

No. 11-982

IN THE
Supreme Court of the United States

ALREADY, LLC, D/B/A YUMS,
Petitioner,

v.

NIKE, INC.,
Respondent.

On Writ of Certiorari to the United States Court
of Appeals for the Second Circuit

**BRIEF OF *AMICUS CURIAE* THE
INTERNATIONAL TRADEMARK ASSOCIATION
IN SUPPORT OF RESPONDENT**

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INTEREST OF THE *AMICUS CURIAE*¹

Founded in 1878, INTA is a not-for-profit organization dedicated to the support and advancement of trademarks and related intellectual property concepts as essential elements of trade and commerce. INTA has more than 5,900 members in more than 190 countries. Its members include trademark owners, law firms, and other professionals who regularly assist brand owners in the creation, registration, protection, and enforcement of their trademarks. All of INTA's members share the goal of promoting an understanding of the essential role that trademarks play in fostering informed decisions by consumers, effective commerce, and fair competition.

INTA members are frequent participants in trademark opposition and cancellation proceedings and in court litigation as both plaintiffs and defendants, and therefore are interested in the development of clear, consistent, and equitable principles of trademark and unfair competition law. INTA has substantial expertise and has participated as *amicus curiae* in numerous cases involving

¹ Both parties are members of INTA, and both the law firm representing Petitioner and one of the law firms representing Respondent, Banner & Witcoff, Ltd., are associate members of INTA. Attorneys associated with the parties and their law firms have not participated in the preparation or submission of this *amicus curiae* brief. This brief was authored solely by INTA and its counsel.

significant trademark issues, including in this Court.²

² Cases in which INTA has filed amicus briefs include: *KP Permanent Makeup, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 211 (2004); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999); *Dickinson v. Zurko*, 527 U.S. 150 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *Christian Louboutin S.A. v. Yves Saint Laurent America*, No. 11-3303-cv, 2012 WL 3832285 (2d Cir. Sept. 5, 2012); *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012); *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 654 F.3d 958 (9th Cir. 2011); *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158 (9th Cir. 2011); *Chloe v. Queen Bee of Beverly Hills, LLC*, 616 F.3d 158 (2d Cir. 2010); *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009); *ITC. Ltd v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007), *certified questions accepted*, 870 N.E.2d 151 (N.Y.), *cert denied*, 128 S. Ct. 288, *certified questions answered*, 880 N.E.2d 852 (N.Y. 2007), *later proceedings*, 518 F.3d 159 (2d Cir. 2008); *Louis Vuitton Malletier, S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007); *Test Masters Educ. Servs. v. Singh*, 428 F.3d 559 (5th Cir. 2005); *WarnerVision Entm't Inc. v. Empire of Carolina, Inc.*, 101 F.3d 259 (2d Cir. 1996); *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996); *Conopco, Inc. v. May Dep't Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994); *Ralston Purina Co. v. On-Cor Frozen Foods, Inc.*, 746 F.2d 801 (Fed. Cir. 1984); *Anti-Monopoly, Inc. v. Gen. Mills Fun Group*, 684 F.2d 1316 (9th Cir. 1982), *cert. denied*, 459 U.S. 1227 (1983); *In re Borden, Inc.*, 92 F.T.C. 669 (1978), *aff'd sub nom. Borden, Inc. v. Fed. Trade Comm'n*, 674 F.2d 498

INTA (formerly known as the United States Trademark Association) was founded in part to encourage the enactment of federal trademark legislation after the invalidation on constitutional grounds of the United States' first trademark act. Since then, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with almost all major trademark legislation.

INTA and its members have a particular interest in this case because Petitioner's position threatens to weaken the incentives that foster compromise and settlement of trademark disputes. In addition, INTA and its members oppose any actions that would undermine the T.T.A.B.'s role as principal arbiter in the first instance of disputes over the registration of trademarks, since maintaining the T.T.A.B.'s role will help ensure the consistent development and application of trademark law and the efficient resolution of disputes over trademark registrations.

(6th Cir. 1982), *vacated and remanded*, 461 U.S. 940 (1983); *Redd v. Shell Oil Co.*, 524 F.2d 1054 (10th Cir. 1975), *cert. denied*, 425 U.S. 912 (1976); *Century 21 Real Estate Corp. v. Nev. Real Estate Advisory Comm'n*, 448 F. Supp. 1237 (D. Nev. 1978), *aff'd*, 440 U.S. 941 (1979).

INTRODUCTION AND SUMMARY OF ARGUMENT

The International Trademark Association (“INTA”) submits this brief as *amicus curiae* to explain why trademark law and public policy mandate affirmance of the lower courts’ dismissal of Petitioner’s action seeking to cancel Respondent’s trademark registration. Both parties have consented to this filing.³

Trademark cancellation actions may only be heard in federal court when a live case or controversy exists concerning an alleged violation of trademark rights. Absent such a case or controversy, there is no Article III jurisdiction for a federal court to cancel a trademark registration. Rather, Congress has mandated that such actions are the exclusive province of Trademark Trial and Appeals Board (the “T.T.A.B.”) of the United States Patent and Trademark Office (the “USPTO”).

