gives rise to a justiciable controversy because invalid trademark rights may inhibit its investment in competitive marks or shoe designs. Already’s reasoning, to which the Public Patent Foundation and numerous law professors eagerly have attached, extends inevitably to “participants in the industry” or – yet more broadly – to the “public” generally. Under this Court’s unwavering precedents, however, the federal courthouse doors are not flung open to adjudicate such hazy and illusory concepts of injury. This proceeding affords no reason for diverging from these principles.

Already ignores the real-world challenges for a trademark owner to create, register and maintain the kind of intellectual property that Nike relied on here. While there is no question (Already’s more dubious counterclaims aside) that product configuration trade dress may support an enforceable trademark, it is no

easy task for a brand owner to acquire and develop such a trademark, and requires deliberation, investment and patience. Already's portrait of a "rubber stamp" process used to gain unwarranted competitive advantages bears no resemblance to reality. There are ample opportunities for public challenges to the development and registration of "invalid" trade dress marks.

The true risk is that, if Already's position were adopted, it would substantially inhibit the commercial incentives that are necessary to develop valuable trademarks and trade dress. After a trademark holder carefully markets and develops a trademark and successfully navigates the process for obtaining a registration, if the resulting registration serves as a ticket for any and all comers to bring expensive federal litigation challenging its validity, there will be powerful disincentives for brand owners to make the necessary investments. This concern will apply with far greater force to small and medium-sized competitors who likely will find it impossible to incur the expense necessary to validate their most valuable intellectual property.

In addition to the administrative processes that are available for challenge to invalid marks, there is no need to fear that courts will not have an opportunity to weigh in. Unless trademarks are enforced, they will have little marketplace effect at all. When they are enforced, they will be subject to invalidity challenges.

Already's argument also ignores the importance of a contemporaneous, purportedly infringing use (which reflects the ordinary personal stake of a genuine declaratory relief claimant) in providing context and

definition to a dispute about validity. If a potential challenger to a trademark is not making – or at least planning to make – use of competing marks or trade dress, the invalidity analysis becomes no more than an abstraction. It has long been the rule, explicitly reaffirmed in *MedImmune*, that a case or controversy must be capable of a judicial decision that resolves, in concrete terms, the parties’ dispute. If the asserted jurisdiction-saving logic for permitting purported cases or controversies about trademark invalidity is to eliminate so-called “scarecrow” trademarks, then the outcome must be capable of addressing that concern. But, this will not be so with respect to Already’s proposed invalidity challenges – such as the claim that Nike’s registered and unregistered trade dress lacks secondary meaning. The court’s judgment on that claim would have meaning only as to validity questions that bear on contemporaneous infringements. To permit challenges to marks where no potentially infringing use even is contemplated would force the federal courts into adjudication of phantom disputes whose outcome will have no real or lasting effect on the parties or the public at large.

ARGUMENT

I. THE EXISTENCE OF AN ALLEGEDLY INVALID TRADEMARK DOES NOT CREATE A CASE OR CONTROVERSY

Already is poorly situated to assert that it is party to any Article III “case” or “controversy” regarding the validity of Nike’s trademark. The “immediacy” element²

2. The immediacy of a dispute is a fixture of the U.S. Const. Article III “case or controversy” test. “Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties

and the injury requirement³ for a case or controversy are both fatal to Already's claims. Already has revealed no current or future plans to produce products that may infringe Nike's trademarks. And, inconsistent with any personal stake in the outcome of the validity dispute, Already labors under the additional disadvantage of having been immunized from virtually all potential infringement claims by Nike's covenant not to sue.

Already tries to overcome these hurdles by constructing an argument that the mere presence of allegedly invalid trademarks causes harm. It asserts that "[Nike's] registered claim disadvantages petitioner, both procedurally and substantively, in efforts to attract investment and compete with respondent in the marketplace." Brief for Petitioner ("Pet. Br.") at 21. It admits that this reasoning extends to "compan[ies] engaged in the business of designing and marketing

having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Golden v. Zwickler*, 394 U.S. 103, 108 (1969) (quoting *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941)). The Court's decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), while it rejected the idea that "imminent" litigation or a "reasonable apprehension of suit" must be present for jurisdiction, said nothing to support any claim that jurisdiction exists to adjudicate cases where the harm is remote or contingent. There, the declaratory relief claimant was paying royalties only owed for valid patents and would have risked 80% of its business if it had stopped paying. *Id.* at 133.

