IN THE SUPREME COURT OF THE UNITED STATES

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ALREADY, LLC, DBA YUMS, :

Petitioner : No. 11-982

v. :

NIKE, INC. :

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Washington, D.C.

Wednesday, November 7, 2012

The above-entitled matter came on for oral argument before the Supreme Court of the United States at 10:04 a.m.

APPEARANCES:

JAMES W. DABNEY, ESQ., New York, New York; on behalf of Petitioner.

GINGER D. ANDERS, ESQ., Assistant to the Solicitor General, Department of Justice, Washington, D.C.; for United States, as amicus curiae, supporting vacatur and remand.

THOMAS C. GOLDSTEIN, ESQ., Washington, D.C.; on behalf of Respondent.

C O N T E N T S

P R O C E E D I N G S

(10:04 a.m.)

CHIEF JUSTICE ROBERTS: We'll hear argument first today in Case 11-982, Already, LLC, d/b/a YUMS v. Nike.

Mr. Dabney.

ORAL ARGUMENT OF JAMES W. DABNEY

ON BEHALF OF THE PETITIONER

MR. DABNEY: Mr. Chief Justice, and may it please the Court:

The Article III question in this case turns on resolution of two issues: First, whether loss of freedom to operate on the part of a direct competitor qualifies as Article III injury in fact; and, second, what party bears the burden of proof of facts that are contended by it to render a claim moot.

The counterclaim in this case seeks to extinguish a source of cost, risk, and official restraint on what footwear products the Petitioner can and cannot legally sell. These are classic forms of injury in fact.

On the burden of proof point, the proponent of a factual contention always bears the burden of proving this, and this is especially true when the question arises in the context of a claim that a

voluntary act has allegedly ousted a Federal court of jurisdiction.

Mootness doctrine protects a party seeking relief from the kind of evasive maneuvering that's happened in this case.

JUSTICE KENNEDY: If -- if I were to write an -- an opinion indicating that there's a chill here because distributors and retailers will see that there's been this suit against the -- your client and they will be reluctant to distribute, would there -- would I just make that up? Or is there something I can read to find out -- to find that out, or --

MR. DABNEY: Injury in fact is a question of fact, and injury in fact is based on evidence.

JUSTICE KENNEDY: Well, the -- the evidence here was that they did need investors, and investors were reluctant.

MR. DABNEY: That's correct.

JUSTICE KENNEDY: It wasn't specific evidence, but then I -- anything besides that?

MR. DABNEY: There are three forms of injury in this case. The first is that the Petitioner's cost of operation is increased because the disputed claim was not expunged. When the Petitioner designs and sells new products, it has to go through an incredibly costly

process to determine whether or not its next line of shoes might give rise to a plausible claim --

JUSTICE KENNEDY: Okay. Is that -- is that in the record?

MR. DABNEY: It certainly is. The Petitioner says, through its president, on page 173 of the Joint Appendix, that he's engaged in new -- development of new shoe lines, which by definition are outside the scope of the covenant document.

JUSTICE KENNEDY: When you said it's incredibly costly to do this and so forth, is that in the record?

MR. DABNEY: That specific statement is not in the record.

JUSTICE KENNEDY: I mean, it makes sense, but I -- I'm a little reluctant to take judicial notice of the shoe business. I mean --

MR. DABNEY: Your Honor, I'm glad you brought that up because, under the mootness doctrine, the burden of proof on that and every other fact relevant to mootness fell on the Respondent. Under this Court's precedents, the Respondent in this case, in order to oust the district court of jurisdiction, had to show two things to a high degree of probability. The first thing the Respondent had to show is that it was

absolutely clear that the Petitioner could not reasonably be expected --

JUSTICE BREYER: You're right, that's the standard. And so you said that -- I mean, I feel perhaps more calmly about this than I might feel is warranted, but the -- the question is, is there anything here that you -- so you said, by definition, we're going to produce some new shoes, which new shoes are not -- do not have the appearance of any current and/or previous footwear product designs and any colorable imitations thereof.