Respondent in this case delivered a covenant not to sue that the Second Circuit held to be so broad that it “render[ed] the threat of litigation remote or nonexistent.” *Nike, Inc. v. Already, LLC*, 663 F.3d 89, 97 (2d Cir. 2011). If Petitioner still wishes to seek cancellation of Respondent’s trademark registration, it may do so before the T.T.A.B., which provides the more appropriate expert forum in which to pursue that remedy. If Petitioner’s cancellation

³ Consent letters from both parties are being filed with the Clerk contemporaneously with this brief.

counterclaim were instead allowed to proceed to trial in federal court, prior to review by the T.T.A.B., it would undermine the T.T.A.B.'s role as the principal arbiter of trademark registration disputes, make early resolution of trademark infringement cases more difficult by discouraging use of covenants not to sue, and increase the burden on the federal courts of hearing such cases.

INTA members are frequent litigants in court and before the T.T.A.B. in cases involving the validity and enforcement of trademark rights. As such, INTA and its members have a strong interest in ensuring that trademark law and procedure encourages the fair, prompt, consistent and efficient resolution of trademark disputes. INTA submits that absent any threat of suit for trademark violations, trademark validity and registration issues are more appropriately determined by the T.T.A.B. because it is the administrative tribunal Congress created expressly for that purpose.

Although INTA does not believe that there is any actual conflict among the Circuits as to the question presented in this case, it acknowledges the existence of some ambiguity in light of *dicta* from the Ninth Circuit. To ensure uniformity across the Circuits regarding the standards for Article III jurisdiction in trademark matters, and to promote the efficient resolution of trademark disputes, INTA respectfully requests that the Court rule on the merits of this dispute and hold that the subject matter jurisdiction that permitted Petitioner to plead a declaratory judgment claim for trademark invalidity and a counterclaim for cancellation was

extinguished upon the delivery of Respondent's unambiguous, unconditional covenant not to sue.

ARGUMENT

I. RESPONDENT'S COVENANT NOT TO SUE WAS SUFFICIENT TO DIVEST THE DISTRICT COURT OF ARTICLE III JURISDICTION.

INTA views Petitioner's appeal as requiring analysis of two intertwined questions: (1) whether Respondent's broad covenant not to sue Petitioner divested the federal district court of Article III jurisdiction over Petitioner's declaratory judgment counterclaims for non-infringement and invalidity of Respondent's trademark; and (2) if so, whether the federal district court may nonetheless still retain Article III jurisdiction based on Petitioner's counterclaim for cancellation of Respondent's trademark registration under the Lanham Act.

The Circuits are aligned on the first question: Once the threat of an infringement claim is removed, there remains no basis for seeking a declaration of non-infringement. *Nike*, 663 F.3d at 97-98; *Bancroft & Masters, Inc. v. Augusta Nat'l, Inc.*, 223 F.3d 1082, 1085 (9th Cir. 2000). With respect to the second question, despite *dicta* in *Bancroft & Masters* suggesting that a counterclaim for cancellation under Section 37 of the Lanham Act (15 U.S.C. § 1119) might provide an independent basis for Article III jurisdiction, every appellate court that has squarely considered that question has agreed with the Second Circuit's decision in *Nike* rejecting jurisdiction.

A. **Although *MedImmune, Inc. v. Genentech* Sets Forth a Broad Standard for Subject Matter Jurisdiction in Declaratory Judgment Actions, There Remain Important Limitations on Such Jurisdiction Under Article III.**

In *MedImmune, Inc. v. Genentech, Inc.*, this Court held that a claim for patent invalidity brought by a patent licensee satisfied Article III's "case or controversy" requirement because there was a "genuine threat of enforcement" even if the potential defendant could avoid allegedly infringing behavior by paying license royalties. 549 U.S. 118, 120-21, 129 (2007). The Court held that a licensee should not be required to violate a license agreement before bringing a claim against the licensor that the underlying patent rights were invalid. *Id.* at 137. Instead, the licensee could seek declaratory judgment relief precisely because the payment of royalties under protest did not eliminate the controversy. *Id.* at 135-37.⁴

⁴ Although *MedImmune* was a patent case, its analysis of Article III's "case or controversy" requirement has broad application in all contexts, and has already been applied to trademark cases by various federal courts. *See, e.g., Vantage Trailers, Inc. v. Beall Corp.*, 567 F.3d 745, 748-749 (5th Cir. 2009); *Surefoot LC v. Sure Foot Corp.*, 531 F.3d 1236, 1238 (10th Cir. 2008). Although INTA believes that the rule announced in *MedImmune* should be applied in trademark matters as well, INTA does not suggest that patents and trademarks should always be treated alike. *See, e.g., generally* David H. Bernstein and Andrew

MedImmune has been credited with liberalizing declaratory judgment jurisdiction and providing putative defendants with a fair opportunity to obtain access to the courts in order to ensure that lawful conduct is not chilled by the threat of litigation held in reserve. Michael Weinstein, Comment, *The Fate of the Federal Circuit’s “Reasonable Apprehension” Standard in Patent Suits for Declaratory Judgment Following MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764 (2007), 76 U. Cin. L. Rev. 681, 700-06 (2007-2008). But even this expansive jurisdiction for declaratory judgment actions has limitations.

