

No. 11-982

IN THE
Supreme Court of the United States

ALREADY, LLC, D/B/A YUMS,
Petitioner,
v.

NIKE, INC.,
Respondent.

On Petition for a Writ of Certiorari to the
United States Court of Appeals for the Second Circuit

BRIEF IN OPPOSITION

Christopher J. Renk
Erik S. Maurer
Audra C. Eidem Heinze
BANNER & WITCOFF, LTD.
10 S. Wacker Dr.
Suite 3000
Chicago, IL 60606

Thomas C. Goldstein
Counsel of Record
Kevin K. Russell
GOLDSTEIN & RUSSELL, P.C.
5225 Wisconsin Ave., NW
Suite 404
Washington, DC 20015
(202) 362-0636
tg@goldsteinrussell.com

QUESTION PRESENTED

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

TABLE OF CONTENTS

QUESTION PRESENTED	i
TABLE OF AUTHORITIES	iv
BRIEF IN OPPOSITION.....	1
STATEMENT OF THE CASE.....	1
I. Introduction	1
II. Factual Background	3
III. Procedural Background.....	4
A. District Court Proceedings.....	4
B. Court of Appeals Decision	8
REASONS FOR DENYING THE PETITION	10
I. The Decision Below Does Not Implicate Any Circuit Conflict Warranting This Court’s Review.	11
A. The Ninth Circuit’s Decision In <i>Bancroft</i> Is Distinguishable In Multiple Respects.	12
B. There Is No Circuit Conflict Over Whether A Sufficiently Broad Covenant Not To Sue Terminates Jurisdiction To Adjudicate A Declaratory Judgment Claim Alleging Invalidity Of A Trademark.	16
C. There Is No Conflict Over Whether A Covenant Limited To “Then-Existing Commercial Activities” Is Sufficient To Terminate Article III Subject Matter Jurisdiction Over A Request For A Declaratory Judgment, Nor Does That	

Question Arise On The Facts Of This Case.....	20
D. This Case Does Not Present Any Certworthy Conflict Over The Standard For Finding A Declaratory Judgment Action No Longer Justiciable.....	21
E. No Question Regarding Section 1119 Of The Lanham Act Is Raised By The Petition Or Warrants The Court's Review.....	23
II. The Decision Below Is Correct.....	25
CONCLUSION	31

TABLE OF AUTHORITIES

Cases

<i>Aetna Life Ins. Co. v. Haworth</i> , 300 U.S. 227 (1937)	9, 26
<i>Bancroft & Masters, Inc. v. Augusta Nat'l, Inc.</i> , 223 F.3d 1082 (9th Cir. 2000)	passim
<i>Bancroft & Masters, Inc. v. Augusta Nat'l, Inc.</i> , 45 F. Supp. 2d 777 (N.D. Cal. 1998)	12
<i>Benitec Australia, Ltd. v. Nucleonics, Inc.</i> , 495 F.3d 1340 (Fed. Cir. 2007)	17
<i>Cardinal Chem. Co. v. Morton Int'l, Inc.</i> , 508 U.S. 83 (1993)	25, 26, 27, 28
<i>Chase Packaging Corp. v. Super Sack Mfg. Corp.</i> , No. 95-805	11
<i>Ditri v. Coldwell Banker Residential Affiliates, Inc.</i> , 954 F.2d 869 (3d Cir. 1992)	9, 24
<i>Dow Jones & Co., Inc. v. Ablaise Ltd.</i> , 606 F.3d 1338 (Fed. Cir. 2010)	7, 16, 26
<i>Forest Labs., Inc. v. Caraco Pharm. Labs., Ltd.</i> , No. 08-624	11
<i>Fort James Corp. v. Solo Cup Co.</i> , No. 05-712	11
<i>Global DNS, LLC v. Kook's Custom Headers, Inc.</i> , No. C08-0268RSL, 2008 WL 4380439 (W.D. Wash. Sept. 22, 2008)	18
<i>King Pharms., Inc. v. Eon Labs, Inc.</i> , 616 F.3d 1267 (Fed. Cir. 2010)	17

<i>Lujan v. Defenders of Wildlife</i> , 504 U.S. 555 (1992)	29
<i>Md. Cas. Co. v. Pac. Coal & Oil Co.</i> , 312 U.S. 270 (1941)	6, 25
<i>MedImmune Inc. v. Genentech, Inc.</i> , 549 U.S. 118 (2007)	8, 25
<i>Moore v. New York Cotton Exch.</i> , 270 U.S. 593 (1926)	27
<i>Nike, Inc. v. Adidas Am., Inc.</i> , No. 05-CV-541-BR, 2006 WL 3716754 (D. Or. Dec. 14, 2006)	18
<i>Nucleonics, Inc. v. Benitec Australia, Ltd.</i> , No. 07-1068	11
<i>Paramount Pictures Corp. v. Replay TV</i> , 298 F. Supp. 2d 921 (C.D. Cal. 2004)	18
<i>Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.</i> , 469 U.S. 189 (1985)	29
<i>Preiser v. Newkirk</i> , 422 U.S. 395 (1975)	26
<i>RB Rubber Products, Inc. v. E CORE Int’l, Inc.</i> , No. 3:11-cv-319-AC, 2012 WL 860416 (D. Or. Mar. 13, 2012)	18
<i>Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.</i> , 556 F.3d 1294 (Fed. Cir. 2009)	6
<i>Shloss v. Sweeney</i> , 515 F. Supp. 2d 1068 (N.D. Cal. 2007)	18
<i>Spectronics Corp. v. H.B. Fuller Co., Inc.</i> , No. 91-682	11

<i>Sunshine Kids Juvenile Prods., LLC v. Indiana Mills & Mfg., Inc.</i> , No. C10-5698BHS, 2011 WL 862038 (W. D. Wash. Mar. 9, 2011).....	18
<i>United States v. W.T. Grant Co.</i> , 345 U.S. 629 (1953).....	23
<i>Whitmore v. Arkansas</i> , 495 U.S. 149 (1990).....	26
<i>Windsurfing Int'l, Inc. v. AMF Inc.</i> , 828 F.2d 755 (Fed. Cir. 1987).....	9, 24

