



ARE Trademark Law Alert: U.S. Supreme Court Finds Covenant Not to Sue On Current Products and “Colorable Imitations” Moots Trademark Infringement Case

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On January 9, 2013, in *Already, LLC v. Nike, Inc.*, No. 11-982, 2013 U.S. LEXIS 602 (U.S. Jan. 9, 2013) the U.S. Supreme Court unanimously decided that Nike, Inc.’s (“Nike”) covenant not to sue its competitor Already, LLC (“Already”), for existing footwear designs or any designs that constituted a “colorable imitation,” rendered the pending trademark case moot.

Nike had filed the suit against Already alleging that Already’s athletic shoes infringed Nike’s AirForce 1 trademark. Already denied the infringement, and claimed that Nike’s trademark was invalid. For reasons not discussed in the opinion, Nike issued a covenant not to sue to Already, promising not to sue them for their existing footwear designs or any future designs that constituted a “colorable imitation.” Despite the covenant, Already did not want the case dismissed and sought to continue litigating the case by arguing that 1) there was still a controversy over future designs, 2) Nike’s actions had intimidated their customers, 3) investors would not invest in Already until the Nike trademark was invalidated, and 4) there was a public interest in the invalidation of Nike’s trademark.

The Supreme Court denied Already’s effort to keep the case pending. Article III of the U.S. Constitution requires that there be a “case” or “controversy” in order for the Court to have jurisdiction over any case. This Article of the Constitution has been interpreted to mean that there must be an “actual controversy” throughout the case from the time of filing until it is decided by the court. (Slip op. at 4). In other words, the parties must prove that the case will resolve a legally cognizable interest for the court to rule on. (*Id.*). The court reviewed the covenant granted by Nike and found that there was no risk for Already to be sued by Nike. They further found there was no evidence that Already had “concrete plans to engage in conduct not covered by the covenant”. (Slip op. at 8). Finally, the Court found the harms put forth by Already were too speculative and hypothetical to maintain a case in Federal Court (slip op. at 10).

The Supreme Court cautions that granting a covenant not to sue by a trademark owner “may be a risky long-term strategy”. (Slip op. at 13). This is because a naked license can result in the loss of significance of a trademark, possibly resulting in the cancellation of such trademark. (*Id.*). The Court also notes that if the litigation practices were proved to be abusive by the rights holder, then the case could be declared exceptional under the trademark law.



The Supreme Court decision is significant since it gives an intellectual property rights holder a way to end a challenge to the validity of its asserted rights without having to reach an agreement with the alleged infringer. Further, an alleged infringer who wants to keep the dispute going to prove the invalidity of the asserted intellectual property rights will have to show there is a tangible risk that their current or future products will be alleged to infringe the subject intellectual property rights.

Please feel free to contact us if you would like further information regarding this case or related issues.

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