This case provides the Court with an ideal opportunity to clarify the limits of such jurisdiction. Specifically, when, as is the case here, there is no case or controversy because the putative plaintiff has made it crystal clear that it will not pursue any claim against the putative defendant, there is no longer (1) any basis (from a constitutional perspective) for such jurisdiction, and (2) any need (from a policy perspective) for a federal court to maintain jurisdiction.

Gilden, *No Trolls Barred: Trademark Injunctions after eBay*, 99 TMR 1037 (2009) (arguing that, despite this Court’s prohibition on categorical presumptions for injunctive relief in patent cases in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), such presumptions in trademark cases—which have been historically applied and expressly adopted by every Circuit Court of Appeals but one—are appropriate and necessary because trademark law, a consumer protection law at heart, does not present the same policy concerns over trolls as patents and copyrights).

B. Respondent's Covenant Not to Sue Was Unconditional.

Respondent's covenant not to sue obligated it to refrain from making any claim(s) or demand(s), or from commencing, causing, or permitting to be prosecuted any action in law or equity, against [Petitioner] or any of its [successors or related entities and their customers], on account of any possible cause of action based on or involving trademark infringement, unfair competition, or dilution, under state or federal law in the United S[t]ates relating to the NIKE Mark based on the appearance of any of [Petitioner]'s current and/or previous footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce before or after the Effective Date of this Covenant.

Nike, 663 F.3d at 92 (quoting covenant). The Second Circuit correctly affirmed the District Court's conclusion that the covenant was very broad, noting that Respondent had "unconditionally' and permanently renounced its right" to bring a claim based on any shoe design currently or previously made by Petitioner, as well as "all colorable imitations" by Petitioner of its current or previous designs. *Id.* at 97.

Petitioner's suggestion that the covenant is insufficiently broad because it does not bar Respondent from bringing future claims based on novel designs that are not "colorable imitations," Pet. Br. 24, is beside the point. Speculation about possible future designs is irrelevant under Article III's case-or-controversy requirement. *See Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240-41 (1937) ("A justiciable controversy is thus distinguished from a difference or dispute of a hypothetical or abstract character The controversy must be definite or concrete, touching the legal relationship of parties having adverse legal interests."); *United Public Workers of America (C.I.O.) v. Mitchell*, 330 U.S. 75, 89-90 (1947) ("The power of courts, and ultimately of this Court to pass upon the constitutionality of acts of Congress arises only when the interests of litigants require the use of this judicial authority for their protection against actual interference. A hypothetical threat is not enough."); *In re Coleman*, 560 F.3d 1000, 1005 (9th Cir. 2009) ("Where a dispute hangs on 'future contingencies that may or may not occur', it may be too 'impermissibly speculative' to present a justiciable controversy.") (citations omitted); *Wilson v. Collins*, 517 F.3d 421, 430 (6th Cir. 2008) ("The hypothetical possibility of some future abuse does not substantiate a justiciable controversy.") Petitioner did not submit any evidence that it had plans to create any novel designs that would fall outside of the broad covenant not to sue. *Nike*, 663 F.3d at 97. This hypothetical situation is therefore insufficient to sustain Article III jurisdiction.

C. **The Circuits Are Aligned That An Unconditional Covenant Not To Sue Removes Article III Jurisdiction.**

The Second Circuit’s decision below and the Ninth Circuit’s opinion in *Bancroft & Masters* are aligned in at least one respect: Both Circuits recognized that a plaintiff’s unconditional relinquishment of its right to sue the alleged trademark infringer divests a federal district court of Article III jurisdiction over the alleged infringer’s declaratory judgment counterclaim. *Bancroft & Masters*, 223 F.3d at 1085; *Nike*, 663 F.3d at 97-98.

Bancroft & Masters, however, did not involve an unconditional relinquishment. Rather, the Ninth Circuit held that the plaintiff’s offer in that case was **conditional** and, as such, it did **not** divest the district court of Article III jurisdiction because the potential for litigation between the parties remained. 223 F.3d at 1085. That decision is neither controversial nor surprising. It is consistent with *MedImmune* and with the Second Circuit’s decision below.

In contrast, the covenant not to sue that Respondent issued in this case was extremely broad and was found to be **unconditional** by the District Court. Relying on that finding, the Second Circuit properly applied *MedImmune* and dismissed Petitioner’s claims. In that respect, *Nike* and *Bancroft & Masters* represent two sides of the same coin – when the covenant not to sue is unconditional and broad, dismissal is required; where the covenant is conditional or leaves some lingering “genuine

threat of enforcement,” the court retains Article III jurisdiction.⁵

D. A Broad Covenant Not to Sue Satisfies the Voluntary Cessation Standard Urged by Petitioner and by the United States.

Both Petitioner and the United States argue that the Second Circuit erred by not applying the voluntary cessation doctrine. Pet. Br. 24-25; Brief for the United States as Amicus Curiae Supporting Vacatur and Remand 17ff. That argument is based on this Court’s decision in *Friends of the Earth, Inc. v. Laidlaw Env’tl. Services (TOC), Inc.* that “a defendant claiming that its voluntary compliance moots a case bears the formidable burden of showing that it is absolutely clear the allegedly wrongful behavior could not reasonably be expected to recur.” 528 U.S. 167, 190 (2000). Although Petitioner and the United States accurately quote from the *Friends*