3. Article III standing "requires that an injury be concrete, particularized, and actual or imminent; fairly traceable to the challenged action; and redressable by a favorable ruling." *Monsanto Co. v. Geertson Seed Farms*, 130 S. Ct. 2743, 2752 (2010).

athletic shoes.” *Id.* Already’s law-professor supporters readily adopt this logic and propose that “[t]he existence of a trademark or a patent in a particular field creates a present risk to the ongoing economic activities of participants in that field.” Brief of Intellectual Property Professors as Amicus Curiae in Support of Petitioner (“Law Prof. Br.”) at 3. Other amici extend this reasoning to the public at large: “[T]he government’s issuance of a patent or registration of a trademark also can restrain desirable public activity and, thus, the public deserves the right to challenge the validity of those government acts in court.” Brief of Public Patent Foundation as Amici Curiae in Support of Petitioner (“PubPat Br.”) at 11.

Already stands in an even worse position than the public at large to adopt such a purported injury as grounds for Article III jurisdiction. Unlike the public at large or other “industry participants,” Already has been substantially inoculated against enforcement of Nike’s trademarks.⁴ If Already’s invalidity challenge establishes

4. Already has asserted that its status as a “defendant” against Nike’s now defunct infringement claims affords it special opportunities to maintain this action. Thus, it starts with an argument that this case involves “post-commencement mootness.” Pet. Br. at 20 (quoting *Friends of the Earth, Inc. v. Laidlaw Environmental Services (TOC), Inc.*, 528 U.S. 167, 174 (2000)). Nike addresses this and Already’s related “voluntary cessation” arguments at length. Brief of Respondent (“Resp. Br.”) at 36-46. To the extent that the voluntary cessation doctrine applies to jurisdiction over declaratory relief actions at all – here to an action to “invalidate” Nike’s claims (supposedly to ensure that Nike cannot renew them) – this Court has held that a dismissal with prejudice is adequate to truly moot the plaintiff’s claims and thereby preclude jurisdiction over the declaratory relief claims. *Deakins v. Monaghan*, 484 U.S. 193, 200 n.4 (1988) (“The threat

a case or controversy, the traditional and well understood limits to federal court litigation will have been lifted for all.

This proposition – that the mere existence of trademarks is enough to support a validity challenge – reflects the most dangerous expansion of Article III jurisdiction suggested by *Already* and its amici.⁵ The vague and amorphous implication that such an exercise of jurisdiction must be limited to actions that serve “competition” and “industry” interests (Pet. Br. at 21; Law Prof. Br. at 3) admits to far more likely mischief than potential benefit. Many competitors are interested in seeing their rivals struggle or incur unforeseen costs. Unchecked, competitively motivated validity litigation⁶

to petitioners, based on the mere ‘speculative contingenc[y]’ that respondents will assert new federal claims for equitable relief against the same [defendants] cannot be said to be ‘sufficiently real and immediate to show an existing controversy.’”) (citations omitted). Here, *Already* enjoys the additional safeguards afforded by the covenant not to sue. With this said, if the Court were inclined to find a basis for Article III jurisdiction for *Already*’s invalidity claims, these amici urge that the Court do so by reevaluating the principles of *Deakins* and the scope of the covenant not to sue, rather than by adopting the broad alternative argued by *Already* and its amici – that all competitors or the public at large have standing to assert invalidity claims.

5. See *Matthews International Corp. v. Biosafe Engineering, LLC*, Fed. Cir. No. 2012-1044, 2012 U.S. App. LEXIS 20137 at *15 (Fed. Cir. Sept. 25, 2012) (“*MedImmune* does not change our long-standing rule that the existence of a patent is not sufficient to establish declaratory judgment jurisdiction.”) (quoting *Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1338 (Fed. Cir. 2008)).