So I would like you to refer me to the record where your president of your client or somebody else says, we are intending to produce some new shoes that fall outside that definition, and of course, I will look at that, because your opponent says we can find no reasonable likelihood that they are going to produce anything or they have any present intent of showing -- of producing something that falls outside that definition.

But now, you just said, oh, no, we're definitely going to. So just refer me to those pages in the record that shows that because, of course, you win, if that's true.

MR. DABNEY: Page 173A of the record, of the

Joint Appendix, states that, "The Petitioner is" intending -- "is regularly engaged in the design of new footwear."

JUSTICE BREYER: Yes, but that isn't the point. The point is, is the new footwear that you're designing footwear that is not -- does not have the appearance of any current or previous footwear product designs or any colorable imitation thereof? And so to say you are in the business of producing new footwear, at least, to me, suggests nothing because the question is what the footwear looks like, not that you're producing new footwear.

MR. DABNEY: Your Honor, in the real world, a business competitor --

JUSTICE BREYER: No, I'm not interested in the real world. I am interested in the record.

MR. DABNEY: The record does not show that the Petitioner lacks any concrete interest in entering the line of commerce that --

JUSTICE BREYER: And does it show anything at all in respect that would support the claim that you are going to produce new footwear that doesn't either resemble, nor is a colorable imitation of anything that you have previously produced or is the subject of the case?

MR. DABNEY: Your Honor, what the record shows -- and it is what it is -- is that the petitioner is actively engaged in designing and bringing out new footwear products and --

JUSTICE BREYER: Period?

MR. DABNEY: Period.

JUSTICE BREYER: Okay. So I take it that this case really boils down to should you have -- should they have or you both have another chance to say what the new footwear will be -- look like under a new standard, or is there enough here already to say, well, really, the judges could conclude that there is no real likelihood that you're going to produce something that won't look like what's already been produced.

MR. DABNEY: We would respectfully submit that, when you apply the mootness doctrine, since we're not talking about picking a fight here, we're talking about someone who was sued once -- once bitten, twice shy -- that when someone has been sued for alleged infringement has asked for a judgment that would eliminate any need to think about whether or not a new shoe will attract --

JUSTICE SCALIA: Yes, and I assume that was your point, that you shouldn't be put through the trouble of figuring out whether the new shoes that you

produce are close enough to the old one to be covered or are not. You're at risk --

MR. DABNEY: Exactly.

JUSTICE SCALIA: -- right?

MR. DABNEY: Exactly.

JUSTICE KENNEDY: And I would think that you would add this as well, that, for a competitor to demand that the other competitor tell its plans, its marketing, is, to say the least, patronizing, and -- and probably quite injurious, in and of itself.

MR. DABNEY: That would itself be --

JUSTICE KENNEDY: But, again, there's -- do I just know that because I'm a judge? Or is there someplace I can look for that?

MR. DABNEY: The law is that, as I stand here today, the government has registered a claim that the Petitioner is duty-bound not to bring out the shoe shown in the registration, number one, which according to the Respondent is one of the best-selling, most profitable shoe styles of all time; and also, as I stand here today, the law is that Petitioner is at risk if it brings out a shoe that is going to be giving rise to a plausible claim --

JUSTICE GINSBURG: But, Mr. Dabney, are you saying that this device of the unilateral covenant is no

good, unless it says that you will never be sued for any shoe that you ever produce? Is -- are you saying that the covenant is no good or that this covenant is deficient?

MR. DABNEY: I'm saying that the Respondent bore the burden of proving that the covenant completely and irrevocably eradicated all of that.

JUSTICE GINSBURG: So -- if -- if you are uneasy about the covenant as it exists, why didn't you say, judge, this covenant doesn't give us adequate protection, it should be amended, and then say what you think you need to be adequately covered?

MR. DABNEY: Because the Petitioner asks for judgment in accordance with law, and it would prefer not to be the involuntary licensee of the Respondent that sued it.

