

Articles

January 15, 2013

If You Don't Want Your Registration Cancelled, Grant Your Opponent a Covenant Not to Sue

AUTHORS

Janet F. Satterthwaite

RELATED PRACTICES

Intellectual Property

Intellectual Property
Litigation

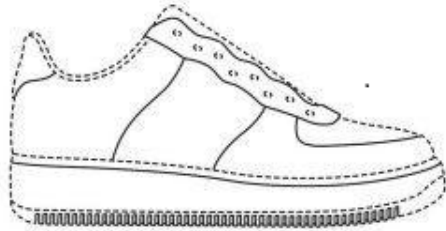
Trademarks and Brand
Protection

Trademark Litigation

IP Buzz

The United States Supreme Court, which rarely gets involved in trademark cases, has ruled that when a Defendant in a Trademark infringement case countersues to cancel the Plaintiff's registration, the Plaintiff can divest a court of jurisdiction over the cancellation by granting the Defendant a broad covenant not to sue.

In *Already LLC, d/b/a/ YUMS, v. Nike, Inc.*, 568 U.S. ____ (2013), Nike sued Already over an alleged violation of a trade dress registration for a shoe:



Already counterclaimed to cancel the registration. In response, Nike granted Already a very broad promise not to sue, dismissed its complaint, and then moved to dismiss the counterclaim as moot (*i.e.*, unnecessary). Under Article III of the U.S. Constitution, federal courts do not have jurisdiction to hear a case where there is no real case or controversy. Hence, the trial court dismissed the counterclaim because the court could not envision any scenario under which the defendant could ever be sued for infringement given the broad covenant not to sue. In other words, there was no jurisdiction to ask the lower court to cancel the registration because there was no longer a controversy. In affirming the decision, the Supreme Court drew an analogy to, and applied, cases in which the defendant voluntarily ceases the conduct alleged in the complaint, with no reasonable chance of it recurring, which deprives the courts of further jurisdiction.

Already argued that a controversy still existed – that despite the covenant not to sue, investors remained nervous about investing in Already as long as the Nike registration was in effect. The Court rejected that argument, finding that the harm was too speculative because Already could never be sued by Nike over that registration.

Already also raised an interesting twist on a trademark bullying. Already argued that if Nike could threaten smaller competitors with lawsuits over this potentially unenforceable trademark, and just hand over a covenant not to sue in the instances in which the smaller company fought back, it would allow serial trademark bullying to continue. The Court was not persuaded. Again, it was unable to find that it had jurisdiction to continue with this particular case as necessary for Article III, and it feared that accepting Already's argument would cause a flood of litigation by larger companies which would sue to knock out others' intellectual property rights absent an actual dispute. The Court also noted that Nike's strategy was risky, hinting that a pattern of covenants not to sue might result in a finding of naked licensing, which may lead to an abandonment of trademark rights.

Notably, Already took its case to the Supreme Court rather than filing a cancellation (revocation) action against the registration before the U.S. Patent & Trademark Office, which is not covered by Article III. The threshold for having grounds to request cancellation of another's registration by the PTO is simply a showing that the petitioner might be damaged by the registration. The correspondence from investors saying they might not do business with Already as long as the Nike registration was in effect may have sufficed for this purpose. Indeed, the trial court suggested that the proper forum to pursue the claim was

ARCHIVES

2013 2009 2005

2012 2008 2004

2011 2007 2003

2010 2006

through a cancellation action at the PTO. The International Trademark Association (INTA) also suggested that a cancellation action would have been the appropriate course in an *amicus curiae* brief filed in support of Nike.

*Author: **Janet Satterthwaite** is a Trademark Litigation and Prosecution partner at Venable LLP in Washington, DC.*