

Trademarks, Competition, and the Significance of *Already LLC v. Nike, Inc.*

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Abstract

The U.S. Supreme Court delivered its opinion in the case of *Already LLC v. Nike, Inc.* on January 9, 2013. This case involved issues relating to trademark law and constitutional law. Trademark law is a species of the collective body of law that is referred to as intellectual property law. Trademarks form an important part of corporate capital and strategy in the national and international marketplace. The issues involved in the *Already v. Nike* case therefore have great significance. The case arose out of a suit by Nike alleging that certain athletic shoes manufactured by Already infringed one of Nike's trademarks. While denying the allegations, Already filed a counterclaim seeking a declaratory judgment that Nike's trademark be held invalid and that its registration be canceled. Subsequently, Nike delivered to Already a covenant not to sue in respect of the shoes in question or their "colorable imitations." Upon the issuance of the covenant, Nike moved for dismissal of its suit along with Already's counterclaim on the grounds that they had become moot as there was no present controversy between the parties. Already opposed the dismissal of its counterclaim. The District Court accepted Nike's contention and dismissed both the suit and counterclaim. The U.S. Court of Appeals affirmed. The Supreme Court affirmed the judgment of the Court of Appeals. This paper presents a brief overview of the Supreme Court opinion and an analysis of the issues involved in the case.

I. Introduction:

Trademarks are a species of intellectual property law. As such, they form a vital component of a company's assets and strategy in the national and international marketplace. Trademarks in the United States were originally the province of state common and statutory law. The U.S. Congress first enacted a federal trademark statute in 1870 pursuant to Article 1, Section 8, Clause 8 of the U.S. Constitution. Upon the U.S. Supreme Court ruling that the statute was ultra vires the powers vested by the invoked provision, the U.S. Congress enacted a new trademark statute in 1881 in invocation of its power to regulate interstate commerce under Article 1, Section 8, Clause 3 of the U.S. Constitution. The law was subsequently revised. The current federal trademark law is embodied in the Trademark Act of 1946, also called the Lanham Act.¹ State laws continue to co-exist alongside the Lanham Act. Federal registration of trademarks is to be done at the United States Patent and Trademark Office.²

Over the years, the U.S. Supreme Court has issued major rulings in cases relating to federal trademark law.³ The most recent such case was *Already LLC v. Nike, Inc.*, in which the Court delivered its opinion on January 9, 2013. Although the underlying dispute between the parties related to trademarks and trade dress, the petition before the U.S. Supreme Court involved important constitutional law issues on the basis of which it was ultimately resolved. This short article presents a brief overview of the case, and the issues involved.

II. *Already, LLC v. Nike, Inc. (2013)*:⁴

¹ Public Law 489, 79th Congress, approved July 5, 1946, 60 Stat. 427, Chapter 22, Title 15 of the United States Code (15 U.S.C. § § 1051-1127).

² The definitions of important words and terms are set out in 15 U.S.C. § 1127. Among these is the definition of "Trademark," which is defined thus:

The term "trademark" includes any word, name, symbol, or device, or any combination thereof –

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

³ With reference to trade dress infringement, see, e.g., *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205(2000).; and *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

⁴ *Already, LLC v. Nike, Inc.*, 568 U.S. ____ (2013). Available at: http://supremecourt.gov/opinions/12pdf/11-982_i425.pdf.

Nike sued Already for infringement and dilution of a trademark that it held. Already denied infringement and dilution and filed a counterclaim seeking a declaration that the claimed trademark is invalid and that its registration be canceled. During the pendency and progress of the legal proceedings, Nike delivered to Already a covenant not to sue. By this covenant, Nike undertook not to sue Already or any of its business-related partners or entities for trademark infringement, unfair competition, or dilution in respect of any of Already's then-existing products or any future "colorable imitations"⁵ of such products. Contending that the issuance of this covenant had mooted any subsisting case or controversy between the parties, Nike moved for dismissal of its own infringement suit as well as Already's invalidity counterclaim. The District Court accepted Nike's arguments, and held that upon the issuance of Nike's covenant, the court no longer had subject-matter jurisdiction to grant a declaratory judgment. The United States Court of Appeals for the Second Circuit affirmed. The Second Circuit based its reasoning principally on the fact that Nike's covenant covered both past and future products, and that Already had not adduced evidence of any plan to produce goods that could possibly infringe Nike's trademark at issue but would fall outside the purview of the covenant. By a unanimous opinion authored by Chief Justice Roberts, the U.S. Supreme Court affirmed the judgment of the Court of Appeals.⁶

According to the Court, the essential question was whether Nike's covenant rendered moot Already's counterclaim for a declaratory judgment of trademark invalidity. The Court held that it did.