⁵ In the patent context, the Federal Circuit has issued opinions reflecting the same two sides of the coin. *Compare Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1060 (Fed. Cir. 1995) (finding no Article III jurisdiction over declaratory judgment claims based on patent holder’s unconditional agreement not to sue the defendant for past or future sales of the products then and previously manufactured and sold by the defendant) *with Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294, 1300 (Fed. Cir. 2009) (finding Article III jurisdiction over declaratory judgment claims in a patent infringement action where patent holder issued a conditional covenant not to sue for past infringement while leaving open the possibility of suit for future infringement).

of the Earth decision, they overstate Respondent's burden because they fail to acknowledge the very different context of the instant case.

In a tort case like *Friends of the Earth*, the burden carried by a defendant to show that its wrongful behavior will not recur may indeed be "formidable" – it can be difficult to trust assurances that tortious conduct will not reoccur in the future. That is not the case in the context of a declaratory judgment action predicated on a threatened trademark infringement claim since an unconditional binding commitment not to enforce the claim is easily enforced by the court and thus conclusively removes any risk of enforcement against the declaratory judgment plaintiff.

Here, Respondent delivered such a broad, binding commitment. The Second Circuit held that Respondent's covenant not to sue rendered the threat of future enforcement "remote or nonexistent." *Nike*, 663 F.3d at 97. Respondent could not do anything more (other than promising not to sue Petitioner under any circumstances whatsoever, which would be an unreasonable standard to require).

Petitioner argues that Respondent's covenant is not sufficient because Respondent may still enforce its trademark rights against other alleged infringers. Pet. Br. 26. The possibility of enforcement against *third parties*, though, cannot serve as a basis for *Petitioner's* declaratory judgment claim. This Court's declaratory judgment jurisprudence has long required "a substantial controversy, *between parties having adverse legal*

interests, of sufficient immediacy and reality to warrant the issue of a declaratory judgment.” *MedImmune*, 549 U.S. at 127 (quoting *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941)) (emphasis added); see also *Creative Compounds, LLC v. Starmark Labs.*, 651 F.3d 1303, 1316 (Fed. Cir. 2011) (finding no declaratory judgment jurisdiction where plaintiff’s claims were based on threat of enforcement against its third party customers).

Petitioner also argues that it has an economic interest in making other shoes (different from the shoes challenged by Respondent in this case) that may yet trigger enforcement by Respondent if they are outside of the broad covenant. Pet. Br. 26. Petitioner, though, did not make any such business plans known to the lower courts and thus its expressed concern is entirely speculative. To the contrary, as the Second Circuit noted, Petitioner failed to submit *any* evidence that it had any intention of producing any shoe that would fall outside of Respondent’s broad covenant not to sue. *Nike*, 663 F.3d at 97.⁶ Under those circumstances,

⁶ In *Cardinal Chem. Co. v. Morton Int’l, Inc.*, this Court stated that “there is no reason why a successful litigant should have any duty to disclose its future plans to justify retention of the value of the judgment that it has obtained,” 508 U.S. 83, 100 (1993). In the present case, Petitioner has not obtained any judgment. Accordingly, the District Court below was not required to accept on faith that Petitioner was likely to produce a new product vulnerable to enforcement and not covered by Respondent’s covenant.

there can be no legal cause of action, and “[w]ithout an underlying legal cause of action, any adverse economic interest that the declaratory plaintiff may have against the declaratory judgment defendant is not a legally cognizable interest sufficient to confer declaratory judgment jurisdiction.” *Microchip Technology Inc. v. Chamberlain Group*, 441 F.3d 936, 943 (Fed. Cir. 2006).

II. PETITIONER’S CANCELLATION COUNTERCLAIM CANNOT PROVIDE AN INDEPENDENT BASIS FOR JURISDICTION.

A. Section 37 of the Lanham Act Does Not Provide a Basis for Jurisdiction Over an Independent Cancellation Claim.

Petitioner’s cancellation counterclaim is based on Section 37 of the Lanham Act (15 U.S.C. § 1119), which states in part:

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.

The statute expressly limits the cancellation of a registration by a court to an “action involving a registered mark.” Where there is no such action, Section 37 does not provide a jurisdictional basis for an independent cancellation claim. *See infra* Section II(B). In the present case, the “action involving a

registered mark” ceased when Respondent’s covenant mooted both Respondent’s infringement claims and Petitioner’s declaratory judgment claim for non-infringement. With the demise of the “action involving [Respondent’s] registered mark,” the District Court below was divested of its statutory power to order cancellation.

B. Every Court Of Appeals That Has Squarely Confronted The Issue Has Held That Section 37 Does Not Provide An Independent Basis For Article III Jurisdiction.