Constitutional Provisions

U.S. Const. art. III.....	passim
---------------------------	--------

Statutes and Constitutional Provisions

Declaratory Judgment Act, 28 U.S.C. § 2201 <i>et seq.</i>	5, 15, 19, 23
15 U.S.C. § 1063.....	29
15 U.S.C. § 1064.....	3, 7, 29
28 U.S.C. § 1331.....	27
28 U.S.C. § 1367(a).....	27
28 U.S.C. § 2201(a).....	5

Rules

MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION (4th ed. 2010).....	9, 24
--	-------

BRIEF IN OPPOSITION

Respondent Nike, Inc., respectfully requests that this Court deny the petition for a writ of certiorari.

STATEMENT OF THE CASE

I. Introduction

Having concluded that any actual or potential trademark infringement by petitioner Already did not warrant litigation, respondent Nike covenanted not to sue petitioner. Contrary to the premise of the question presented by the petition, Nike's covenant was not limited to petitioner's "then-existing commercial activities." Pet. i. Instead, it was worded to include future sales of any "current and/or previous footwear product designs," as well as "colorable imitations thereof," regardless of whether the footwear is produced, offered for sale, or sold in the future. Pet. App. 3a-4a; C.A. J.A. 94. Carefully examining the wording of the covenant, the court of appeals found no ongoing controversy between the parties, because it could not conceive of a potentially trademark-infringing product petitioner might produce that fell outside the scope of the covenant. Petitioner itself has never argued that it plans to produce any such product. So the court of appeals held that the covenant eliminated Article III jurisdiction to determine the validity of Nike's trademark.

Petitioner's assertion that this holding contributed to a circuit conflict is baseless. The only case petitioner cites as supposedly in conflict with the decision below, *Bancroft & Masters, Inc. v. Augusta National, Inc.*, 223 F.3d 1082 (9th Cir. 2000), is

entirely inapposite. The court there found continuing jurisdiction because the offer of settlement in that case was “incomplete and qualified,” *id.* at 1085, whereas here, the district court and Second Circuit found Nike’s covenant to be comprehensive and unqualified. That fact-bound determination, at the heart of the different outcomes in the two cases, does not warrant this Court’s review.

Petitioner notes *Bancroft’s* statement in *dicta* that the case could have proceeded even in the face of an unqualified settlement offer. But that statement was founded on the fact that the challenger in that case had brought not only a declaratory judgment claim (which would have been rendered non-justiciable by an adequate covenant not to sue) but also a separate count seeking cancellation of the registration as a remedy for prior trademark misuse (which, the Ninth Circuit surmised, would survive any such covenant). Again, the facts of this case are entirely different – petitioner brought solely a counterclaim for declaratory judgment. The Second Circuit’s conclusion that this claim could not proceed after the issuance of Nike’s comprehensive and unqualified covenant is entirely consistent with the law in the Ninth Circuit.

That conclusion also is consistent with the decisions of this Court, which have repeatedly made clear that federal courts lack jurisdiction to adjudicate declaratory judgment claims in the absence of a live case or controversy between the parties. That does not mean, as petitioner contends, that trademark holders have a free hand to manipulate the judicial system to prevent cancellation of unlawful registrations. To the

contrary, Congress established an administrative process that broadly permits anyone who “believes that he is or will be damaged . . . by the registration,” to seek its cancellation. 15 U.S.C. § 1064. Petitioner could have pursued that remedy at any time, but has chosen not to do so. Instead, it has filed this petition, asking the Court to resolve what amounts in the end to a fact-bound dispute over the adequacy of one particular covenant not to sue. That request should be denied.

II. Factual Background

Nike introduced its Air Force 1 low sneaker design in 1982. The Air Force 1 is one of Nike’s bestselling shoe designs of all time. The company owns trademark rights in the appearance of the Air Force 1 design, including U.S. Trademark Registration Number 3,451,905 (“the ‘905 registration”).

In late 2008, Nike discovered that petitioner had hired two of Nike’s shoe engineers and was producing shoes widely considered to be close imitations of Nike’s trademarked Air Force 1 design. C.A. J.A. 112, 106, 109. For example, an October 2008 article ranked petitioner’s “Yums Soulja Boy” shoe as second among the top ten copies of Nike’s Air Force 1 design. *Id.* 106. Nike contacted petitioner to raise its concerns and avoid litigation. *Id.* 90-91. When these attempts made little headway, Nike commenced this litigation.

III. Procedural Background

A. District Court Proceedings

Nike filed a complaint in federal district court, asserting trademark infringement, trademark dilution, and unfair competition claims against petitioner. Pet. App. 2a. Petitioner answered the complaint and asserted a declaratory judgment “Counterclaim.” *Id.* 3a. Petitioner’s prayer for relief sought, among other things, cancellation of the ‘905 registration under 15 U.S.C. § 1119. *Id.*

Early in the litigation, a number of developments greatly reduced Nike’s concerns about the practical consequences of petitioner’s alleged infringement. For example, although initial reports in 2008 indicated that petitioner’s shoes would be widely available in major U.S. retail stores such as Nordstrom, Foot Action, and Finish Line, *id.* 112, only Finish Line carried petitioner’s shoes, and even it stopped carrying the shoes by April 2010.

In light of these developments, Nike concluded that petitioner’s activities were no longer significant enough to warrant the cost of litigation. Nike therefore issued petitioner a covenant not to sue. The covenant covered past, present, and future sales of any of petitioner’s prior and existing product designs and future colorable imitations thereof. Pet. App. 3a. The covenant thus “unconditionally” and “irrevocably” obligated Nike to:

refrain from making any claim(s) or demand(s), or from commencing, causing, or permitting to be prosecuted any action in law or equity, against [petitioner] . . . on account of any possible cause of action based

on or involving trademark infringement, unfair competition, or dilution, under state or federal law in the United States relating to the Nike Mark based on the appearance of any of [petitioner's] current and/or previous footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce before or after the Effective Date of this Covenant.