The Court reached its decision after an extensive review of the jurisprudence related to mootness. The Court noted that a case becomes moot when there is no subsisting issue at stake involving the parties' legal rights. A party to a suit cannot moot a case merely by ceasing the impugned action or conduct but must also demonstrate that the action or conduct will not subsequently recur. That is the essence of what the voluntary cessation doctrine requires. The Court opined that Nike's

⁵ Among the list of words and phrases defined in 15 U.S.C. 1127, "colorable imitation" is defined thus:

The term "colorable imitation" includes any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.

⁶ Justice Kennedy authored a separate concurring opinion that was joined in by three other Justices.

covenant not to sue was broad and absolute enough to meet the requirement of the voluntary cessation doctrine. Thereupon, the burden shifted to Already to demonstrate that it had real plans to engage in the manufacture of products that could potentially invite an allegation of infringement but fell outside the purview of the covenant. Throughout the course of the proceedings at various stages, Already had omitted to do so.

The Court also rejected other arguments advanced by Already to stave off a holding of mootness. Already argued that Nike's continuing hold on an allegedly invalid trademark deterred investors from funding Already's business. The Court, however, brushed aside this argument as too speculative and therefore falling short of providing evidence of the more substantial form of dispute required by Article III. Since the covenant extended protection to Already's suppliers, retailers, and customers, too, it rendered futile arguments that Nike would bring pressure to bear upon any of these entities to refrain from doing business with Already. Already advanced the policy argument that the effects of a registered but invalid trademark were so deleterious to competition in the marketplace that that of itself should vest Already as a competitor with standing to challenge the trademark's validity. The Court rejected this argument because to accept such an expansive basis for standing would make litigation a tool which market participants could use to thwart the business of their competitors.

Already's omission to proffer evidence of any plans to manufacture products that could provoke an allegation of infringement but would not be safeguarded by Nike's covenant rendered the case indubitably moot. On that basis, the Supreme Court affirmed the judgment of the Court of Appeals.

In his concurring opinion, Justice Kennedy issued an appropriate note of caution. While noting the disruptive effect that a trademark infringement action can have on the business of a manufacturer, his concurrence reemphasized the settled position that the burden of demonstrating the impugned behavior would not recur was on the party seeking a holding of mootness.⁷ In spite of the lower courts' apparent non-adherence

⁷ *supra* note 4., at page 1 of the concurring opinion, Justice Kennedy stated:

[W]hen respondent Nike invoked the covenant not to sue to show the case is moot, it had the burden to establish that proposition. The burden was not on Already to show that a justiciable controversy remains. Under the voluntary cessation doctrine, Nike bears the 'formidable burden of showing that it is absolutely clear the allegedly wrongful behavior could not reasonably be expected to recur.' *Friends of the Earth, Inc. v. Laidlaw Environmental Services (TOC), Inc.*, 528 U.S. 167, 190 (2000).

to this principle and the Supreme Court's affirmation of the judgment of the court of appeals, the Court's opinion is not to be interpreted as a departure from the established rule.

III. The issues raised in the *Already v. Nike* case before the Supreme Court:

Following is a brief outline of the some of the issues before the Court.

A. Covenant not to sue:

The practice of issuing a "covenant not to sue" is of relatively recent vintage. Following is one of the leading cases in which the effect of such covenants was considered:

1. *Super Sack Manufacturing Corporation v. Chase Packaging Corporation (1995)*:⁸

Super Sack sued Chase for infringement of patents relating to the manufacture of bulk bags. Chase filed a counterclaim seeking a declaratory judgment of that Chase's products did not infringe the patents at issue and that the patents were invalid. During the course of the various stages of the proceeding, Super Sack dropped its infringement claim against Chase and further issued an undertaking through its counsel that it would not sue Chase for infringement of the patents in question in respect of any of its products manufactured thitherto. On the basis of this undertaking, Super Sack moved for a dismissal of its infringement suit as well as Chase's counterclaim of declaration of invalidity on the ground that no case or controversy existed between the parties any longer. The issue was whether the issuance of Super Sack's undertaking and the consequent absence of any continuing case or controversy divested the court of jurisdiction to try the matter. The district court ruled that it did. The United States Court of Appeals for the Federal Circuit affirmed. The Federal Circuit reiterated its own previously declared "two-part test" for establishing jurisdiction in declaratory suits relating to patents. Firstly, the patentee must do something which causes the party seeking a declaration to reasonably believe that it is likely to be subject to an infringement suit. Secondly, the party seeking the declaration should be presently involved in activity or have taken clear steps in pursuance of activity which could

⁸ *Super Sack Manufacturing Corporation v. Chase Packaging Corporation*, 57 F.3d 1054 (Federal Circuit 1995).

plausibly invite an infringement action. The court reasoned that in the present case Super Sack's assurance not to sue defeated the first part of the test inasmuch as Chase no longer had any basis to reasonably apprehend that it could be subject to an infringement action in respect of any of its past or present products. Since Chase had demonstrated no actual steps taken toward producing products at a later day that might invite an allegation of infringement led to a divestiture of the court's jurisdiction to try the suit. To do otherwise would lead to the issuance of an advisory opinion based on speculative circumstances. The court re-emphasized the actual case or controversy requirement for the establishment of jurisdiction in a declaratory suit.