6. There is some safety net against such litigation abuse, but it depends on showing that there has been “sham” litigation

is much more likely to suppress the marketplace than any use Nike might make of an invalid trademark. Nike, and the amici here, participate in highly fragmented and competitive markets. The prospect that every industry participant will become armed with federal court validity challenges against every other is frightening indeed.

Already's rationale also vastly overstates the benefit to striking invalid trademarks. As Professor Areeda has noted, there is nothing anticompetitive about trademarks:

A trademark is even less potent than a copyright in bringing its owner market power. It protects nothing more than one's name, allowing rivals to copy every detail of a rival's business (short of passing oneself off as another). While a [trademark holder] might dominate a market because of the reputation enjoyed by its name, nothing prevents rivals from offering equivalent products and establishing a matching reputation.

that creates a competitive harm. *See, e.g., California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 509, 516 (1972) (“concerted action by petitioners to institute state and federal proceedings to resist and defeat applications by respondents to acquire operating rights or to transfer or register those rights,” where petitioners proceeded regardless of the merits of those cases, constituted the sort of “sham” litigation abuse that is subject to antitrust protection). This stands in sharp contrast with the elaborate administrative safeguards that are available to eliminate invalid trademarks, or any abuse that arises from their enforcement.

PHILLIP E. AREEDA, HERBERT HOVENKAMP & EINER ELHAUGE, ANTITRUST LAW § 1737e (1996).

This Court has considered and rejected a general “public interest” rationale for Article III jurisdiction, even when it is far more limited than Already has proposed. The Court steadfastly has preserved the requirement that a plaintiff must be threatened with a genuine injury in which it has a personal stake. The injury may not be remote or contingent, and it must be personal and premised on more than a belief that the public at large will be better for the outcome. The Court’s decision in *Lujan v. Defenders of Wildlife*, 504 U.S. 555 (1992), definitively determined that Article III courts may not entertain actions where a plaintiff seeks relief that benefits the public good when the plaintiff has not suffered or is not in danger of suffering individual, particularized harm. The Court stated,

We have consistently held that a plaintiff raising only a generally available grievance about government – claiming only harm to his and every citizen’s interest in proper application of the Constitution and laws, and seeking relief that no more directly and tangibly benefits him than it does the public at large – does not state an Article III case or controversy.

Id. at 573-74; *see generally id.* at 574-76 and cases cited therein. While the Court was addressing lawsuits where a citizen or taxpayer challenged government action, the same principle applies with equal force where a plaintiff such as Already purports to bring an action to invalidate a trademark that supposedly was improvidently registered by the U.S. Patent and Trademark Office. Already suffers no individual injury different from any other manufacturer or seller of athletic footwear. In fact, as discussed above,

the hypothetical threat of injury to Already is actually less than for other participants in the athletic footwear market because of the covenant not to sue that Nike has granted to Already.

Already and its amici never address these concerns or reconcile the breadth of their proposed jurisdictional rule with these principles. On the record before the Court – whether or not Already has been effectively immunized from the effects of Nike’s supposedly invalid trademarks – there is no basis for altering the Court’s longstanding approach to the requirements for Article III jurisdiction.

II. ALREADY IGNORES THE REAL WORLD COSTS TO DEVELOPING INTELLECTUAL PROPERTY AND THE TRUE RISKS THAT INTELLECTUAL PROPERTY WILL BE SUPPRESSED BY AFFORDING COMPETITORS ACCESS TO THE COURTS FOR PURPOSES OF POLICING “INVALID” TRADEMARKS

Already’s main argument rests on a fanciful, if naïve, view of how a party such as Nike comes by trademarks and trademark registrations like those asserted in these proceedings. It and its amici suggest that, for a small fee, a party will receive rubber-stamped registrations that, due to the insufficiencies of the PTO, quite likely are invalid and serve only anticompetitive purposes. Pet. Br. at 43; *see also* PubPat Br. at 6.