Pet. App. 3a-4a, 24a; C.A. J.A. 94.

After delivering its covenant not to sue to petitioner, Nike moved in the district court to dismiss petitioner's counterclaim without prejudice. Nike explained that the covenant resolved any justiciable controversy between the parties, under Article III of the Constitution. *Id.* Nike then moved to dismiss its own infringement claims. Although petitioner readily consented to the dismissal of Nike's claims, it objected to the dismissal of its own counterclaim, arguing that despite the covenant, a live controversy persisted over the validity of Nike's mark. *Id.* 26a, 34a.

The district court disagreed and granted Nike's motion to dismiss petitioner's counterclaim. The court explained that under the Declaratory Judgment Act, it had the power to "declare the rights and other legal relations of any interested party seeking such declaration" only in "a case of actual controversy" within the meaning of Article III. Pet. App. 26a (quoting 28 U.S.C. § 2201(a)). Under this Court's decisions, the question 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.” Pet. App. 27a (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

The court began its application of that settled standard by observing that “[w]hether a covenant not to sue will divest the trial court of jurisdiction depends on what is covered by the covenant.” Pet. App. 29a (quoting *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294, 1297 (Fed. Cir. 2009)). For example, a covenant that does not encompass a party’s future sales of existing products would not divest the court of jurisdiction. *Id.* 29a-30a. But in this case, the court found, the wording of Nike’s particular covenant “clearly applies to *future* sales of products that existed at the time of covenant.” *Id.* 32a (emphasis added). In addition, the covenant “also covers *future*, new products that would be ‘colorable imitations’ of any of [petitioner’s] previous or current footwear designs.” *Id.* (emphasis added).

The court interpreted “the phrase ‘colorable imitations’ in the March 19 covenant broadly” to include any design “similar to” the products petitioner had previously marketed. *Id.* 34a. As a consequence, although it was theoretically possible that “‘new or updated’ products could potentially infringe the Nike Mark *and* not be covered by the March 19 covenant,” *id.* 30a (emphasis in original) (quotation marks omitted), the court specifically found that there was “no indication that *any* of [petitioner’s] forthcoming models would extend beyond this broad language,” *id.* 31a (emphasis added). Based on this reading of this particular

covenant and its factual assessment of the realistic prospects of products that respondent might introduce, the court held that there was no Article III jurisdiction over petitioner's declaratory judgment counterclaim. *Id.* 34a.

Having found no constitutional authority to consider the case, the court rejected petitioner's argument that jurisdiction existed under the Lanham Act, 15 U.S.C. § 1119. *Id.*¹ The court explained that, even crediting petitioner's assertion that it was unfair to allow Nike to avoid a challenge to the validity of its trademark by issuing a covenant not to sue, "no amount of 'prudential reasons' or perceived increases in efficiency, however sound, can empower a federal court to hear a case where there is no extant case or controversy." Pet. App. 37a-38a (quoting *Dow Jones & Co., Inc. v. Abblaise Ltd.*, 606 F.3d 1338, 1348 (Fed. Cir. 2010)).

But petitioner was not left without an avenue to pursue its arguments. The court observed that petitioner remained free to "institute an administrative proceeding before the Patent and Trademark Office in order to seek cancellation of the 905 Registration." *Id.* 37a; see 15 U.S.C. § 1064 (authorizing a petition to cancel a trademark by "any

¹ Section 1119 of the Lanham Act provides that "[i]n any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore cancelled registrations, and otherwise rectify the register with respect to the registrations of any party to the action." 15 U.S.C § 1119.

person who believes that he is or will be damaged . . . by the registration of a mark”).

B. Court of Appeals Decision

The Second Circuit unanimously affirmed. Pet. App. 2a. Like the district court, the Second Circuit concluded that after respondent issued this particular covenant not to sue, there was no longer any “actual case or controversy” between petitioner and Nike over the validity of Nike’s mark. Pet. App. 14a.

The court of appeals began by explaining that under this Court’s decision in *MedImmune Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007), a court has Article III jurisdiction to consider a declaratory judgment claim only when “the adversity of legal interests that exists between the parties is real and substantial and admits 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.” Pet. App. 11a-12a (internal quotation marks and alterations omitted). In this case, the court held, the wording of the covenant eliminated any real controversy between petitioner and Nike. “The language of the Covenant is broad, covering both present *and future* products,” “unconditionally and permanently.” *Id.* (emphasis added) (internal quotation marks omitted). The “breadth” of the covenant therefore rendered “the threat of litigation remote or nonexistent even if [petitioner] continues to market and sell these shoes or significantly increases their production.” *Id.* Accordingly, the prospect of future infringement claims or litigation was, at best, a “hypothetical

possibility” – far from the kind of “definite and concrete’ dispute” necessary for Article III jurisdiction. Pet. App. 15a n.5 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240 (1937)).