B. Case or Controversy:

The "case or controversy" requirement is embodied in Article III, Section 2, Clause 1 of the U.S. Constitution. It reads thus:

The Judicial Power shall extend to all Cases, in Law and Equity, Arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority; — to all Cases affecting Ambassadors, other public Ministers and Consuls; — to all cases of admiralty and maritime jurisdiction; to Controversies to which the United States shall be a Party; — to Controversies between two or more States; — between a State and Citizens of another State; — between Citizens of different States, — between Citizens of the same State claiming Lands under Grants of different States, and between a State, or the Citizens thereof, and foreign States, Citizens or Subjects.⁹

This "case or controversy" requirement is incorporated in the Declaratory Judgment Act, 28 U.S.C. S. 2201 (a). In relevant part, it reads thus:

In a case of actual controversy within its jurisdiction ..., any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect

⁹ Available at: http://press-pubs.uchicago.edu/founders/tocs/a3_2_1.html.

of a final judgment or decree and shall be reviewable as such.¹⁰

A recent leading case that considers the effect of the actual case or controversy requirement in the context of declaratory judgments is *MedImmune, Inc. v. Genentech, Inc.*,¹¹ which was decided by the U.S. Supreme Court in 2007.

In a simplified form, the essential facts of the case were as follows. MedImmune manufactured a drug named Synagis. Genentech claimed that a patent it held named Cabilly II covered the drug Synagis. Therefore, it contended that MedImmune was liable to pay Genentech royalties. MedImmune disputed Genentech's contention. Nevertheless, seeking to avert a possible finding of patent infringement and consequent treble damages and attorney fees, MedImmune paid Genentech the claimed royalties under protest. While continuing to pay these royalties, Genentech filed a suit seeking a declaration that the Cabilly II patent was invalid, unenforceable, and not infringed.

At issue was the question whether MedImmune's continuing payment of royalties to Genentech precluded it from seeking a declaratory judgment as it eliminated any actual controversy as required by the Declaratory Judgment Act.

The District Court dismissed MedImmune's suit for declaratory judgment relying on a decision of the United States Court of Appeals for the Federal Circuit.¹² The CAFC affirmed.

By an 8-1 majority, the opinion having been authored by Justice Scalia, the U.S. Supreme Court reversed the Court of Appeals judgment and remanded the case for further proceedings.

The Court noted that the constitutionality of the Declaratory Judgment Act, which was enacted in 1934, had been upheld in the 1937 case of *Aetna Life Ins. Co. v. Haworth*.¹³ Citing earlier decisions, the Court noted that a case or controversy exists if the opposing parties to the suit have contrary legal interests and there is a dispute

¹⁰ Available at: <http://www.law.cornell.edu/uscode/text/28/2201>.

¹¹ *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

¹² The District Court relied on the Federal Circuit's decision in *Gen-Probe Inc. v. Vysis, Inc.*, 359 F.3d 1376 (2004). The court had there held that since a patent licensee has no grounds to reasonably apprehend that it will be sued for infringement so long as the terms of the license are met, there is no actual case or controversy as required by Article III in an action challenging the validity and enforceability of the patent.

¹³ *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227 (1937).

between them that is substantial, immediate, and real enough to justify the issuance of a declaratory judgment.¹⁴ Early in its analysis, the Court cited earlier cases to the effect that a party that apprehends governmental sanctions, and feels coerced into taking compliant steps to forestall such sanctions, would not be denied the right to invoke Article III jurisdiction. The only analogous Supreme Court case involving private parties applied a similar principle to non-governmental actions, although the compliance in that case was pursuant to a court injunction.¹⁵ After considering and rejecting all of Genentech’s arguments, the Court held that a real case or controversy obtained in spite of MedImmune’s continued compliance with the terms of the licensing agreement, and therefore the Court’s subject-matter jurisdiction could be properly invoked.¹⁶

C. The Doctrine of Mootness:

Closely tied to the case or controversy requirement of Article III is the Doctrine of Mootness. The United States Supreme Court expressly recognized the link between mootness and Article III in the 1964 case of *N.L.Liner v. Jafco, Inc.*¹⁷ This principle has been reiterated in subsequent cases.¹⁸ The proscription imposed by Article III is,

¹⁴ *MedImmune, Inc. v. Genentech, Inc.*, *supra* note 11, 549 U.S. 118, at 127. The Court quoted the following passage from its judgment in *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941): “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.*, at 127.