The reality is quite different. To turn product designs into trademarks requires a brand owner to make substantial and sustained investments in distinctive designs that, through marketing and sales, become associated by the public with that producer. At many stages of the process, from development to registration to

enforcement in the marketplace, there are opportunities for these efforts to be derailed or “invalidated.” If, in addition to these hurdles, a brand owner must face expensive, serial litigation to validate its rights, it may well lose interest in the effort altogether.

A. The Costs of Acquiring Trademark Rights in a Product Design Are Substantial

There is no question that Nike’s trademark involves registrable trade dress, provided the requirements for a mark are met. Although this Court has held that a product design is not inherently distinctive for trademark purposes, it left no question that distinctive product designs could acquire trademark significance. *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 212 (2000). Such a mark, accordingly, requires development of “secondary meaning” in the minds of consumers. This occurs “when, ‘in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself.’” *Id.* at 211 (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851 n.11 (1982)); see *In re Ennco Display Systems, Inc.*, 56 U.S.P.Q.2d (BNA) 1279 (TTAB 2000) (“Although the *Samara* case involved an unregistered product design in the context of an infringement action under Section 43(a), the Court’s holding is applicable to the registration of product designs under Section 2 of the Trademark Act.”).⁷

7. Since the *Wal-Mart* decision, courts have acknowledged and enforced product configuration trade dress, subject to the requirement that the owner demonstrate secondary meaning. See, e.g., *General Motors Corp. v. Lanard Toys, Inc.*, 468 F.3d 405, 420 (6th Cir. 2006), *cert. denied*, 552 U.S. 819 (2007) (General Motors’ Hummer trade dress had acquired secondary meaning).

An application to register a product design will be refused unless the applicant “provides sufficient evidence to show that the mark has acquired distinctiveness.” Trademark Manual of Examining Procedure (“TMEP”) § 1202.02(b)(i) (8th ed., Oct. 2011). If initially refused, a trademark may be placed on the Supplemental Register until such time as secondary meaning is established.⁸ “If the applicant qualifies for registration on the Supplemental Register, he may thereafter apply to register the mark on the Principal Register, and perhaps rely on the five-year presumption on secondary meaning.” *Park ‘n Fly Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 212 n.13 (1985) (quoting J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 19.7 (2d ed. 1984)). In the case of product design, however, a simple declaration that the mark has been in use for five years is not sufficient to establish secondary meaning and allow registration of the mark. TMEP § 1202.02(b)(i).

The burden and expense of creating and registering a product design trademark accordingly are significant. *See id.* (“Applicants face a heavy burden in establishing distinctiveness in an application to register trade dress.”). The applicant must show either direct evidence such as a consumer survey, or circumstantial evidence such as long use, extensive sales and advertising, “and any similar evidence showing wide exposure of the mark to consumers.” *In re Ennco, supra*. Development of this evidence requires a continuous commitment to a

8. The Supplemental Register includes marks that are “capable of distinguishing applicant’s goods or services” but are not registrable for a variety of reasons, including absence of secondary meaning. 15 U.S.C. § 1091.

particular product configuration, marketing of the design to consumers and advertising an association between the trade dress and its owner, for a sufficient period of time that the message is retained by consumers facing an enormous variety of choices. Even when those investments are made, the application and registration process may be unsuccessful. *See, e.g., In re Howard Leight Industries, LLC*, 80 U.S.P.Q.2d (BNA) 1507 (TTAB 2006) (refusing registration of product design despite 15 years of continuous and substantially exclusive use of mark); *Goodyear Tire & Rubber Co. v. Interco Tire Corp.*, 49 U.S.P.Q.2d (BNA) 328 (TTAB 1998) (refusing registration of product design despite \$56 million in sales revenue).

If the application passes muster with the PTO Examiner, it is still subject to opposition by “[a]ny person who believes that he would be damaged by the registration of a mark upon the principal register.” 15 U.S.C. § 1063(a). The “case or controversy” requirement does not apply to administrative proceedings such as oppositions before the TTAB; rather, the standing requirement is statutory. “Section 13 of the Lanham Act establishes a broad class of persons who are proper opposers; by its terms the statute only requires that a person have a belief that he would suffer some kind of damage if the mark is registered,” subject to the judicial requirements that the opposer have a “legitimate personal interest in the opposition” and a “reasonable” belief of damage. *Ritchie v. Simpson*, 170 F.3d 1092, 1095 (Fed. Cir. 1999). Thus, a more relaxed standard for standing to oppose registration exists in the TTAB than is required by Article III.⁹

9. An opposition can be based on “any available statutory ground . . . that negates the defendant’s right to registration.” Trademark Trial and Appeal Board Manual of Procedure (“TBMP”) § 309.03(c) (3d ed. rev. 1, June 2012).