The panel also rejected petitioner’s reliance on the Lanham Act. The court agreed with the Third and Federal Circuits that, “by its plain terms, an action under this provision requires that ‘a controversy as to the validity of or interference with a registered mark . . . exist before a district court has jurisdiction to grant the cancellation remedy.’” Pet. App. 18a (quoting *Ditri v. Coldwell Banker Residential Affiliates, Inc.*, 954 F.2d 869, 873 (3d Cir. 1992), and citing *Windsurfing Int’l, Inc. v. AMF Inc.*, 828 F.2d 755, 758-59 (Fed. Cir. 1987)); *see also* MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 30:110 (4th ed. 2010) (Section 1119 “alone does not create grounds for federal jurisdiction”). Petitioner’s claim to the contrary, the court concluded, “ignores the settled rule that the ‘case-or-controversy requirement . . . subsists through all stages of federal judicial proceedings.’” Pet. App. 19a (citation omitted). And here, the present case was “no longer ‘jurisdictionally supportable’ after the Covenant was delivered.” *Id.*

The court observed that petitioner cited the *dicta* of only one case – *Bancroft & Masters, Inc. v. Augusta National Inc.*, 223 F.3d 1082 (9th Cir. 2000) – to suggest a contrary reading of the Lanham Act. Pet. App. 19a. Before turning to its holding on a question of specific personal jurisdiction under California law, the Ninth Circuit in *Bancroft* cursorily rejected a “threshold argument” that the appellee’s “incomplete and qualified” offer during the appeal to promise to

waive its claims mooted the appeal of underlying claims seeking declarations of non-liability. 223 F.3d at 1085. The Ninth Circuit then stated in passing that “even if [the] promise [to waive the underlying liability claims] had been unqualified” a request to cancel the trademark registration under Section 1119 would not be moot because it was requested under a separate, non-declaratory judgment count. *Id.* The Second Circuit found petitioner’s citation to that passage unpersuasive because it was clearly *dicta* – the Ninth Circuit having just explained that the appeal was not moot because the appellee’s offer was incomplete and qualified – and because even the Ninth Circuit’s brief musing “failed to consider the language in § 1119 that renders the section remedial, not jurisdictional.” Pet. App. 19a.

REASONS FOR DENYING THE PETITION

To avoid unnecessary litigation, Nike provided petitioner an irrevocable covenant worded in a fashion to protect petitioner from suit for any alleged violation of Nike’s trademark arising from past or future sales of petitioner’s previous and/or current products, as well as future colorable imitations thereof. Petitioner does not even *claim* that there is any realistic prospect that it will produce a product that would fall outside the scope of the covenant, yet be sufficiently similar to Nike’s trademarked products to give rise to a non-frivolous claim of infringement. The district court found, and the court of appeals affirmed, that in light of these facts, there was no longer any case or controversy between the parties.

This Court has repeatedly denied petitions challenging the use of covenants not to sue to resolve intellectual property disputes. See *Forest Labs., Inc. v. Caraco Pharm. Labs., Ltd.*, No. 08-624; *Nucleonics, Inc. v. Benitec Australia, Ltd.*, No. 07-1068; *Fort James Corp. v. Solo Cup Co.*, No. 05-712; *Chase Packaging Corp. v. Super Sack Mfg. Corp.*, No. 95-805; *Spectronics Corp. v. H.B. Fuller Co., Inc.*, No. 91-682.

There is no reason for a different outcome here. The alleged circuit conflict is illusory and the decision below is entirely consistent with the decisions of this Court. Moreover, adhering to established Article III constraints does not allow trademark holders to evade cancellation of unlawful registrations, as Congress has provided an administrative process that provides broad access to that remedy.

I. The Decision Below Does Not Implicate Any Circuit Conflict Warranting This Court's Review.

The petition should be denied because the court of appeals' decision implicates no circuit conflict that requires this Court's review. Indeed, although petitioner asserts that the decision below creates a circuit conflict in a variety of respects, each alleged conflict arises from petitioner's reading of *dicta* in a single decision from the Ninth Circuit issued more than a decade ago and never since cited in relevant respect by any other Ninth Circuit panel. In reality, no split exists.

A. The Ninth Circuit's Decision In *Bancroft* Is Distinguishable In Multiple Respects.

The petition's allegation of a circuit conflict hinges entirely on petitioner's characterization of *dicta* in the Ninth Circuit's decision in *Bancroft & Masters, Inc. v. Augusta National, Inc.*, 223 F.3d 1082 (9th Cir. 2000). In particular, petitioner claims *Bancroft* would compel the Ninth Circuit to hold that Nike's covenant not to sue did not divest the district court of jurisdiction to consider petitioner's counterclaim for a declaratory judgment of invalidity of Nike's trademark. Pet. 12-14. *Bancroft* provides no authority for that proposition, and it is distinguishable from the present case in a number of ways.

1. In *Bancroft*, Augusta National, Inc. (ANI) held several federally registered trademarks for the mark "Masters," as part of its sponsorship of the Masters professional golf tournament. 223 F.3d at 1084. It sued an accounting firm called Bancroft & Masters, Inc., for its use of the website domain name "masters.com." When ANI challenged Bancroft's use of that domain name, Bancroft filed a two-count complaint. The first count requested a declaratory judgment that its use of the domain name did not infringe upon or dilute ANI's trademark. *Id.* at 1085. The complaint "also requested in a separate count that the court order the cancellation of ANI's federally registered trademarks," as remedy for ANI's prior misuse of the trademark. *Id.*; see *Bancroft & Masters, Inc. v. Augusta Nat'l, Inc.*, 45 F. Supp. 2d 777, 779 (N.D. Cal. 1998).

Before the Ninth Circuit, the “principal issue” on appeal was “whether the district court in California has personal jurisdiction over the defendant, a Georgia corporation.” 223 F.3d at 1084. But before reaching that question, the court first briefly considered ANI’s assertion that the appeal had been “rendered moot because ANI has offered to waive all trademark infringement, dilution, and unfair competition claims against [Bancroft], so long as [Bancroft] stays out of the golf business.” *Id.* at 1085. The Ninth Circuit held that the offer, made after the district court had issued its judgment, did not moot Bancroft’s “request for a declaratory judgment that it is entitled to use the domain name.” *Id.*

The court’s brief discussion of this “threshold argument” was limited to the precise language of the promise proposed by ANI on appeal. The court did not hold that a covenant not to sue could *never* terminate jurisdiction over a trademark dispute. Instead, the court examined the particulars of the offer in the case before it and concluded that the proposed promise was insufficient because it was “incomplete and qualified.” *Id.* In particular, ANI left open the possibility that it might “seek to prevent [Bancroft] from using its domain name in the future,” if it entered the “golf business.” *Id.*

Having resolved the threshold issue of mootness of the appeal pending before it, the court stated in passing that “even if ANI’s promise had been unqualified, it would not have mooted [Bancroft’s] separate request for cancellation of ANI’s ‘Masters’ trademarks.” *Id.* The court explained that this was because the complaint contained a count separate from the count seeking a declaration of non-liability.