¹⁵ 549 U.S. 118, at 130. The Court cited *Altwater v. Freeman*, 319 U.S. 359 (1943).

¹⁶ See *Honig v. Doe*, 484 U.S. 305, 331 (1988). In his concurring opinion, Chief Justice Rehnquist noted: “[W]hile an unwillingness to decide moot cases may be connected to the case or controversy requirement of Art.III, it is an attenuated connection that may be overridden where there are strong reasons to override it.”

¹⁷ *N.L.Liner v. Jafco, Inc.*, 375 U.S. 301, 306 n.3 (1964). In footnote 3 of the opinion authored by Justice Brennan, the Court noted:

Our lack of jurisdiction to review moot cases derives from the requirement of Article III of the Constitution under which the exercise of judicial power depends upon the existence of a case or controversy.

¹⁸ See, e.g., *DeFunis v. Odegaard*, 416 U.S. 312, 316 (1974); and *Friends of the Earth v. Laidlaw Env’tl Servs. Inc.*, 528 U.S. 167 (“The Constitution’s case-or-controversy limitation on federal judicial authority, Art. III, S. 2, underpins both our standing and mootness jurisprudence...”). It may be mentioned, though, that the opinion in the earliest leading case in which the U.S. Supreme Court considered the issue of mootness, *Mills v. Green*, 159 U.S. 651 (1895), does not make any reference to Article III.

however, not absolute. The courts have, over the years, refined the mootness doctrine to make space for situations where, despite seemingly moot, a judicial determination of the issues in the suit is appropriate for the resolution of the dispute. The following are two such refinements to the doctrine of mootness that have evolved over the years in the jurisprudence of the U.S. Supreme Court.

(1) The Voluntary Cessation Doctrine:

One such refinement is what has been termed the “voluntary cessation doctrine” which was invoked by the Supreme Court in the *Already v. Nike* case. Following are two leading cases in which the U.S. Supreme Court has delineated the contours of the doctrine:

a. *United States v. W.T. Grant Co.* (1953):¹⁹

The U.S. government filed suit under the to enjoin an individual from holding interlocking directorships in competing corporations in violation of the Clayton Act. After the filing of the suit, the individual gave up some of his directorships so as to overcome the proscription imposed by the statute. He also abjured any intention of resuming his posts. On the basis of this voluntary cessation of the impugned activity, the district court dismissed the government’s suit. On appeal directly to the Supreme Court under the provisions of the Act, the Court affirmed. While acknowledging that voluntary cessation of illegal conduct does not per se make a case moot, it may become so if the defendant can establish to the satisfaction of the Court that there is no reasonable ground on which to expect that the wrong will be a repeat occurrence of the wrong. Among the factors to be considered are “the bona fides of the expressed intent to comply,” and “the effectiveness of the discontinuance.”²⁰ On the facts of the case, the Court concluded that although the voluntary cessation of the wrong did not moot the case, there was no impropriety in the trial court’s refusal to grant injunction.

b. *Friends of the Earth, Inc. v. Laidlaw Environmental Services, Inc.* (2000):²¹

This was a citizen suit that sought injunctive relief and civil penalties under the provisions of the Clean Water Act. The district court disallowed the injunction because

¹⁹ *United States v. W.T. Grant Co.*, 345 U.S. 629 (1953).

²⁰ *Id.*, at 634.

²¹ *Friends of the Earth, Inc. v. Laidlaw Environmental Services, Inc.*, 528 U.S. 167 (2000).

the defendant had, after the filing of the suit, effected sufficient compliance with the terms of the permit that he was alleged to have violated. The court did, however, levy a civil penalty. The Court of Appeals for the Fourth Circuit vacated the order levying penalty. The court reasoned that the payment of the penalty to the government would not afford any relief to the plaintiff and that the defendant's compliance together with the fact that the plaintiff had not appealed the denial of injunction mooted the case. The Fourth Circuit's judgment was inconsistent with decisions of other Courts of Appeals. The U.S. Supreme Court reversed the judgment of the Fourth Circuit. After an extensive discussion of the doctrine of standing which was also implicated in the case, the Court considered the Fourth Circuit's decision relating to mootness. The Court relied extensively upon the principles laid down in the Court's precedents. Thus, the mere voluntary cessation of the defendant's impugned activity (in this case the non-compliance of the terms of its permit) did not moot the case. This would leave the defendant with latitude to repeat the wrong after the resolution of the suit. The Court reiterated the previously held strict standard that the Court should be satisfied that there is no reasonable chance that the wrongful activity would be repeated. The party alleging mootness must bear the onus of convincing the Court on this count. The Court of Appeals had apparently based its finding of mootness on a precedent in which it was held that civil penalties could not be claimed for violations that had occurred in the past. The Supreme Court however held this reliance as misplaced because it stemmed from a confusion between the differences between the doctrine of standing and doctrine of mootness. The Court also rejected the argument that as the civil penalty would be paid to the government, it would not afford redress to the citizen plaintiff. The Court noted the statutory scheme of the Clean Water Act and the deterrent effect that the civil penalty would have on the defendant's activities. Finally, a further argument advanced to urge mootness was that after the issuance of the judgment of the court of appeals, the plant that was alleged to have indulged in the prohibited polluting activity had been closed down. The Court, however, reiterated the cornerstone of the voluntary cessation doctrine that the case would be mooted only if the Court is convinced that the impugned activity will not recur.