JUSTICE SOTOMAYOR: Well, does that mean that, if they gave you a covenant that said, vis-à-vis your company, our trademark, the form of this shoe, is invalid, we won't sue you for anything, either an exact duplicate or any colorable imitation thereof with respect to this design; would that be enough for you?

MR. DABNEY: Your Honor, again --

JUSTICE SOTOMAYOR: I know you want to help everybody else --

MR. DABNEY: Not -- no --
JUDGE SOTOMAYOR: -- but why wouldn't that be --
MR. DABNEY: That's -- that's not actually right. The reason why -- 70 years ago, Learned Hand created the metaphor, "the scarecrow patent." And the reason scarecrows are effective is not because they are likely to climb down from the pole, but because, from a distance and being looked at quickly, the way people in the marketplace have to react to official government records of claims, they're deceptive. So --
CHIEF JUSTICE ROBERTS: You get a lot of what this extra stuff -- you know, that you say, well, even if this is all right, they're not going to sue me for that, there's all the collateral damage. You get a significant amount of that by the covenant not to sue. Nike can't go around giving out these covenants left and right because, if they do, they will undermine their own trademark.
MR. DABNEY: Your Honor, the -- the covenant actually reasserts the allegation that these shoes infringe. The covenant does nothing more than purport to waive --
CHIEF JUSTICE ROBERTS: Where does it -- where does it do that?

MR. DABNEY: It says it right on the -- on page -- I believe it is 96 of -- of the record, where it says, in the second whereas, "the actions complained of no longer infringe or dilute at a level sufficient to warrant the substantial time and expense." I mean, it libels --

CHIEF JUSTICE ROBERTS: Okay. So if you take -- if that were taken out, is your case the same or not?

MR. DABNEY: There would be one small little less bit of injury in this case. That's --

CHIEF JUSTICE ROBERTS: Well, I guess maybe this is the same question Justice Ginsburg was asking. You're -- you're a lawyer in this area. You want to write a covenant that will satisfy the fellow on the other side, but what does it say? Can you do that? Or do you have to say, the only way this case can be rendered moot is if the trademark is totally invalidated?

MR. DABNEY: When someone seeks --

CHIEF JUSTICE ROBERTS: No, no, that's kind of a yes or no answer. Can you write a covenant that says something other than the trademark is totally invalidated?

MR. DABNEY: No.

CHIEF JUSTICE ROBERTS: No.
JUSTICE SOTOMAYOR: So --
JUSTICE KAGAN: But why?
JUSTICE SOTOMAYOR: -- what you're saying is you --
CHIEF JUSTICE ROBERTS: So you're saying that, in this case, there's no way -- I mean, I thought it was a practice that was not unprecedented for parties to grant covenants of this sort. You're saying this is unheard of, nobody -- nobody can do this?
MR. DABNEY: The practice in this case dates to 1995. This is a totally recent, controversial practice that has never been embraced by this Court at all. In fact, it was articulated in a case two years after --
JUSTICE KAGAN: But that's not the question, Mr. Dabney. The question is: Is there any covenant that exists in the world that would make you feel secure? And I suppose I'm having a little bit of difficulty with the answer, with an answer that says, no, there is no covenant that you can write that would make us feel secure.
MR. DABNEY: The -- the reason is, Your Honor, that the registration causes informational injury. And what the Respondent is trying to do is to

hang on to government action that disadvantages its competitor, while --

JUSTICE SOTOMAYOR: But I don't know why -- my solution was that they would give you a covenant that I suggested as a possibility that would say, vis-à-vis you, you can imitate, counterfeit, use this design, only vis-à-vis you. Why doesn't that protect you fully? Because what they're saying to you is, copy the design if you want, so long as you're not using another trademark. But that's not the issue. The issue is whether you're infringing this design.

MR. DABNEY: The question the trademark practitioners get asked every day is whether something is available. And so long as that question is asked, a covenant that's in the file of a company is not going to prevent deception and confusion of people who look and say, oh, this is a protected design.

JUSTICE GINSBURG: Mr. Dabney, that's a different answer than the one you gave me when I asked the same question. You said because we don't want to be an involuntary licensee of Nike.