Petitioner asserts that there is a clear “circuit split” over whether Article III jurisdiction can be exercised over a counterclaim for cancellation of a trademark registration where no other related justiciable controversy exists between the parties. INTA disagrees; there is no such split because the Ninth Circuit’s statement in *Bancroft & Masters*, on which Petitioner relies, was *dicta*. In particular, the Ninth Circuit’s *dicta* that a cancellation action is authorized under Section 37 of the Lanham Act even if a plaintiff’s offer to dismiss is unconditional was not a holding of that court because the offer to dismiss in that case was *not* unconditional. *Bancroft & Masters*, 223 F.3d at 1085.⁷

Nevertheless, to remove any question about whether a cancellation action can proceed in a

⁷ “It is to the holdings of our cases, rather than their dicta, that we must attend. . . .” *Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 379 (1994).

federal court under such circumstances, it is appropriate for this Court to clarify that the Ninth Circuit's *dicta* was wrong. As the Second Circuit's decision below noted (as well as decisions from the Third and Federal Circuits), a counterclaim for cancellation of a trademark registration may not stand alone; rather, it must be predicated upon an actual dispute between the parties that is properly subject to Article III jurisdiction. *Nike*, 663 F.3d at 97; *Ditri v. Coldwell Banker Residential Affiliates, Inc.*, 954 F.2d 869, 873-74 (3d Cir. 1992); *Windsurfing Int'l, Inc. v. AMF Inc.*, 828 F.2d 755, 758-59 (Fed. Cir. 1987). In so holding, each of these courts relied on the express language of Section 37 which limits federal court jurisdiction to cancel trademark registrations only to "any **action** involving a registered mark" (emphasis added). Those courts thus properly concluded that "a controversy as to the validity of or interference with a registered mark must exist before a district court has jurisdiction to grant the cancellation remedy." *Ditri*, 954 F.2d at 873. A number of district courts have drawn similar conclusions. *E.g.*, *Sunshine Kids Juvenile Prods., LLC v. Indiana Mills & Mfg., Inc.*, No. C10-5698BHS, 2011 WL 862038, at *4 (W.D. Wash. Mar. 9, 2011); *Global DNS, LLC v. Kook's Custom Header, Inc.*, No. C08-0268RSL, 2008 WL 4380439, at *4 (W.D. Wash. Sept. 22, 2008); *Schloss v. Sweeney*, 515 F. Supp. 2d 1068, 1078 (N.D. Cal. 2007); *Nike, Inc. v. Adidas Am., Inc.*, No. 05-CV-541-BR, 2006 WL 3716754, at *5-6 (D. Or. Dec. 14, 2006); *CIBER Inc. v. CIBER Consulting, Inc.*, 326 F. Supp. 2d 886, 892 (N.D. Ill. 2004); *Manganaro Foods, Inc. v. Manganaro's Hero-Boy, Inc.*, No. 01-Civ.-0849-JGK,

2002 WL 1560789, at *10 (S.D.N.Y. July 15, 2002); *Thomas & Betts Corp. v. Panduit Corp.*, 48 F. Supp. 2d 1088, 1093 (N.D. Ill. 1999); *Universal Sewing Machine Co. v. Standard Sewing Equip. Corp.*, 185 F. Supp. 257, 259 (S.D.N.Y. 1960).

All of these decisions are consistent with *MedImmune*. Because Respondent's covenant not to sue eliminated any possibility of litigation between the parties concerning Petitioner's shoes that had been the subject of Respondent's complaint (and any future colorable imitations), there no longer was any "genuine threat of enforcement" that could support continued jurisdiction over Petitioner's declaratory judgment or dependent cancellation claims. This decision does not unfairly block consideration of whether Respondent's trademark registration is valid since Petitioner, or any other party with standing, could pursue such a claim in the T.T.A.B., the forum Congress specifically created to address such questions.

III. THE T.T.A.B. PROVIDES A MORE APPROPRIATE FORUM FOR RESOLUTION OF CANCELLATION CLAIMS.

Congress established the T.T.A.B. by amendment of the Lanham Act in 1958. The Senate Report on the bill to amend the Lanham Act makes clear how Congress intended disputes over trademark registration to proceed:

[The Lanham Act] provides for appeals to the Commissioner in trademark cases from two sources: appeals from refusals of the Examiner of Trademarks

to register a trademark and appeals from the decisions of the Examiner of Trademark Interferences made when one or more parties contest another's right to registration, the latter being more numerous and also more time consuming . . . It is proposed in the bill that the appeal to the Commissioner in contested trademark cases be abolished and that *the initial and only decision will be made by a panel of three members of a board* instead of by a single individual as at present [T]he decision of the panel of three would be the final decision of the Patent Office in the case, and *the parties would have their right of appeal to the court from that decision*

S. REP. NO. 85-1960, at 3332 (1958) (emphasis added). Thus, Congress clearly envisioned the T.T.A.B. to be the most appropriate forum for resolution of cancellation actions in the first instance.