(2) "Capable of repetition and yet evading review":

This principle was first enunciated by the U.S. Supreme Court in 1911 in the case

of *Southern Pacific Terminal Co. v. ICC* (1911).²² The suit involved an action to enjoin an Interstate Commerce Commission order compelling the Southern Pacific Terminal Company to cease and desist from certain actions within a stipulated period of time which ran out during the pendency of the proceeding. While rejecting the argument that the case had become moot, the Court opinion stated:

In the case at bar the order of the Commission may to some extent (the exact extent it is unnecessary to define) be the basis of proceedings. But there is a broader consideration.

The question involved in the orders of the Interstate Commerce Commission are usually continuing (as are manifestly those in the case at bar), and these considerations ought not to be, as they might be, defeated, by short-term orders, capable of repetition, yet evading review, and at one time the government, and at another time the carriers, have their rights determined by the Commission without a chance of redress.²³

On this footing, the Court denied the motion to dismiss on grounds of mootness.

D. The Doctrine of Standing:

Also tied to the case-or-controversy requirement of Article III is the doctrine of standing. A leading case in which the U.S. Supreme Court set out the elements of the requirements of standing is *Lujan v. Defenders of Wildlife*.²⁴ This was a suit filed by organizations committed to environmental and conservation causes seeking a declaration that the Secretary of the Interior's promulgation of a rule interpreting a provision of the Endangered Species Act was erroneous and that the Secretary be directed to rectify the error. The principal issue involved whether the plaintiffs had standing to maintain the action. The Court distilled the principles relating to the doctrine of standing that could be distilled from the Court's precedents thus:

²² *Southern Pacific Terminal Co. v. ICC*, 219 U.S. 498 (1911).

²³ *Id.*, at 515.

²⁴ *Lujan v. Defenders of Wildlife*, 504 U.S. 555 (1992).

[T]he core component of standing is an essential and unchanging part of the case-or-controversy requirement of Article III....Over the years, our cases have established that the irreducible constitutional minimum of standing contains three elements. First, the plaintiff must have suffered an “injury in fact” – an invasion of a legally-protected interest which is (a) concrete and particularized ... and (b) “actual or imminent, not ‘conjectural’ or ‘hypothetical,’”.... Second, there must be a causal connection between the injury and the conduct complained of – the injury has to be “fairly ... trace[able] to the challenged action of the defendant, and ... th[e] result [of] the independent action of some third party not before the court.”... Third, it must be “likely,” as opposed to merely “speculative,” that the injury will be “redressed by a favorable decision.”²⁵

On the basis of the particular facts of the case, the Court held that the plaintiffs lacked standing to challenge the regulations issued by the Secretary of the Interior.

IV. The Basic Underlying Issues in the Suit:

The U.S. Supreme Court’s unanimous judgment (albeit with a caveat in the concurring opinion) was based on sound and well-settled principles of constitutional law. Left unresolved are the underlying contentions relating to trademark law raised in Nike’s infringement and dilution suit and in *Already*’s counterclaim for a declaration of invalidity. The resolution of Nike’s infringement and dilution suit would require an inquiry and determination as to whether *Already*’s products violated 15 U.S.C. § 1114 (1), 1125 (a), and 1125 (c), New York common law, and New York General Business Law

²⁵ *Id.*, at 560, 561. (The cases cited by the Court within this passage in support of these principles are omitted from the block quotation.)

§ 360. Already's counterclaim for a declaratory judgment²⁶ of invalidity and seeking cancellation²⁷ of Nike's trademark, however, raised legal issues relating to trade marks and trade dress.²⁸

Characterizing Nike's registered trademark ('905 Registration) as a shoe configuration that was, under federal patent law, in the public domain, Already's counterclaim alleged that the trademark in question could not properly be so described within the meaning of 15 U.S.C. § 1127. Already further alleged that that the registered mark did not fall within the purview of 15 U.S.C. 1125 (a)(1) because it was not a symbol or device used on or in connection with goods but was in fact an integral feature of Nike's product.²⁹

²⁶ The power of courts in the United States to grant declaratory judgments is set out in 28 U.S.C. § 2201 (a), which reads, in relevant part:

In a case of actual controversy within its jurisdiction ... any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

²⁷ Already's counterclaim seeking cancellation sought to invoke the jurisdiction conferred upon the courts by 15 U.S.C. § 1119 which states:

In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Director, who shall make appropriate entry upon the Records of the Patent and Trademark Office, and shall be controlled thereby.