MR. DABNEY: That is a second form of injury that we have now, as Justice Scalia pointed out. Right now, we cannot just ignore the claim and bring out either this -- a YUMS version --

JUSTICE GINSBURG: But can you -- can you just explain to me -- you've given a name to this carte blanche that -- that Nike would give you. What is the significance of your being an involuntary licensee? It's not something that -- that you wear as a brand. I mean --

MR. DABNEY: What we've substituted is instead of getting a judgment in accordance with law that expunges the allegedly invalid government-registered claim of right to exclude competition and sale of goods in favor of the chance to litigate with our arch rival to see whether they will prove --

JUSTICE GINSBURG: Then you're going back to saying the covenant -- no covenant is any good.

MR. DABNEY: A covenant that leaves the covenantor in possession of the unreviewed government benefit that it got --

JUSTICE BREYER: But that look -- I mean, maybe you could suggest to me that I -- that we should change what the law has been or not follow it here, but where I'm taking the law from is Friends of the Earth.

MR. DABNEY: Yes.

JUSTICE BREYER: And in Friends of the Earth, it says a defendant -- namely Nike -- claiming

its voluntary compliance moots a case, and what they're claiming is that this -- a covenant moots the case, moots the case, the covenant they gave, there's the formidable burden -- you know, it's formidable, you're quite right -- of showing it is absolutely clear, correct, that the allegedly wrongful behavior, namely, their suing, but their suing in respect to this kind of shoe, could not reasonably be expected to recur.

And they say, since we promised in an enforceable promise not to repeat this behavior ever -- 100 years, how could it be expected reasonably to recur? How could our behavior, namely suing for infringement in respect to a shoe like this, be reasonably expected to recur, given our covenant? And your response to that is?

MR. DABNEY: The claim the counterclaim seeks to extinguish is not simply the particular rights of action that they have covenanted not to exert. The claim that is sought to be extinguished is the much broader government-registered claim of right to exclude competition in the sale of shoes that embody that design.

CHIEF JUSTICE ROBERTS: Mr. Dabney --

MR. DABNEY: Yes.

CHIEF JUSTICE ROBERTS: -- if you had the --

the various interests that you're asserting now -- we're not talking about mootness, but we're talking about Article III standing.

MR. DABNEY: Yes.

CHIEF JUSTICE ROBERTS: I'm looking at what you're alleging, that you have plans to introduce particular shoes. People are considering investing in your company. Your opponent has intimidated retailers. If you brought a suit by yourself, is that sufficient to establish Article III standings? Are those the sort of concrete and tangible injuries that we've required?

MR. DABNEY: I would say we have very distinct and concrete and palpable injury in that --

CHIEF JUSTICE ROBERTS: Just because you plan to introduce a particular line of shoes, you can bring a lawsuit?

MR. DABNEY: No.

CHIEF JUSTICE ROBERTS: No. Okay. Just because people are considering investing -- somebody who came in and said, I've got this company, people are thinking of investing in it, and therefore, you want to proceed with your lawsuit?

MR. DABNEY: It is undeniable, by law, that the Petitioner's cost of operation -- the petitioner's Risk of operation is increased because of --

CHIEF JUSTICE ROBERTS: Well, that surely would not establish Article III standings. Everybody's cost of operation is increased whenever there's any trademark at all because you have to check and see whether it violates a trademark.

MR. DABNEY: Yes, but we're a direct competitor, which we say is currently subject to an unlawful restraint on our freedom to operate.

JUSTICE GINSBURG: Mr. Dabney, suppose there had been no infringement claim, could you have -- but you're in the shoe business and you're -- you're worried -- could you have brought a declaratory action or an action for an injunction to have the trademark declared invalid?

MR. DABNEY: When our shoes were launched, it obviously never even occurred to the petitioner that they could be deemed an infringement of any rights of this respondent. So the answer is we were not injured at that point. But now, that we've been sued -- once bitten, twice shy -- we now have been told by the respondent that it claims a far-reaching claim of right to exclude competition in the sale of goods.

