



## UPDATE Intellectual Property and Trade Secrets Litigation

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# Supreme Court Starts 2013 Off with a Tactical Lesson for Intellectual Property Litigation

One of the first U.S. Supreme Court opinions of 2013 will have a direct impact on trademark and patent litigation strategy. The Court confirmed that a tactical move to cut off validity challenges in trademark litigation works: If a trademark holder issues certain broad covenants not to sue an accused infringer for trademark infringement, the accused can no longer challenge the validity of those trademarks.

## THE CASE

In *Already, LLC, v. Nike, Inc.*, 568 U.S. \_\_\_, No. 11-982 (Jan. 9, 2013), the U.S. Supreme Court unanimously upheld a Second Circuit ruling that Nike's broad covenant not to sue a rival shoe-maker, Already, LLC, later prevented Already from arguing that Nike's trademark was invalid.

Nike and Already are both in the business of designing, manufacturing, and selling athletic footwear. Nike first alleged that Already's line of Soulja Boy shoes infringed and diluted its "Air Force 1" trademark. Already denied the allegations and filed a declaratory judgment counterclaim alleging that the trademark was invalid.

## THE COVENANT

Faced with this challenge to the validity of its trademark, Nike decided to issue a broad covenant not to sue Already for infringement. Specifically, the covenant stated:

[Nike] unconditionally and irrevocably covenants to refrain from making any claim(s) or demand(s)...against Already or any of its...related business entities...[including] distributors...and employees of such entities and all customers...on account of any possible cause of action based on or involving trademark infringement, unfair competition, or dilution under state or federal law...relating to the NIKE Mark based on the appearance of any of Already's current and/or previous footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced...or otherwise used in commerce before or after the Effective Date of this Covenant.

After issuing the covenant, Nike moved to dismiss Already's invalidity counterclaim, arguing that the covenant had extinguished the case or controversy between the parties. Already

opposed dismissal, arguing that a case or controversy still existed, namely that potential investors would not consider investing in Already until Nike's trademark was invalidated.

## THE COURT'S ANALYSIS

The Supreme Court concluded that Nike's covenant not to sue barred Already's invalidity claims. Based on the terms of the covenant, the Court concluded that there was no situation where Nike could accuse Already of infringement; therefore, there was no longer a live controversy between the parties.

Under the covenant not to sue, Already is free to produce its Sugar and Soulja Boy shoes, as well as "any colorable imitations," of the existing shoes. The Court could not imagine a situation where any new product designed by Already could infringe Nike's mark and, therefore, provide the court with jurisdiction to consider the validity of Nike's mark.

Expressing its skepticism that an Already shoe could ever infringe Nike's mark under the covenant, the Court stated "[i]f such a shoe exists, the parties have not pointed to it, there is no evidence that Already has dreamt of it and we cannot conceive of it. It sits, as far as we can tell, on a shelf between Dorothy's ruby slippers and Perseus' winged sandals."

## PRACTICAL IMPACT

The ruling highlights that broad language included in trademark covenants not to sue can take the wind out of the sails of validity challenges. The exact language of the covenant in this case is likely to be used as a model for defeating invalidity claims. More broadly, the Court's analysis of Article III's case and controversy requirement will likely shape patent and declaratory judgment litigation.

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## CONTACT US

If you need assistance or you have any questions concerning the impact of *Already, LLC, v. Nike Inc.*, lawyers in Robinson & Cole's [Intellectual Property and Trade Secrets Litigation Team](#) and [Intellectual Property and Technology Group](#) are available to assist you.

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