²⁸ In *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, at 209 (2000), the U.S. Supreme Court recognized the registrability of product design as trade dress. The Court stated:

The breadth of the definition of marks registrable under § 2, and of the confusion-producing elements recited as actionable by § 43 (a), has been held to embrace not just word marks...and symbol marks... but also "trade dress" – a category that originally included only the packaging, or "dressing," of a product, but in recent years has been expanded by many courts of appeals to encompass the design of a product....These courts have assumed, often without discussion, that trade dress constitutes a "symbol" or "device" for purposes of the relevant sections, and we conclude likewise.

²⁹ See: Brief for Petitioner (Already), at pages 2 – 6. Available at: <http://sblog.s3.amazonaws.com/wp-content/uploads/2012/08/11-982-ts.pdf>.

In support of its contentions, Already relied upon two precedents of the United States Supreme Court, namely, *Sears, Roebuck & Co. v. Stiffel Co.*, and *Compco Corp. v. Day-Brite Lighting, Inc.*³⁰

In response, Nike contended that the trademark in question is a distinctive product design that has acquired a secondary meaning directly associating it with Nike in people's awareness. It therefore constitutes trade dress that is entitled to trademark protection.³¹ In support of its contentions, Nike too cited two precedents of the United States Supreme Court, namely, *Wal-Mart Stores, Inc. v. Samara Bros.*, and *Two Pesos, Inc. v. Taco Cabana, Inc.*³²

Following is a brief overview of the cases cited in support of the rival contentions:

1. Authorities relied upon by Already:

a. *Sears, Roebuck & Co. v. Stiffel Co.* (1964):³³

Stiffel obtained a patent for its designed and manufactured item, a special type of a lamp. The lamp sold well. Sears, Roebuck thereupon started selling an identical lamp at a lower price. Stiffel sued Sears for infringement of patent and for unfair competition under state laws because the lamp confused customers about its source. The District Court held the patents invalid but also held that Sears had violated the state unfair competition laws. The Court of Appeals affirmed. The U.S. Supreme Court reversed. In its opinion, the Court stated: "An unpatentable article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so."³⁴ Further, the court stated that "mere inability of the public to tell two identical articles apart is not enough to support an injunction against copying or an award of damages for copying that which the federal patent laws permitted to be copied."³⁵ On that footing, the Court held that notwithstanding consumer confusion there was no violation of state unfair competition laws.

³⁰ *Id.* at 6. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234.

³¹ See: Brief of Respondent (Nike), pages 2 – 3. Available at: <http://sblog.s3.amazonaws.com/wp-content/uploads/2012/09/FINAL-Nike-Brief.pdf>.

³² *Id.*, at 2. *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205(2000); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

³³ *Supra* note 30, 376 U.S. 225 (1964).

³⁴ *Id.*, at 231.

³⁵ *Id.*, at 232.

b. *Compco Corp. v. Day-Brite Lighting, Inc.*(1964):³⁶

This case was decided on the same day as the previous case and had a substantially similar set of facts. Day-Brite, the manufacturer of lighting fixtures obtained a design patent on one of its devices. Compco's predecessor manufactured and sold devices similar to those on which Day-Brite had obtained its patent. Day-Brite sued Compco for patent infringement and violation of state unfair competition laws due to consumer confusion. The District Court ruled that that the design patent was invalid but upheld the allegation regarding violation of unfair competition laws. The Court of Appeals affirmed. The U.S. Supreme Court reversed. The Court reasoned:

To forbid copying would interfere with the federal policy, found in Art. I, § 8, cl.8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain. Here, Day-Brite's fixture has been held not to be entitled to a design or mechanical patent. Under the federal patent laws it is, therefore, in the public domain, and can be copied in every detail by whoever pleases.³⁷

On that footing, the Court ruled that there was no violation of state unfair competition laws.

2. Authorities relied upon by Nike:

(a) *Two Pesos, Inc. v. Taco Cabana, Inc.* (1992):³⁸

Taco Cabana, a fast-food chain in Texas, started business in San Antonio, Texas in September 1978. Taco Cabana restaurants have a special décor. Two Pesos opened its first restaurant in December 1985 in Houston, Texas, and then expanded to other cities. Two Pesos restaurants had a décor that was similar to that of Taco Cabana. In 1987, Taco Cabana Two Pesos for infringement of trade dress under 15 U.S.C. § 1125(a). In the District Court, the jury was instructed, inter alia, that for Taco Cabana's trade dress to be protected, it had to be inherently distinctive or to have acquired a secondary meaning. The jury returned a verdict in favor of Taco

³⁶ *Supra* note 30,376 U.S. 234.

³⁷ *Id.* at 237, 238.