JUSTICE GINSBURG: So you say you could not have brought a suit to -- to cancel?

MR. DABNEY: The three-part test of

injury-in-fact is universally applicable. So we did not allege -- and I don't believe we had injury-in-fact when our shoes were launched. So, no, of course, there would not have been a suit that could be brought at that time. But since we're in a mootness case and we've been sued and we've been told and have all these defamatory allegations about and dragged our company's name through the mud, the situation is different, as Your Honor has said.

JUSTICE KAGAN: But if that's the case -- if the difference is that you've been sued, then it should be adequate protection, if you know that you won't be sued again. And that's why there's the question of what kind of covenant would give you adequate protection that you won't be sued again?

MR. DABNEY: If the -- as I said before, if the only injury we were complaining about and trying to extinguish was the injury that flows from being sued again by this Respondent, then I suppose you could -- you could conceive of a covenant that would extinguish that injury.

But in trademark registration practice, it has been routinely heard by Federal courts -- we cite two on page 8 of our reply brief -- that the kind of injury that Petitioner is complaining about in this case

has been heard and adjudicated by Federal courts for decades. We cite two cases, 85 years apart. It is --

JUSTICE GINSBURG: But, Mr. Dabney, you told me that you could not bring such an independent suit, you have to be stung once. So you can bring it as a counterclaim, as you did here, once there's an infringement suit, but you -- you did say that you could not just walk into court and say, I want an injunction invalidating the trademark.

MR. DABNEY: Well, let me clarify. The Petitioner totally agrees there has to be injury in fact in all cases. And so my answer to your question in this hypothetical question is we would have to allege adequate injury. And the -- the Chief Justice suggested that increased cost of capital might or might not qualify for injury in the -- in the initial standing case where --

CHIEF JUSTICE ROBERTS: No, I suggested it might not.

MR. DABNEY: Might not. That's right.

(Laughter.)

MR. DABNEY: So we have increased cost of capital, increased costs of -- of design. And, of course, we have the legal burden and duty to refrain from making shoes now that would give rise to a

plausible claim on the part of the Respondent.

If there are no further questions, I would like to reserve the rest of my time.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Ms. Anders.

ORAL ARGUMENT OF GINGER D. ANDERS,

FOR UNITED STATES, AS AMICUS CURIAE,

SUPPORTING VACATUR AND REMAND

MS. ANDERS: Mr. Chief Justice, and may it please the Court:

A trademark holder can moot a declaratory judgment action seeking to invalidate a trademark by offering the plaintiff a sufficiently broad covenant not to sue. Whether the covenant eliminates the controversy between the parties should be analyzed under the voluntary cessation doctrine.

The analysis that the government is proposing is both a way of determining whether the covenant has eliminated any concrete dispute between the parties and also a framework for the parties to use to negotiate the appropriate scope of the covenant.

JUSTICE SOTOMAYOR: Ms. Anders, what -- there is a question about why a competitor should have to produce to its competition its future plans of development. I mean, the marketplace, especially in

fashion, importantly, likes to keep quiet what it's doing because what -- it doesn't want other imitators to beat it to the punch.

So given that interest, why isn't their claim that they're being inhibited because of the requirement to produce their products -- or their intended products -- enough to establish injury in this case?

MS. ANDERS: Well, once the -- once the defendant offers the covenant, then the question becomes whether there is anything that the plaintiff is intending to do, its current activities or its -- its concrete plans for anticipated activities that would fall outside the covenant and potentially be infringing. Because if those activities exist, then the covenant has not --

JUSTICE SOTOMAYOR: Well, then what did --

JUSTICE KENNEDY: Could we say there is just a presumption, that, if you're in the business, that you probably are interested in future design, period?