Id. Thus, even if the settlement offer to forgo future infringement claims had mooted the first count's request for a declaratory judgment, the complaint also separately sought cancellation of the trademark as a retrospective remedy for ANI's prior misuse of the trademark.

Accordingly, the Ninth Circuit's *dicta* stated, even an adequate promise not to bring future infringement claims would not moot the case entirely because the "trademark cancellation count is separate from the declaratory judgment count in the complaint and does not appear to be obviously meritless." *Id.* And because the complaint would continue to contain a live claim for past misuse, the court remarked, the "Lanham Act authorizes district courts to order trademark cancellation in any action involving a registered mark." *Id.* (citing 15 U.S.C. § 1119).

2. There is no circuit conflict, because the Ninth Circuit in *Bancroft* faced a very different case than this one.

First, the offer of settlement on appeal in *Bancroft* bears scant resemblance to the broad, irrevocable, and immediately effective covenant not to sue in this case. The settlement offer in *Bancroft* was just that – a settlement offer that had not yet been accepted, and therefore was not binding on the trademark holder at the time of the asserted mootness. Nike's offer was immediately effective, unqualified, and judicially enforceable. Petitioner may dispute the lower courts' characterization of the covenant in this case, but that fact-bound claim creates no basis for certiorari in this Court.

Second, the Ninth Circuit's remark that the case before it would not have been moot even if the offer had been unqualified is of no help to petitioner here. For one thing, as the Second Circuit observed, and petitioner does not seriously contest, this musing was entirely *dicta*, the Ninth Circuit having just explained that the appeal was not moot because ANI's post-judgment promise was "incomplete and qualified." 223 F.3d at 1085.

Third, even the Ninth Circuit's *dicta* have no application to this case. The Ninth Circuit simply surmised that the challenger's request for cancellation as a remedy for past trademark misuse could proceed even if an effective promise not to sue would have mooted the challenger's independent request for a "declaratory judgment that it is entitled to use the domain name." *Id.* In other words, even a promise not to bring *future* infringement suits would not moot a claim seeking a remedy for *past* trademark misuse. But in this case, petitioner brought no independent claim of trademark misuse that would survive the termination of jurisdiction over its request for prospective relief under the Declaratory Judgment Act. *See* Pet. App. 3a.

Fourth, the justiciability question in *Bancroft* arose in a different context. In this case, Nike issued its covenant early in the litigation in the district court to extinguish claims arising solely under the Declaratory Judgment Act. Pet. App. 23a, 39a. The settlement offer in *Bancroft* was proposed after final judgment in the district court, while the case was pending on appeal. 223 F.3d at 1084. Nor was the complaint in that case limited to claims under the Declaratory Judgment Act, *Bancroft* having included

a separate claim for trademark misuse. *Id.* Unless and until the Ninth Circuit confronts the same justiciability question decided by the Second Circuit here, petitioner can only speculate as to how the Ninth Circuit might hold.

Because *Bancroft* is thus distinguishable from this case in multiple dimensions, petitioner's reliance on *dicta* from that decision to assert a multifaceted circuit conflict has no prospect of success. Indeed, as discussed next, it fails at every turn.

B. There Is No Circuit Conflict Over Whether A Sufficiently Broad Covenant Not To Sue Terminates Jurisdiction To Adjudicate A Declaratory Judgment Claim Alleging Invalidity Of A Trademark.

In its broadest passages, the petition implies that there is a conflict between the Second and Federal Circuits, on the one hand, and *Bancroft*, on the other, over whether a covenant not to sue can deprive a court of jurisdiction to consider a request to cancel a trademark. *See* Pet. 12. That suggestion has no merit.

Whether a covenant not to sue terminates jurisdiction to decide the validity of a trademark or other intellectual property right is a question that rarely arises in the courts of appeals. The issue arises almost exclusively in patent litigation in the Federal Circuit, which has long applied the same rule adopted by the Second Circuit in this case. *See, e.g., Dow Jones & Co., Inc. v. Abblaise Ltd.*, 606 F.3d 1338, 1346 (Fed. Cir. 2010) (describing the “line of cases” holding “that a covenant not to sue for patent

infringement divests the trial court of subject matter jurisdiction over claims that the patent is invalid, because the covenant eliminates any case or controversy between the parties”); *King Pharms., Inc. v. Eon Labs, Inc.*, 616 F.3d 1267, 1282 (Fed. Cir. 2010) (holding that “broad and unrestricted covenants not to sue . . . for infringement . . . remove any case or controversy that may have existed between the parties at one point”); *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1347-48 (Fed. Cir. 2007) (same).

As petitioner explains, the question hypothetically could arise in other contexts outside the Federal Circuit. Pet. 19. But in reality, it simply has not. Indeed, petitioner identifies only two even potentially relevant decisions from other circuit courts – the Ninth Circuit’s decision in *Bancroft*, and the decision below. See Pet. 13.

Even if such a shallow conflict on such an infrequently recurring question otherwise warranted review, the asserted conflict is a mirage. As discussed, before turning to the “principal issue” before it – personal jurisdiction – *Bancroft* resolved a “threshold argument” that the trademark dispute before it remained live despite the settlement offer in that case because the offer was “incomplete and qualified,” not because it somehow concluded that a comprehensive and unqualified covenant not to sue could *never* terminate jurisdiction over a trademark dispute. 223 F.3d at 1084-85.

Thus, in the years after *Bancroft*, courts within the Ninth Circuit have routinely held that “[a] court should dismiss an intellectual property suit for a declaratory judgment as moot when the defendant

releases the plaintiff from all liability based on plaintiff's allegedly infringing activities." *Shloss v. Sweeney*, 515 F. Supp. 2d 1068, 1078 (N.D. Cal. 2007).² The Ninth Circuit has never called those decisions into question, much less accepted petitioner's argument in this case.