³⁸ *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

Cabana on the grounds that the trade dress was inherently distinctive even though it had not acquired secondary meaning. Accordingly, a judgment awarding damages to Taco Cabana was entered. On appeal, the U.S. Court of Appeals affirmed. In the United States Supreme Court, the issue was whether a trade dress can be inherently distinctive and protectable under the Lanham Act in the absence of secondary meaning. The Court noted the previously established common groupings of trade marks: “(1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful,”³⁹ with the last three being considered inherently distinctive, while descriptive marks could become so if they acquire a secondary meaning.⁴⁰ The Court went on to affirm the judgment of the Court of Appeals, holding that “proof of secondary meaning is not required to prevail on a claim under 43 (a) of the Lanham Act where the trade dress at issue is inherently distinctive.”⁴¹

(b) *Wal-Mart Stores, Inc. v. Samara Bros.* (2000):⁴²

Samara Brothers, Inc. designed and manufactured children’s clothes.

Wal-Mart arranged for the manufacture of clothes that were near copies of Samara’s products, and sold those copied products. Samara sued Wal-Mart and other entities, inter alia, for infringement of unregistered trade dress under 15 U.S.C. § 1125(a). After a jury returned a verdict in favor of Samara, Wal-Mart moved for judgment as a matter of law on the grounds that the evidence did not indicate that Samara’s products were distinctive enough to be legally protectable trade dress. The District Court denied Wal-Mart’s motion and the U.S. Court of Appeals for the Second Circuit affirmed the denial. The U.S. Supreme Court reversed and remanded for further proceedings. The Court noted the two categories of distinctive marks that had been created in judicial precedents: those that are inherently distinctive and those that become so because they have acquired a secondary meaning.⁴³

³⁹ *Id.*, at 768. The Court cited *Abercombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4,9 (CA2 1976).

⁴⁰ *Id.*, at 769.

⁴¹ *Id.*, at 776.

⁴² *Supra* note 28, 529 U.S. 205(2000).

⁴³ Quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, the Court explained:

[A] mark has acquired distinctiveness, even if it is not inherently distinctive, if it has developed secondary meaning, which occurs when, “in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself.”
Inwood Laboratories, Inc. v. Ives Laboratories, Inc.,
456 U.S. 844, 851, n.11 (1982).

The Court ruled that a product design does not fall in the category of marks that are inherently distinctive, and therefore will be protectable trade dress only if there is evidence to show that it has acquired secondary meaning.

It does appear that Already's contention that a product configuration is not entitled to registration as trade dress is not persuasive inasmuch as the Trademark Manual of Examining Procedure of the USPTO expressly recognizes it as trade dress.⁴⁴ Nor are the authorities relied upon by Already in its briefs entirely apposite.⁴⁵

Following the judgment of the U.S. Supreme Court, Already's remedy would be to institute a cancellation proceeding before the USPTO, under 15 U.S.C. § 1064.⁴⁶ Apart

⁴⁴ The Trademark Manual of Examining Procedure, April 2013, 1202.02, Registration of Trade Dress, states:

Trade dress constitutes a "symbol" or "device" within the meaning of § 2 of the Trademark Act, 15 U.S.C. § 1052. ... Trade dress originally included only the packaging or "dressing" of a product, but in recent years has been expanded to encompass the design of a product....Thus, trade dress includes the design of a product (i.e., the product shape or configuration)...

Available at: <http://tmep.uspto.gov/RDMS/detail/manual/TMEP/Oct2012/TMEP-1200d1e835xml#/manual/TMEP/Apr2013/TMEP-1200d1e835xml>.

⁴⁵ In its brief before the U.S. Supreme Court, Nike has properly pointed out the reasons why they are inapposite. Firstly, both cases cited by Already refer to situations where federal laws preempt the operation of state laws. Secondly, in *Compco*, 376 U.S. 234, at 238, the Court opinion states: "But if the design is not entitled to a design patent or other federal statutory protection, then it can be copied at will." This suggests that the design can also be protected, inter alia, by trademark laws.

See: Brief of Respondent, In the Supreme Court of the United States, at page 53, footnote 10. Available at:

<http://sblog.s3amazonaws.com/wp-content/uploads/2012/09/FINAL-Nike-Brief.pdf>.

⁴⁶ 15 U.S.C. § 1064 states: "A petition to cancel a registration of a mark, stating the grounds relied upon, may, ... be filed ... by any person who believes that he is or will be damaged...by the registration of the mark." Although the District Court had relied upon Article III of the U.S. Constitution to dismiss Already's counterclaim, the Court had observed – albeit, in a footnote - in its opinion:

Because the doctrine of primary jurisdiction "guards against premature judicial encroachment upon an agency's sphere of responsibility and expertise," [internal citation omitted], a district court should await a decision on registration from the Patent and Trademark Office, as "the benefits of awaiting the Decision of the [Patent and Trademark Office] would rarely, if ever, be outweighed by the litigants' need for a prompt adjudication [internal citation omitted]. This dicta lends support to the Court's conclusion that, in the present posture of this case, the Patent and Trademark Office is the proper venue for Defendant to seek cancellation.