MS. ANDERS: I don't think that -- I don't think that presumption would establish a concrete interest. The question here is whether --

JUSTICE KENNEDY: Wouldn't establish a --

MS. ANDERS: It would not establish that the

plaintiff has a concrete interest. The question is whether the dispute between the parties is reasonably likely to recur. And if the plaintiff cannot point to anything that it's currently doing or that it's planning to do --

JUSTICE SOTOMAYOR: I read this affidavit as saying, we're in the shoe industry, we're going to make new shoes regularly, we want to copy their shoe, we don't think it's protected by trademark, we want to copy it -- they don't say -- and that's something on rebuttal that maybe Petitioner will explain -- that we want to copy it exactly. But what they're saying is, we want to copy it because it's a free form. That's really what I read their affidavit as saying.

So if -- why do they have to actually -- do they have to produce their design to prove they're doing that?

MS. ANDERS: I think what they have to do is they have to state that they intend to make products that may be outside the covenant. And now --

JUSTICE SOTOMAYOR: But saying it is enough? That's what I thought their affidavit said, and I thought the court below said, no, you've got to show us the product.

MS. ANDERS: I think the -- the affidavit

says that they intend to produce new shoes as a general matter. It doesn't tell us what those shoes may be, whether they -- it doesn't give us a way of knowing whether they might fall outside the covenant.

And I --

JUSTICE SOTOMAYOR: Please, now go back to my question. Is it enough to just say it? Or do they have to produce the designs, so that the Court and Nike can decide -- it is Nike, right? -- the Court and Nike can decide whether the shoe is a colorable imitation or an exact copy.

MS. ANDERS: I think that could depend on the breadth of the covenant. I think, in some cases, for instance, if the covenant doesn't cover any future products, it may be enough for the plaintiff to credibly allege, we intend to make future products that aren't covered.

JUSTICE SOTOMAYOR: I agree with you.

MS. ANDERS: So I also think that it may depend -- the less far along a party's plans are to make its shoes, the easier it will be for the defendant to say, it is speculative that your plans will actually mature into something that doesn't --

JUSTICE KAGAN: Well, Ms. Anders, take this case, where Already says -- you know, we're not really

going to say anything particular. We're just going to say that we're in the business of making shoes, and we might make a shoe. Would that -- would that -- that would not be enough under your standard; is that correct?

MS. ANDERS: I think that's right. I think if the parties went back on remand in this case -- and we do think there should be a remand here -- but if the parties went back and we had the exact same facts, and Nike said that anything that was a colorable imitation of Already's shoes was covered by the covenant, and Already came back and said, just generally, we're making new shoes, I think, in that situation, it would be relatively easy for Nike to show that the possibility that Already would be impacted by the covenant -- or impacted by the trademark, I'm sorry -- would be speculative.

So that --

JUSTICE KAGAN: Given what Already has said in this case, why is it that you think that we should remand? I mean, it sounds as though we're remanding for no purpose, given what Already has said throughout the course of the litigation and, indeed, in this Court today.

MS. ANDERS: I think there are two reasons.

The first is that, when this Court establishes a new standard, it often -- it traditionally will remand to allow the courts -- the lower courts to apply that standard in the first instance.

And the second is that there was some uncertainty about what the covenant meant below. So Nike represented that the covenant covered the existing shoes, and Already said, in its motion to dismiss briefing, that it thought that the covenant did not --

JUSTICE KENNEDY: But its future -- its future shoes are clearly -- and I thought the counsel for the Petitioner might have -- might have added this in his answer to Justice Sotomayor, that its future shoes are not covered by this. And the -- if -- if Nike has the heavy burden of proof, can it have discovery and take depositions on what their plans are, what their marketing plans are, what designs they're thinking about?

MS. ANDERS: I think that would be one way for Nike to try to establish that -- that the dispute is not reasonably likely to recur. It could get discovery into --

JUSTICE KENNEDY: So then -- so then the covenant not to sue gives Nike an advantage that no other manufacturer has.

MS. ANDERS: I don't think it does give the --

JUSTICE KENNEDY: Do you mean any manufacturer without -- without any litigation can ask Already, well, tell us your plans, what shoes are you thinking about?

MS. ANDERS: Well, once Already produces -- once Already identifies what its future activities may be -- and, again --

JUSTICE KENNEDY: But why should Already have to do that to anybody?