Petitioner attempts to suggest that courts within the Ninth Circuit have misunderstood their own case law, pointing to the *dicta* in *Bancroft* stating that the cancellation request in that case could have gone forward even if ANI's promise had been unqualified. Pet. 10. But as explained above, petitioner misreads the Ninth Circuit's discussion, which turned on the existence of an independent claim for past trademark misuse, a claim that would not have been remedied

² See also, e.g., *Sunshine Kids Juvenile Prods., LLC v. Indiana Mills & Mfg., Inc.*, No. C10-5698BHS, 2011 WL 862038 (W. D. Wash. Mar. 9, 2011) (covenant not to sue mooted trade dress declaratory judgment action); *Global DNS, LLC v. Kook's Custom Headers, Inc.*, No. C08-0268RSL, 2008 WL 4380439, at *3-*4 (W.D. Wash. Sept. 22, 2008) (dismissing the plaintiff's request for cancellation where it was the "sole basis" for declaratory relief after the court dismissed the plaintiff's other claims for lack of an actual controversy in view of the defendant's covenant not to sue); *Nike, Inc. v. Adidas Am., Inc.*, No. 05-CV-541-BR, 2006 WL 3716754, *4-*6 (D. Or. Dec. 14, 2006) (same for trademark claim); *Paramount Pictures Corp. v. Replay TV*, 298 F. Supp. 2d 921, 926-27 (C.D. Cal. 2004) (same for copyright claim); cf. also, e.g., *RB Rubber Products, Inc. v. ECORE Int'l, Inc.*, No. 3:11-cv-319-AC, 2012 WL 860416, at *6 (D. Or. Mar. 13, 2012) (noting that under Federal Circuit precedent, in "patent litigation, a covenant not to sue for infringement divests a court from hearing claims for declaratory judgment that the patent is invalid or otherwise unenforceable").

by any promise not to seek to enforce the trademark in the future. Thus, the Ninth Circuit observed that Bancroft's complaint included a count for alleged trademark misuse and the court restated the well-known and commonly applied refrain that Section 1119 of the "Lanham Act authorizes district courts to order trademark cancellation in any action involving a registered mark." *Bancroft*, at 1085. Because petitioner's request for cancellation in this case was requested solely as a request under a Declaratory Judgment Act count, petitioner's discussion of *Bancroft's dicta* has no application here.

Tellingly, the Ninth Circuit itself has never again referred to, let alone applied, the passage in *Bancroft* upon which petitioner relies. At the very least, *Bancroft* falls far short of establishing an entrenched circuit conflict warranting this Court's review. As mentioned, this Court has repeatedly denied certiorari challenging the Federal Circuit's covenant decisions, before and after the Ninth Circuit's decision in *Bancroft*. And because the language upon which petitioner relies is *dicta*, it does not preclude a future panel of the Ninth Circuit from accepting the well-reasoned view of its sister circuits. Until some circuit squarely addresses and rejects that settled authority, there is no reason for this Court to intervene.

C. There Is No Conflict Over Whether A Covenant Limited To “Then-Existing Commercial Activities” Is Sufficient To Terminate Article III Subject Matter Jurisdiction Over A Request For A Declaratory Judgment, Nor Does That Question Arise On The Facts Of This Case.

Petitioner also suggests that the decision below conflicts with *Bancroft* on the narrower question of what counts as a sufficiently broad covenant not to sue, insinuating that the Ninth Circuit would have found Nike’s covenant inadequate because it “was limited to products that petitioner had made or sold prior to” the covenant’s effective date. Pet. 14. Given the inevitable variations in the details of covenants from case to case, such a fact-bound disagreement would not warrant this Court’s attention even if the circuit conflict was real. But in this case, petitioner’s allegation of a circuit conflict is founded on a false premise: as both the district court and court of appeals found, Nike’s covenant was not limited to petitioner’s “then-existing commercial activities.” Pet. i.

By its terms, the covenant expressly extends to *future* sales of petitioner’s existing or past products, promising not to sue over “sales of [petitioner’s] current and/or previous footwear product designs . . . whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce *before or after* the Effective Date of this Covenant.” Pet. App. 4a (emphasis added); *see also* C.A. J.A. 94. Second, the covenant applies not only to past or current designs, but also to “any colorable

imitations” petitioner may develop in the *future*. Pet. App. 3a-4a; C.A. J.A. 94

The district court found “no indication that any of [petitioner’s] forthcoming models would extend beyond this broad language.” Pet. App. 31a. The Second Circuit likewise concluded that, “[g]iven the similarity of [petitioner’s] designs to the ‘905 mark and the breadth of the Covenant, it is hard to imagine a scenario that would potentially infringe the ‘905 mark and yet not fall under the Covenant.” Pet. App. 14a. Petitioner does not contest that conclusion. It “has not asserted any intention to market any such shoe,” *id.*, or even claimed that it would be possible to design a shoe that would fall outside of the covenant yet be subject to a non-frivolous claim of infringement.

Accordingly, the question presented by the petition – whether a covenant limited to “then-existing commercial activities” can eliminate an Article III case or controversy, Pet. i – is premised on a fact-bound disagreement with concurrent findings of the district court and court of appeals, and does not actually arise on the facts of this case. The petition should be denied on that ground alone.

D. This Case Does Not Present Any Certworthy Conflict Over The Standard For Finding A Declaratory Judgment Action No Longer Justiciable.

The petition also asserts that the Second and Ninth Circuits applied different legal tests to decide whether a covenant deprives a court of jurisdiction to decide a claim for declaratory relief. Pet. 14. In doing so, petitioner argues that the Second Circuit

should have assigned Nike the burden of proving the absence of jurisdiction. *Id.* This alleged conflict provides no basis for certiorari either.