Even after the mark is registered, the registration is subject to a petition to cancel, which again can be filed by “any person who believes that he is or will be damaged” by the registration. 15 U.S.C. § 1064. Although the registration confers a statutory presumption of validity (15 U.S.C. § 1115(a)), that presumption can be rebutted for the first five years after the date of registration, and the petition to cancel thus can be based on any available statutory ground. Trademark Trial and Appeal Board Manual of Procedure (“TBMP”) § 309.03(c) (3d ed. rev. 1, June 2012). Beyond five years, the mark becomes incontestable – but nevertheless, the Lanham Act permits a plaintiff to petition to cancel the registration on a number of specified grounds, including for example genericness, functionality, and abandonment. 15 U.S.C. §§ 1064(3), 1065. Thus, the administrative framework already provides ample opportunities for legitimate challenges to the validity of a trademark.¹⁰

B. Already’s Proposed Standard Raises the Specter of Unlimited, and Costly, Challenges to Validity

If Already’s approach to Article III were adopted, a brand owner like Nike – even after traversing all of the procedures necessary to acquire rights in a trademark or trade dress – would then face the prospect

10. This carefully crafted administrative scheme is entirely subverted if, as Already would have it, the federal judiciary is invited, through the device of declaratory judgments, to preempt the PTO with abstract validity determinations. *See* 15 U.S.C. § 1119 (requiring an “action involving a registered mark” before courts are empowered to cancel registrations or rectify the register). There is no point to Congress’s allocation of jurisdiction in this manner if challengers can ignore the limitations by re-framing their attacks on trademarks as declaratory relief claims.

of indiscriminate validity litigation from its competitors. Nike owns close to 300 U.S. trademark registrations; it competes in a large, global apparel and footwear industry and faces innumerable competitors, many of whom have large trademark portfolios of their own. The magnitude of potential validity litigation – all in the absence of a claimant with a concrete personal stake – would be enormous.

There is no basis for presuming that such validity litigation will be limited to lawsuits intended to weed out “scarecrow” trademarks. Every industry participant will have a license to sue, at any time, to attack important, competitive intellectual property. Competitors would be able, at a whim, to increase their rival’s costs of doing business and maintaining their proprietary marks. The vastly expanded field of challengers would be able to assert every conceivable non-frivolous argument or theory supporting invalidity. Even a successful defense of a trademark’s validity would have limited value, as that victory would have no collateral estoppel effect against another competitor who subsequently might seek invalidation on the same grounds. *See Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 329 (1971) (“Some litigants – those who never appeared in a prior action – may not be collaterally estopped without litigating the issue. . . . Due process prohibits estopping them despite one or more existing adjudications of the identical issue which stand squarely against their position.”); *see also Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 327 n.7 (1979) (“It is a violation of due process for a judgment to be binding on a litigant who was not a party or a privy and therefore has never had an opportunity to be heard.”) (citation omitted).

Defending against a barrage of court challenges to validity would add substantially to the already considerable expense of maintaining trademarks. The parties that would be most vulnerable in the ensuing crossfire would be small or midsize businesses. New entrants or innovators who pose a commercial threat to larger incumbents would become particularly likely targets for “invalidity” attacks. The costs to such firms of creating and sustaining their intellectual property might threaten their very existence or, at a minimum, produce settlements with distortive and irrational encumbrances on their intellectual property.¹¹

The consequence to *Already*’s rule, of course, would include a substantially increased burden on the federal courts’ dockets. But just as importantly, the courts’ new caseload would not, as *Already* argues, promote the development of new and competitive intellectual property. Instead, it would discourage entrepreneurs, businesses, and other commercial enterprises from investing in and creating intellectual property in the first place. The diminished value and considerably increased expense would inhibit the creation and nurturing of novel and distinguishing marks and would discourage the investment necessary to build valuable brands. These are direct, foreseeable and likely harms from *Already*’s