MS. ANDERS: Well, we think it makes sense for Already to have to -- have to at least identify here what activities it thinks may not be outside the covenant. And I don't think that hurts Already, and the reason is that if -- if Already's evidence convinces the court that the case isn't moot, then Already gets its adjudication on the related --

JUSTICE KENNEDY: So Nike has an advantage over Already that no other manufacturers had. It can demand what its future plans are.

MS. ANDERS: Well, it will get -- the trademark will be -- will be adjudicated if -- if Already convinces the Court the action isn't --

JUSTICE KENNEDY: Let me just ask one

question on that, and it's a little bit off of what we've been talking about. You say, in your brief, well, now, don't worry, what you can do is you can go to the trademark -- the PTO board, and they'll -- they'll adjudicate this mark. And so -- you know, you can really go out of the courts and go to the administrators.

Suppose Already goes to the administrative agency and loses. Can it have judicial review? And is there -- is standing easier to show, once there has been an adverse action in the administrative office? Or are we right back where we started? So once you go to the agency and you try to appeal, the Court says, well, this is an Article III court, we need a case of controversy, and you're right back where we are now?

MS. ANDERS: Well, a couple of points on that. The first is that we are not proposing that the Court should dismiss discretionarily every action just because the TTAB exists and can adjudicate --

JUSTICE KENNEDY: That was a big part of your argument. You were telling us, oh, don't worry, you can always go to the patent level.

MS. ANDERS: What we're proposing here is that, as a function of the Court's broader discretion under the Declaratory Judgment Act and United States v.

W. T. Grant, is that when the Court believes that it probably does -- does have jurisdiction but it doesn't think that the likelihood of a dispute is -- is really that great, that in that situation, it can discretionarily dismiss.

So that would be a situation in which there is Article III --

JUSTICE KENNEDY: No. My -- my question is: Is the Article III requirement that Already has the same in this case as it would be if they sought judicial review from an adverse order of the administrative agency?

MS. ANDERS: The administrative agency's standing rules are broader than Article III, so it would -- it is easier to get --

JUSTICE KENNEDY: I'm talking about going to court.

MS. ANDERS: And so once it goes to court, there may be rare cases in which Already, as the party that lost, if it isn't injured in fact by the TTAB's decision itself, that it would not have the necessary Article III injury to seek judicial review. That hasn't -- to our knowledge, that has not occurred, but it is possible that that could happen because 15 U.S.C. 1064 makes the TTAB standing requirements broader than

in Article III.

JUSTICE GINSBURG: Ms. Anders, you did say, if I recall correctly, that Congress regarded the PTO as the preferred form for cancellation proceedings. The -- the statute sets up the PTO proceeding, but it also allows the claim to be brought in -- in court. So what -- what shows that Congress meant these claims to be -- to go to the agency in preference to the court?

MS. ANDERS: Well, I think Congress didn't set it up as an exhaustion requirement, so I don't think it's preferred for all of these claims to go to the TTAB. But the TTAB is the expert body that -- that adjudicates cancellation of validity issues all the time. So we think there could be circumstances in which it would be particularly appropriate for a district court to consider the existence of the TTAB proceeding.

For instance, if there's a related proceeding pending before the TTAB or there's a concurrent proceeding, something like that, we think it would make sense for the district court in considering whether to dismiss the action to take that into account.

CHIEF JUSTICE ROBERTS: I thought your answer to Justice Kennedy's question might be that the -- an adverse decision from the agency covering you is an additional injury in fact that gives you Article

III standing, unless the -- unless the basis for the agency's decision is you don't have any injury.

MS. ANDERS: I think there could be some circumstances in which the TTAB's decision would create injury in fact if it said something about the scope of the trademark, something like that. So there could be situations in which 1071 would then allow the losing party to get judicial review.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Mr. Goldstein.

ORAL ARGUMENT OF THOMAS C. GOLDSTEIN

ON BEHALF OF THE RESPONDENT

MR. GOLDSTEIN: Mr. Chief Justice, thank you very much, may it please the Court:

You will want to have available to you the cert petition and the small volume of the Joint Appendix.