First, petitioner mischaracterizes the Second Circuit's decision. The court did not hold that a declaratory judgment is permissible only if there is an "actual or threatened claim for alleged infringement." Pet. 14. Instead, it held that this case was no longer justiciable because given the scope of the covenant, there was no realistic prospect that such a threat could *ever* arise. Pet. App. 14a.

Second, the question presented does not, in any event, ask this Court to decide the proper standard for assessing justiciability in light of a covenant not to sue. Instead, it asks the Court to decide whether such covenants are *categorically* precluded from divesting a court of Article III jurisdiction when limited to a challenger's "then-existing commercial activities." Pet. i.

Third, the burden of proof and precise articulation of the justiciability standard make no difference in this case and are unlikely to be important to the resolution of any other material number of other cases. In this case, the Second Circuit correctly found that the "breadth of the Covenant renders the threat of litigation remote or nonexistent." Pet. App. 14a. Because the covenant is irrevocable and comprehensive, it is "absolutely clear," Pet. 14, that petitioner faces no realistic prospect of injury from Nike's trademark.

Nor is the precise standard likely to matter in any other covenant case. As this Court has explained, even under the "voluntary cessation"

mootness standard, a case will be moot “if the defendant can demonstrate that there is no reasonable expectation that the wrong will be repeated.” *United States v. W.T. Grant Co.*, 345 U.S. 629, 633 (1953) (internal quotation marks omitted). A broad and irrevocable covenant not to sue necessarily meets that standard.

E. No Question Regarding Section 1119 Of The Lanham Act Is Raised By The Petition Or Warrants The Court’s Review.

Finally, there is no reason to grant certiorari in this case in light of the disagreement alleged by the petition between the Second and Ninth Circuits over the scope of Section 1119 of the Lanham Act.

In the Second Circuit, petitioner drew on the *dicta* from *Bancroft* to argue that Section 1119 authorized a court to cancel a trademark even if Nike’s covenant not to sue eliminated any justiciable controversy under the Declaratory Judgment Act. The Second Circuit disagreed with this view of the statute, explaining that Section 1119 provides a cancellation remedy in an ongoing trademark action, but does not create an “independent basis for federal jurisdiction” that would survive dismissal of petitioner’s original claim for a declaratory judgment. Pet. App. 18a.

As described above, petitioner mischaracterizes the Ninth Circuit’s discussion of the Lanham Act in *Bancroft*. In *Bancroft*, there was an “independent basis” for federal jurisdiction: the alleged past misuse of the trademark, for which cancellation was the desired remedy. Accordingly, the Second Circuit’s

disagreement with the conclusion petitioner wrongly drew from *Bancroft's dicta* does not in fact conflict with what the Ninth Circuit actually said in that case. To the contrary, these courts are in accord – as are their sister courts – regarding the remedial (not jurisdictional) nature of Section 1119. See *Ditri v. Coldwell Banker Residential Affiliates, Inc.*, 954 F.2d 869, 873 (3d Cir. 1992); *Windsurfing Int'l, Inc. v. AMF Inc.*, 828 F.2d 755, 758-59 (Fed. Cir. 1987); MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 30:110 (4th ed. 2010) (“[Section 1119] alone does not create grounds for federal jurisdiction.”).

In any event, the proper interpretation of Section 1119 falls well outside the scope of the question presented. The petition asks this Court to decide solely a constitutional question of justiciability – whether a certain kind of covenant not to sue divests a district court “of Article III jurisdiction.” Pet. i. It does not ask the Court to decide any question regarding the *statutory* basis for jurisdiction or relief. The two questions are entirely unrelated. In the absence of an Article III case or controversy, it makes no difference whether Congress has authorized a cancellation claim to move forward under the Lanham Act, because Congress has no constitutional authority to permit district courts to hear claims that involve no controversy within the meaning of Article III.

For that reason, resolving the statutory question would also make no difference to the outcome of this case. Even if Section 1119 provided petitioner a statutory right to continue cancellation proceedings, the Constitution would prevent the district court

from adjudicating the claim for lack of a live case or controversy within the meaning of Article III.

II. The Decision Below Is Correct.

Finally, certiorari is unwarranted because the Second Circuit correctly affirmed the district court's conclusion that it had no jurisdiction to consider petitioner's request for cancellation of Nike's trademark.

1. A party may seek a declaratory judgment only if there is a dispute between the parties that is "definite and concrete, touching the legal relations of parties having adverse legal interests" and if the controversy is "real and substantial." *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007) (citation and quotation marks omitted). "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." *Id.* (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

Under that standard, the dismissal of an infringement claim does not automatically terminate jurisdiction over a counterclaim seeking cancellation of a trademark. *See Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 102-03 (1993). But by the same token, the fact that cancellation is requested as a remedy for a counterclaim or as a remedy in a declaratory judgment action does not absolve the court of its duty to ensure that "an actual controversy must be extant at all stages of review, not merely at the time the complaint is filed." *Preiser v. Newkirk*,

422 U.S. 395, 401 (1975) (citations omitted); *see also* *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 242 (1937) (courts obligated to guard against advisory opinion); *Cardinal*, 508 U.S. at 94 (“The requirements of case or controversy are of course no less strict under the Declaratory Judgments Act.”) (citation and quotation marks omitted); *Dow Jones v. Abblaise Ltd.*, 606 F.3d 1338, 1345 (Fed. Cir. 2010) (burden remains on the party seeking declaratory judgment to establish that a justiciable case or controversy exists throughout the dispute).

Here, the only injury petitioner claims arises from the possibility of hypothetical future infringement litigation. *See* Pet. 17 (asserting that Nike may use the “registration for possible use against future lines of petitioner’s products”).³ But as the district court and Second Circuit both found, the covenant not to sue effectively protects petitioner from that prospect. Petitioner cannot satisfy Article III through mere “speculation and conjecture” that Nike may someday threaten an infringement suit despite the clear terms of the covenant. *Whitmore v. Arkansas*, 495 U.S. 149, 158 (1990) (citation omitted).