11. *Already* and its amici, without analysis, suggest that the Court’s ruling should apply to permit invalidity challenges – by industry participants or the interested public – to patents as well. The manifold increase in litigation targets that this extension would afford is simply staggering. Not only would the entire range of a competitor’s patent portfolio be fair game, but also within each patent, individual claims, often tens or hundreds, could be the object of litigation.

proposed standard for Article III jurisdiction, not the speculative injury that Already supposes will arise from the presence of invalid trademarks.

III. FOR A MARK TO HAVE SIGNIFICANT COMMERCIAL IMPACT, IT MUST BE ENFORCED, AFFORDING AMPLE OPPORTUNITY FOR VALIDITY CHALLENGES FROM GENUINELY INTERESTED PARTIES

Despite the administrative safeguards that already exist, Already urges that Article III must be expanded so that federal courts are able “to hear legitimate challenges to the validity of claimed trademarks and to the legality of PTO registration decisions.” Pet. Br. at 41. Already reasons that competitors – even in the absence of enforcement – will forsake arguable infringements unless they first can invalidate a known mark (in court, rather than the PTO which already is available to address challenges to registrations). Already and its supporters plunder the case law for vivid analogies of the need to “clear the field” before “building a barn” and other similar imagery. *E.g.*, Law Prof. Br. at 3. However valid this point may be in the barn-building context, there is no empirical support for the idea that the market avoids competitive product designs or trade dress, or that there will not be opportunities for competitors to attack potentially invalid trademark registrations or unregistered trademarks.

It is no secret to this Court that the market generally responds quite fiercely to popular designs and brands. *See Wal-Mart*, 529 U.S. at 207-08 (Wal-Mart asked its supplier to copy Samara’s product). Even the most famous and

venerated trademarks are routinely pirated and knocked off. Already is speculating or – in the experience of most trademark owners – engaging in sheer fantasy when it imagines that the marketplace is suffering because competitors are steering clear of claimed, but invalid, marks or trade dress.

When facing the commercial onslaught that typically greets any popular trade dress, a trademark owner must enforce its rights or – as Nike points out – they will wither. Brief of Respondent (“Resp. Br.”) at 14. To maintain viable trademarks, there must be regular enforcement or a mark will become inconsequential and of limited scope, even if it is not abandoned. *See* J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 17:8 (4th ed. 2012) (“Sometimes a mark becomes abandoned to generic usage as a result of the trademark owner’s failure to police the mark.”); Michael S. Mireles, Jr., *Towards Recognizing and Reconciling the Multiplicity of Values and Interests in Trademark Law*, 44 IND. L. REV. 427, 473 (2011) (“Trademark owners who fail to police their marks take great risks with the value of their marks under trademark law.”). In this sense, enforcement of the marks has a formative impact on the scope of the rights, and the commercial impact of an unenforced trademark is likely to be reduced.¹²

12. Provision of a discoverable, non-confidential covenant not to sue such as Nike granted to Already may be used in subsequent litigation against the trademark owner. Such a covenant, accordingly, is not likely to be issued lightly and only in the kind of legitimate circumstances identified by Nike, and is not subject to the kind of abuse that Already and its amici imagine.

No one questions that competitors and the public have an interest in permitting genuinely interested parties to test the *bona fides* of a trademark. The point here is that there will be ample opportunity within the confines of traditional understandings of Article III jurisdiction to make sure this happens in the course of routine and inevitable trademark enforcement litigation. A mark that is not tested in this way will have limited commercial impact. Already's premise – that “scarecrow” marks may be sustained by non-enforcement (to avoid jurisdiction) or manipulative covenants not to sue – simply does not reflect commercial reality.

