

ALREADY, LLC v. NIKE, INC., Appeal No. 11-892 (U.S. Sup. Ct. January 9, 2013). Appealed from the Second Circuit Court of Appeals.

Background:

Nike sued Already, alleging some of Already's athletic shoes infringed a Nike trademark for a shoe design. Already denied the allegations and filed a counterclaim contending that Nike's trademark was invalid. Eight months after filing the complaint, and four months after Already counterclaimed, Nike issued a Covenant Not to Sue (the "Covenant"), promising not to raise against Already, and its distributors and customers, any trademark infringement, dilution or unfair competition claims based on any of Already's previous or existing footwear designs, or any "colorable imitations thereof." Nike then moved to dismiss its claims with prejudice, and to dismiss Already's counterclaim without prejudice, on the ground that the Covenant had extinguished the case or controversy.

The district court dismissed the counterclaim, concluding there was no longer a justiciable controversy. The Second Circuit Court of Appeals affirmed, citing the broad scope of the Covenant, and that (i) it could not conceive of a shoe that would infringe Nike's trademark yet not fall within the Covenant, and (ii) Already asserted no intent to market any such a shoe.

Issue/Holding:

Whether a broad covenant not to enforce a trademark against a competitor's existing products and any future "colorable imitations" moots the competitor's action to have the trademark declared invalid? Yes, affirmed.

Discussion:

Under Supreme Court precedent, a case becomes moot when the issues presented are no longer "live" or the parties lack a legally cognizable interest in the outcome. However, a defendant cannot automatically moot a case simply by ceasing the alleged unlawful conduct once it is sued. Instead, under the voluntary cessation doctrine, a defendant, claiming that its voluntary compliance moots a case, bears the burden of demonstrating that it is absolutely clear that the allegedly wrongful behavior cannot reasonably be expected to recur.

The Supreme Court found the breadth of Nike's Covenant was sufficient to meet the burden imposed by the voluntary cessation doctrine. In particular, the Court noted that: the Covenant is unconditional and irrevocable; it prohibits Nike from making any claim *or* any demand; it protects Already and Already's distributors and customers; and it covers not just current or previous designs, but any colorable imitations. In that regard, the Supreme Court agreed with the Court of Appeals that "it is hard to imagine a scenario that would potentially infringe [Nike's trademark] and yet not fall under the Covenant." Already also argued alternative theories to save the case from mootness, including an argument that it has standing to challenge Nike's trademark simply because it is a competitor in the same market. The Supreme Court rejected "such a boundless theory of standing," noting that under Already's approach a competitor could sue to invalidate a trademark even though it has no plans to make anything that would potentially infringe the mark.

In a concurring opinion, Justice Kennedy, joined by Justices Thomas, Alito and Sotomayor, underscored the points that the burden was on Nike to establish that the case was moot, and that covenants like the one filed by Nike should not to be taken as an automatic means for a party charging a competitor with infringement suddenly to abandon the suit without incurring the risk of an adverse adjudication.