See: Memorandum and Order of the United States District Court, Southern District of New York, Filed January 20, 2011. Petition for a Writ of Certiorari, Appendix B, Page 37a, Footnote 3. Available at:

<http://sblog.s3amazonaws.com/wp-content/uploads/2012/02/2-8-12FINAL.pdf>.

from the arguments urged in its counterclaim, *Already* could also advance arguments on the two substantive issues of functionality and distinctiveness.⁴⁷

Inextricably intertwined with issues relating to intellectual property laws are the inevitable exclusionary and anti-competitive effects of the rights conferred by these laws. In the *Already v. Nike* case, *Already* put forward concerns about the use of registered trademarks as a means to forestall legitimate competition and the issuance of covenants not to sue as a means to ward off challenges to the validity of registered trademarks.⁴⁸ The Court, having based its judgment on constitutional principles, refused to countenance the arguments on the ground that they were “a basic policy objection that dismissing this case allows Nike to bully small innovators lawfully operating in the public domain. This concern cannot compel us to adopt *Already*’s broad theory of standing.”⁴⁹ The Court cited the risk a trademark holder takes in issuing a covenant not to sue, the Lanham Act’s safeguards against abusive practices, and the ultimate benefit that larger companies would derive from accepting such an expansive notion of standing. As the petition before the Supreme Court involved the constitutional issues of standing and mootness, the Court used a sound constitutional principle to negate the anti-competition argument.⁵⁰

V. Conclusion:

The *Already v. Nike* case raised important issues relating to trademark and constitutional law. As the petition before the Supreme Court related principally to issues of case and controversy and standing, the Court correctly affirmed the judgment of the U.S. Court of Appeals on sound constitutional principles. The U.S. Supreme Court’s opinion is significant for its explication and refinement of the doctrines of case and controversy and standing under Article III of the U.S. Constitution.

⁴⁷ See: The Trademark Manual of Examining Procedure, April 2013, 1202.02, Registration of Trade Dress, *supra* note 44. There is, however, a five-year statutory limitation under 15 U.S.C. § 1064 from the date of registration of the trademark, after which a petition can be maintained only in defined circumstances.

⁴⁸ See: *Already*’s Petition for a Writ of Certiorari, available at: <http://sblog.s3amazonaws.com/wp-content/uploads/2012/02/2-8-12FINAL.pdf>; Brief for Petitioner, available at: <http://sblog.s3amazonaws.com/wp-content/uploads/2012/08/11-982-ts.pdf>.

⁴⁹ *Already v. Nike*, *supra* note 4, at 13. The concurring opinion was more mindful about the adverse effects on competition. See pages 2-4 of the concurring opinion.

⁵⁰ Cases where antitrust principles have been used to shape patent policy abound. See, e.g., *Bonita Boats, Inc. v. Thunder Craft Boats, Inc.* 489 U.S. 141,146, 151 (1989). Also see: *KSR Int’l. Co. v. Teleflex Inc.*, 550 U.S. 398 (2007); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S.388 (2006).

商標、競争と*Already LLC v. Nike, Inc.*の判決の重要性

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要約

米国最高裁判所は2013年1月9日に*Already LLC v. Nike, Inc.*の訴訟の判決を下した。この訴訟は商標法と憲法の両方に関わる問題に関与した。商標法は知的財産法と呼ばれる法律の一種である。商標法は国内、国際的な商業における企業資本と戦略の重要な部分を形作る。それゆえ*Already LLC v. Nike, Inc.*の訴訟にまつわる問題は非常に重要なものであった。訴訟は*Already*側によって生産されたある運動靴が*Nike*側の商標の一つを侵害したという、*Nike*側からの訴えから始まった。その申し立てを否定し、*Already*側は*Nike*側の商標の無効の宣言的判決と商標登録のキャンセルを求めて反訴した。応えて*Nike*側は*Already*側に対し、その運動靴とその運動靴の『紛らわしい模倣』をすることについて訴権放棄契約を申し出た。訴権放棄契約に際し、*Nike*側は訴訟を取り下げ、双方に争点はなく議題に乗せるものはないとして、*Already*側の反訴取り下げを求めた。*Already*側は反訴取り下げに反対した。地方裁判所は*Nike*側の訴権放棄契約を受け入れ、訴訟とその反訴の取り下げを受け入れた。米国高等裁判所もそれを支持した。米国最高裁判所も高等裁判所の判決を支持した。この論文では米国最高裁判所の判決を簡単に概観し、この判決にまつわる問題を提示している。