IV. ALREADY'S CLAIMS WILL NOT VINDICATE THE PURPORTED PUBLIC INTEREST IN “CLEARING THE FIELD” OF INVALID TRADEMARKS

Already's assertion that the harm to be redressed consists of “invalid” trademark rights creates another Article III problem. The longstanding rule is that a case or controversy must be capable of a judgment that will have a meaningful and conclusive outcome. *Aetna Life Insurance Co. v. Haworth*, 300 U.S. 227, 240-41 (1937) (“The controversy must be . . . a real and substantial controversy admitting 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.”) (citations omitted); see *MedImmune*, 549 U.S. at 127 (same, citing *Aetna*). “The disagreement must not be nebulous or contingent but must have taken on fixed and final shape so that a court can see what legal issues it is deciding, what effect its decision will have on the adversaries, and some useful purpose to be achieved in deciding them.” *Public Service Commission v. Wycoff Co.*, 344 U.S. 237, 244 (1952).

For example, Already's principal invalidity challenge¹³ (and the one that brand owners know is most routinely asserted against trademarks like Nike's mark) is that the proposed mark lacks secondary meaning. But this challenge is only meaningful in the presence of contemporaneous infringements. Secondary meaning is the product of consumer associations as tested by a number of relevant factors that change over time. A ruling that secondary meaning is absent (and a mark therefore "invalid" to challenge a pending competitive use) is only good until new consumer associations are formed. It is not possible, therefore, for Already or "industry participants" to "clear the field" on behalf of the public at large so that future use of the trade dress or mark has been pre-screened by the courts. The judgment Already wants to obtain will have no effect on which "industry participants" can safely rely, except as to contemporaneous infringements whose authors have their own right to challenge invalidity.¹⁴

13. As Nike points out, the other invalidity claims are frivolous. Resp. Br. at 53 n.10.

14. Courts have recognized that the evidence of secondary meaning may change in a short period of time. *See, e.g., Metro Kane Imports, Ltd. v. Federated Department Stores Inc.*, 625 F. Supp. 313, 315 (S.D.N.Y. 1985), *aff'd mem.*, 800 F.2d 1128 (2d Cir. 1986) (noting that collateral estoppel will not apply where "secondary meaning can be acquired within a few months"). Collateral estoppel may apply to contemporaneous infringements or where a trademark owner fails to introduce any new evidence of secondary meaning. But it is, at most, a fluid analysis that, for the court's decision to have sufficient impact, requires a contemporaneous infringement that is at stake in the decision. *Cf. Matthews, supra*, 2012 U.S. App. LEXIS 20137 at *16 ("[t]he greater the variability of the subject of a declaratory-judgment suit,... the greater the chance that the court's judgment will be purely advisory, detached from the eventual, actual content of that subject") (citation omitted).

This point illustrates the importance here of confining the Court’s ruling to the particular facts presented. Already and its amici provide no rationale for their assumption that all types of trademark invalidity actions would be treated the same, and no justification at all for migrating into the law of patent invalidity and assuming that the Court’s decision will have bearing there. These assumptions violate a cardinal rule for determining whether a “case or controversy” exists.

“The difference between an abstract question and a ‘controversy’ contemplated by the Declaratory Judgment Act is necessarily one of degree, and it would be difficult, if it would be possible, to fashion a precise test for determining in every case whether there is such a controversy. Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”

Golden v. Zwickler, 394 U.S. 103, 117-118 (1969) (quoting *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

On the facts of this case, there are no grounds for reversal. Already’s proposed invalidity claims have no consequential application to Already’s interests or even to the identified public interest.

CONCLUSION

For the reasons discussed above, the *amici curiae* respectfully urge this Court to affirm the holding of the Second Circuit Court of Appeals.

Respectfully submitted,

GREGORY D. PHILLIPS
PHILLIPS RYTHER
& WINCHESTER
560 East 500 South,
Suite 200
Salt Lake City, UT 84102
(801) 935-4935

GREGORY S. GILCHRIST
Counsel of Record
GREGORY P. FARNHAM
GIA L. CINCONE
RYAN T. BRICKER
KILPATRICK TOWNSEND
& STOCKTON LLP
Two Embarcadero Center,
8th Floor
San Francisco, CA 94111
(415) 576-0200
ggilchrist@
kilpatricktownsend.com