A. Petitioner Would Have Standing to Bring a Cancellation Action Before the T.T.A.B.

A petition before the T.T.A.B. to cancel a trademark registration can be filed "by any person who believes that he is or will be damaged . . . by the registration of a mark." 15 U.S.C. § 1064. Even after Petitioner loses standing to pursue cancellation in court, Petitioner would still have standing to bring a cancellation proceeding before the T.T.A.B.

because it would be able to “demonstrate a real interest in the proceeding.” *Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 1028 (C.C.P.A. 1982) (quoting *Universal Oil Prods. Co. v. Rexall Drug & Chem. Co.*, 463 F.2d 1122, 1124 (C.C.P.A. 1972)). The bar that must be hurdled to demonstrate standing before the T.T.A.B. is significantly lower than the bar set by this Court’s *MedImmune* decision for bringing a declaratory judgment claim in court. Indeed, the district court concluded in this case that the T.T.A.B. was the “proper venue” for the Petitioner’s cancellation action. Pet. App. 37a n.3.

A cancellation petitioner before the T.T.A.B. need be under no threat of enforcement, genuine or otherwise. “[T]o establish standing to petition to cancel, the petitioner need only be something more than a gratuitous interloper or a vicarious enforcer of someone else’s rights.” 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 20:46 (4th ed. 2012) [hereinafter McCarthy]. For example, a petitioner may establish standing by asserting “a likelihood of confusion [with its own mark] which is not wholly without merit.” *Lipton*, 670 F.2d at 1029. The T.T.A.B. has also found standing when a registrant had previously brought an action against the cancellation petitioner, even if the registrant thereafter withdrew the action. *Syntex (U.S.A.) Inc. v. E.R. Squibb & Sons Inc.*, 14 U.S.P.Q.2d 1879, 1880 (T.T.A.B. March 22, 1990). Petitioner in the present case could almost certainly establish standing on either of these grounds given the facts of this case. Like the party seeking cancellation in *Syntex*, Petitioner claims that

Respondent's "mark clouds applicant's legal title to its mark." *Id.* Aside from the various ways in which Petitioner argues its economic interest is damaged by Respondent's continued registration of its mark (including its interest in marketing other shoe designs similar to Petitioner's registered mark, *see* Pet. Br. 26), the registration may prevent Petitioner from registering its own marks. Respondent's covenant not to sue protects Petitioner from suit over its current shoe designs and colorable imitations thereof, but it does not insure that Petitioner's future business interests will not be harmed by Respondent's registration. Petitioner is thus entitled to make its cancellation arguments before the T.T.A.B., even though its real interests are not sufficient to establish a case or controversy under Article III.

B. The T.T.A.B. Has Extensive Expertise in Addressing Cancellation Petitions.

INTA and its members have extensive familiarity with the USPTO and the T.T.A.B. INTA has been involved in drafting and supporting legislation that governs these administrative institutions, including the Lanham Act in 1946 and the Trademark Law Revision Act of 1988. INTA has also provided comments on regulations promulgated by the USPTO, including 37 C.F.R. §§ 2.173(b)(3) and (4), 2.34(a)(1)(iv), 2.56(a), 2.61(b) (g) and (h), 2.76(b)(2), 2.86(a)(3), 2.86(b), 2.88(b)(2), and 7.37(g) and (h). INTA members practice before the USPTO and the T.T.A.B. on a daily basis.

The T.T.A.B. was expressly created by Congress to be the primary administrative tribunal

for adjudicating *inter partes* proceedings pertaining to issues involving trademark registrations, such as oppositions, cancellations, interferences, and concurrent use proceedings. 15 U.S.C. §§ 1067, 1064(3). In contrast, the jurisdiction given to federal courts under Section 37 is merely remedial and supplementary, designed to ensure that in the event of an action claiming violation of trademark rights, all issues relating to that dispute (including cancellation of the underlying mark) can be considered in a single forum. “Although a petition to the Patent and Trademark Office is the primary means of securing a cancellation, the district court has concurrent power to order cancellation as well for the obvious reason that an entire controversy may thus be expediently resolved in one forum.” *Ditri*, 954 F.2d at 873 (emphasis added); *accord*, *Thomas & Betts Corp.*, 48 F. Supp. 2d at 1093; *Manganaro Foods, Inc.*, 2002 WL 1560789, at *10.

Over the years the T.T.A.B. has issued thousands of decisions in trademark cancellation proceedings, creating a consistent body of law that provides substantial guidance to trademark owners and potential challengers. In 2011 and 2010 alone, the T.T.A.B. issued over 1,200 decisions, 900 of which were final decisions on the merits. *See* TTAB New Filings and Performance Measures, United States Patent and Trademark Office (2012), *available at* http://www.uspto.gov/trademarks/process/appeal/TTAB_New_Filings_and_Performance_

Measures.jsp.⁸ The T.T.A.B.'s extensive and focused experience with trademark proceedings provides it with specialized and developed expertise in the area of trademark registration law, and specifically, trademark cancellation proceedings.