2. Petitioner’s contrary assertions are without merit. Petitioner spills much ink purporting to establish a *statutory* basis for jurisdiction over its counterclaim seeking cancellation of Nike’s trademark. Pet. 15-16 (claiming to qualify under the

³ Petitioner also alleged below that the covenant itself was a “continuing libel” against petitioner. Pet. App. 16a. The Second Circuit rejected that meritless claim, *id.*, and petitioner abandons it in this Court.

provisions establishing federal question jurisdiction, 28 U.S.C. § 1331, supplemental jurisdiction, *id.* § 1367(a), and a cancellation remedy under the Lanham Act, 15 U.S.C. § 1119). But all of that is beside the point. The Second Circuit dismissed the case because there was no Article III case or controversy; the existence of hypothetical statutory jurisdiction was immaterial. Pet. App. 2a (explaining that the court would “affirm” the district court’s dismissal of petitioner’s claims seeking cancellation remedy “because no case or controversy existed under Article III”).

Petitioner likewise is battling a straw man when it claims that the “decision below conflicts with longstanding contrary precedent” by “holding that respondent’s abandonment of its own claims divested the district court of jurisdiction to hear petitioner’s compulsory counterclaim.” Pet. 15 (citing *Moore v. New York Cotton Exch.*, 270 U.S. 593, 607-10 (1926)). The court of appeals held that the *covenant not to sue* – not Nike’s “abandonment of its own” infringement claims – divested the court of jurisdiction over petitioner’s counterclaim. *See* Pet. App. 14a, 19a.

Nor did this Court’s decision in *Cardinal Chemical* license courts to dispense with the Article III case or controversy requirement in trademark cancellation cases. *Contra* Pet. 17. In *Cardinal*, this Court disapproved the Federal Circuit “practice of routinely vacating declaratory judgments regarding patent validity following a determination of noninfringement.” 508 U.S. at 89. The Court held that an intermediate appellate court is not automatically divested of jurisdiction to review a district court’s finding of invalidity when it concludes

that there was no infringement. *See id.* at 102.⁴ But the Court did not go further and hold that a court *always* retains jurisdiction to decide a counterclaim, even if intervening events remove any prospect of injury from the patent. To the contrary, the Court expressly held that if there was a “material change in circumstances that entirely terminated the party’s controversy,” jurisdiction over the case (including the invalidity counterclaim) would be eliminated. *Id.* at 98. That is precisely what happened in this case: Nike’s broad, binding covenant not to sue entirely terminated any controversy between it and petitioner regarding the validity of Nike’s trademark.

3. Petitioner complains that enforcing ordinary Article III requirements in this context is contrary to sound public policy, which should encourage elimination of unlawfully registered trademarks. Pet. 12, 19-20. This is a complaint with Article III, not the decision below. This Court has long held that Article III does not allow a plaintiff to bring a suit solely to vindicate a generalized public interest in enforcement of the law, or to assert the rights of

⁴ The Court reasoned that because the Federal Circuit “is not a court of last resort,” it maintained jurisdiction to review the district court’s invalidity holding, given that this Court might subsequently grant review, reverse the finding of no infringement, and therefore be called upon to decide the validity question. *Cardinal*, 508 U.S. at 97. That reasoning does not help petitioner. Unlike a lower court’s finding of noninfringement, a covenant not to sue is final and irrevocable. There was, therefore, no need to resolve petitioner’s counterclaim for possible consideration in an appeal Nike would never take.

strangers. *See, e.g., Lujan v. Defenders of Wildlife*, 504 U.S. 555, 575 (1992) (Article III does not permit a suit resting upon a “generalized grievance” or an injury that is “undifferentiated and ‘common to all members of the public’”) (citation omitted).

Moreover, the objection rings particularly hollow in the trademark context. Congress has provided an administrative mechanism to seek cancellation of trademarks that is open to anyone who “believes that he is or will be damaged . . . by the registration.” 15 U.S.C. § 1064. *See also Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 202 (1985). Petitioner has chosen not to take advantage of that opportunity, but offers no reason why the administrative process is inadequate to fulfill the public interest in policing the validity of registered marks.⁵

Nor is there anything nefarious about resolving litigation through a covenant not to sue. Nike’s covenant provided petitioner the equivalent of the protection it would have received had it prevailed in the litigation. At the same time, it spared the parties and the district court the expense and inconvenience of litigation in an already overburdened judicial system.

There is no evidence that Nike brought this suit to “inflict heavy costs on a rival business” and then issued a covenant not to sue in the face of “unexpected resistance” to avoid a “prompt or cost-

⁵ Congress also provided parties like petitioner with a right to oppose a trademark registration even before the registration becomes official, 15 U.S.C. § 1063, but petitioner did not oppose Nike’s ‘905 registration.

effective test of the validity of the asserted registration.” Pet. 14-15. To the contrary, Nike issued the covenant early in the case, before any dispositive motions had been filed, depositions held, or documents produced by petitioner. It did so because it determined that petitioner failed to establish a significant market for its infringing product, not because of any “unexpected resistance.” And petitioner cannot seriously claim that a full trial before the district court, with years of inevitable appeals, would be more “prompt or cost-effective” than the administrative process Congress provided for challenging the validity of trademarks.

If anything, it is petitioner’s position that would permit litigants to game the system, bringing meritless cancellation claims against successful trademarks and patents, not to protect their own businesses, but rather to extract lucrative *in terrorem* settlements.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

Christopher J. Renk

Erik S. Maurer

Audra C. Eidem Heinze

BANNER & WITCOFF, LTD.

10 S. Wacker Dr.

Suite 3000

Chicago, IL 60606

Thomas C. Goldstein

Counsel of Record

Kevin K. Russell

GOLDSTEIN & RUSSELL, P.C.

5225 Wisconsin Ave. NW

Suite 404

Washington, DC 20015

(202) 362-0636

tg@goldsteinrussell.com

June 4, 2012