Continued adjudication of most cancellation actions by the T.T.A.B. should be favored not only to encourage the continued consistent development of trademark law, but also because INTA members have found T.T.A.B. proceedings to be generally less expensive and more efficient than federal court litigation. In addition to providing flexible scheduling, an available accelerated case resolution (ACR) procedure,⁹ and less of a need to educate judges about an area of the law with which they may not be completely familiar, T.T.A.B. proceedings

⁸ Federal courts commonly take judicial notice of information on government websites. "Public records and government documents are generally considered not to be subject to reasonable dispute. . . . This includes public records and government documents available from reliable sources on the Internet." *United States ex rel. Dingle v. BioPort Corp.*, 270 F. Supp. 2d 968, 972 (W.D. Mich. 2003) (citation omitted); see also *Kitty Hawk Aircargo, Inc. v. Chao*, 418 F.3d 453, 457 (5th Cir. 2005) (judicial notice of National Mediation Board approval published on agency's website); *Coleman v. Dretke*, 409 F.3d 665, 667 (5th Cir. 2005) (per curiam) (judicial notice of state government website); *Denius v. Dunlap*, 330 F.3d 919, 926-27 (7th Cir. 2003) (judicial notice of information on government website); *In re Wellbutrin SR/Zyban Antitrust Litig.*, 281 F. Supp. 2d 751, 754 n.2 (E.D. Pa. 2003) (judicial notice of FDA list of approved drugs).

⁹ Trademark Trial and Appeal Board Manual of Procedure (TBMP) §§ 702.04(a)-(e).

involve “less evidence to present and no requirement for a live appearance or a jury, [and] . . . the expert nature of the decision maker and the fact that only the issue of the registration of one or more trademarks is being decided further keep costs down in contrast to court litigation.” Elizabeth C. Buckingham, *TTAB or Federal Court: Where to Litigate a U.S. Trademark Dispute? Part One: Board Proceedings*, 67 INTA Bulletin, No. 3 (Feb. 1, 2012).

In sum, although it is appropriate and efficient for federal district courts to rule on cancellation actions when the court already is addressing an issue of trademark infringement or dilution, in the absence of any actual or threatened trademark claim, the T.T.A.B. is the most appropriate forum for a party, such as Petitioner, to pursue cancellation of a trademark registration.

C. Ruling that the Federal District Court Does Not Retain Jurisdiction Comports with the Doctrine of Exhaustion of Administrative Remedies.

Although the T.T.A.B. does not have exclusive jurisdiction over trademark cancellation actions, divesting a federal district court of jurisdiction over such actions once all other claims relating to the trademark have been mooted would align with the well-established doctrine of exhaustion of administrative remedies and comport with Congress’s intent for the T.T.A.B. to be the tribunal of first impression for trademark cancellation proceedings. Such a ruling would serve the objectives of judicial efficiency and of unburdening the federal district courts of having to preside over

trademark cancellation claims in the absence of any threat of future litigation between the parties.

The exhaustion doctrine provides “that no one is entitled to judicial relief for a supposed or threatened injury until the prescribed administrative remedy has been exhausted.” *Myers v. Bethlehem Shipbuilding Corp.*, 303 U.S. 41, 50-51 (1938). As articulated by this Court, the arguments supporting the rule that federal courts should avoid usurping an administrative agency’s statutorily granted power to adjudicate certain matters include:

1. Avoiding premature interruption of the administrative process;
2. Allowing the agency to develop the necessary factual background on which to base its decisions;
3. Giving the agency the first chance to use its discretion or apply its expertise;
4. It is more efficient for the administrative process to go forward without interruption than it is to permit parties to seek aid from the court at various intermediate stages; and
5. The function of the agency and the particular decision sought to be reviewed involve exercise of

discretionary powers granted to the agency by Congress.

McKart v. United States, 395 U.S. 185, 193-194 (1969).

In *McKart*, this Court noted that these listed reasons are “particularly pertinent where the function of the agency and the particular decision sought to be reviewed involve exercise of discretionary powers granted the agency by Congress, or require application of special expertise . . . [because] frequent and deliberate flouting of administrative processes could weaken the effectiveness of an agency by encouraging people to ignore its procedures.” *Id.* at 194-195. Furthermore, the Court has ruled that the declaratory judgment procedure should not serve “to preempt and prejudice issues that are committed for initial decision to an administrative body or special tribunal . . . [and that] [r]esponsibility for effective functioning of the administrative process cannot be thus transferred from the bodies in which Congress has placed it to the courts.” *Public Service Comm’n of Utah v. Wycoff Co.*, 73 S. Ct. 236, 241-42 (1952).

Here, Petitioner’s request to maintain its cancellation counterclaim before the District Court would undermine the doctrine of exhaustion of administrative remedies and would burden the District Court with having to resolve a trademark cancellation claim even though Respondent’s broad covenant not to sue has rendered Petitioner immune from suit. The cancellation claim should not (and cannot) itself serve as a case or controversy between

the parties. Such a claim merely seeks an administrative remedy to address whether a trademark registration should or should not be removed from the register of trademarks. Absent some other ongoing dispute or threat of enforcement between the parties, there is simply no need, basis, or reason for a federal district court to retain jurisdiction over Petitioner's trademark cancellation counterclaim when the T.T.A.B. is at least as well equipped to make, and indeed more accustomed to making, such determinations.

INTA's position echoes the position articulated in a leading treatise on trademark law, which agrees with this Court's reasoning in *McKart* and *Wycoff*:

One who has an opportunity to challenge a federal trademark registration should not be allowed to short-cut the administrative process by raising that challenge in the federal courts by way of declaratory judgment. If that is the sole basis of a claim for declaratory judgment, the court should dismiss the case and relegate the party to the administrative process and ultimate appeal to the federal courts by the procedure Congress has established.

6 McCarthy § 32:55.

Since the T.T.A.B.'s sole function is to adjudicate matters pertaining to trademark registrations, *e.g.*, cancellation proceedings, this case presents the very situation in which *McKart* directs

federal district courts to defer to administrative agencies like the T.T.A.B. Doing so in the case at bar avoids encouraging parties to side-step the T.T.A.B.'s procedures, comports with the exhaustion doctrine that supports placement of Petitioner's claim before the administrative body with the most expertise to adjudicate Petitioner's cancellation claim, and satisfies the objectives of judicial efficiency and economy.

IV. THE SECOND CIRCUIT'S DECISION BELOW LESSENS THE BURDEN ON THE FEDERAL COURT SYSTEM WITHOUT PREJUDICING PETITIONER.

The Second Circuit's decision below also promotes the important public policy "favoring the amicable resolution of trademark disputes without resort to the courts." *MWS Wire Indus., Inc. v. Calif. Fine Wire Co.*, 797 F.2d 799, 803 (9th Cir. 1986). Covenants not to sue should be encouraged by the court system "because they promote the amicable resolution of disputes and lighten the increasing load of litigation faced by courts." *D.R. v. E. Brunswick Bd. of Educ.*, 109 F.3d 896, 901 (3d Cir. 1997); *see, e.g., Jeff D. v. Andrus*, 899 F.2d 753, 759 (9th Cir. 1990).

Reversal of the Second Circuit's decision would tend to discourage the use of covenants not to sue because parties would know that the covenant would not succeed in ending the litigation. If covenants not to sue are thus discouraged, it would have the inevitable effect of prolonging trademark infringement actions, which would increase the burden on an already strained federal court system. Such a result would also create a perverse incentive

of encouraging declaratory judgment plaintiffs to bring weak cancellation claims in order to get added leverage in settlement negotiations. And, all of this would have to be worked out in the federal courts, rather than before the T.T.A.B., the latter of which has been tasked by Congress as the principal arbiter of cancellation actions in the first instance.

Against these compelling policy reasons to affirm the Second Circuit's decision, Petitioner argues for reversal because, otherwise, it would allow the owner of an invalid trademark to bring an infringement action and then "unilaterally 'pull the plug' on the entire litigation while still maintaining the presumptively valid 'scarecrow' intellectual property right to assert anew ad infinitum." Pet. Br. 43 (citing *Cardinal Chem. Co.*, 508 U.S. at 96 ("the desire to avoid the threat of a 'scarecrow' patent . . . may therefore be sufficient to establish jurisdiction under the Declaratory Judgment Act"))).

Even if such speculative concerns were valid in some circumstances, there is no such threat on the facts of this case. Respondent's covenant not to sue ensures that its '905 Registration can have no "scarecrow" effect with respect to Petitioner. Petitioner is fully immunized against further action based on its current activities or any future similar activities. Petitioner has no reason to fear a lawsuit from Respondent based on its '905 Registration, and thus is no longer in a position to act as a counterclaimant in a federal court with respect to the cancellation of that trademark registration.

Moreover, to the extent that the owner of an invalid trademark attempts to abuse the federal

courts by repeatedly asserting infringement claims based on such an invalid mark, an opposing party can seek other remedies besides a cancellation counterclaim, including:

- Asking the court to award attorney's fees under the Lanham Act, 15 U.S.C. § 1117(a)(3).
- Asking the court to issue sanctions under Federal Rule of Civil Procedure 11 where the owner of the mark has asserted a baseless trademark infringement claim.
- Asking the court to exercise its inherent equitable powers to award attorney's fees and costs where claims have been brought in bad faith.
- Bringing an action for traditional torts such as malicious prosecution, abuse of process, and unfair competition. *See* 6 McCarthy § 31:101.

In addition to these remedies, a trademark owner who grants a broad covenant not to sue after asserting a frivolous infringement claim runs the risk that other potential defendants would later use that covenant against it, i.e., argue that the trademark owner had abandoned its rights in—or failed to police—its trademark. Accordingly, there is ample protection for potential trademark infringement defendants that obviates the concern

that owners of invalid trademarks will pursue frivolous claims.

CONCLUSION

INTA submits that, where the threat of trademark infringement claims no longer exists because a trademark owner has determined that its claims are no longer viable and has covenanted not to sue the defendant, the defendant's counterclaims for invalidity and trademark cancellation are no longer viable claims before the federal district court. If Petitioner wishes to pursue cancellation of Respondent's trademark, it should be required to use the well established and far more appropriate administrative process at the T.T.A.B. to resolve its cancellation concerns precisely as Congress intended.

Respectfully submitted,

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