In our submission, the Court needs to adopt a rule that has balance to it, and that is there -- it has to be possible to resolve one of these cases through a covenant not to sue of appropriate breadth, but it also has to be the case that a covenant not to sue can't just always eliminate the other side's injury. And so it's going to depend on the covenant and it's going to depend on what the other side says about its plans.

And our point in this case is that you should adopt the following rule: And that is, if you have a covenant not to sue and it covers everything that the other side alleges an intent to produce, then there is no more injury. If it doesn't cover that, then there may well be injury.

And our point --

JUSTICE SOTOMAYOR: How do you deal with the point that's been discussed with your adversary, they have to show you everything they intend to produce? What entitles you to that showing?

MR. GOLDSTEIN: Absolutely. So one thing that's very important to recognize -- two things about trademark practice. First is that, in all of these cases -- remember, most of the time the question of trademark or patent validity will just be a suit for invalidity. It might be a counterclaim. This happens all the time.

And in all of these cases, including this case, there is a protective order, and there is one in this case. And the protective order says that a party can designate its material, so that it's lawyers' eyes only, and so that no businessperson from the other side is entitled to see it.

So that, Justice Kennedy, with respect, it's

actually not true that this is an unusual situation or that we would get some special advantage.

In every single patent or trademark invalidity case, after this Court's decision in MedImmune, the party alleging invalidity, in order to show its standing, has to say, we intend to make a product that is regarded as potentially infringing.

JUSTICE SOTOMAYOR: What if they simply said --

MR. GOLDSTEIN: Yes.

JUSTICE SOTOMAYOR: -- you have the trademark, we think it's invalid, we want to copy your shoe? We want to copy just the form of your shoe because that's what the trademark involves.

MR. GOLDSTEIN: Yes.

JUSTICE SOTOMAYOR: And once we have the invalidity, that's what we're going to do.

MR. GOLDSTEIN: Yes.

JUSTICE SOTOMAYOR: Would that be enough of a showing? We don't have plans right now because your trademark stopped us from having the plans, but the minute your trademark is -- isn't validated, for sure, we're going to do it because it's going to mean great sales if we put our name on it, rather than your name.

MR. GOLDSTEIN: Yes. The answer to your

question is going to be yes, but it has two parts to it. The first is -- because I really want to focus on precisely what you said. You said first, what did they simply say?

Now, if they were to simply say it, there could be a factual inquiry into whether they're telling the truth or not. We could debate -- we could have a fight about the actual evidence. But let's assume they could prove it, and that is, the district judge was told by Already, or whatever other competitor, we want to make a counterfeit.

In that case, unquestionably -- unquestionably -- there would be a continuing Article III injury. And let's then go to your understanding of what the declaration in this case actually says.

So, first, let me start with how the case came to you, and that is the court of appeals, what it understood the record -- and the district court understood the record to be, and that is going to be in the petition appendix at page --

JUSTICE GINSBURG: Mr. Goldstein, how the case came to us -- how this case originated was a counterclaim.

MR. GOLDSTEIN: Yes.

JUSTICE GINSBURG: And at the time the

counterclaim was asserted, there was certainly Article III jurisdiction over the counterclaim, right?

MR. GOLDSTEIN: That's absolutely right. And we accept, for present purposes, that there is going to be a reduced requirement under the voluntary cessation doctrine. We briefed why we don't think that's true, but I assume, for the purposes of these answers, that the Court is going to apply the heightened burden on us to show that the case is over.

And we believe that we showed beyond peradventure -- that we really resolved this case, when we didn't just dismiss our claim with prejudice, but we affirmatively granted them a covenant not to sue that covered not only their existing products. But, Justice Kennedy, their future products -- and I'm glad to take you to the language of the covenant -- because they are the colorable imitations of their current products.

JUSTICE KAGAN: Do you that this covenant covers an exact copy of your shoe?

MR. GOLDSTEIN: It does not. And if the other side had said, in the district court, we have an intention -- and this is Justice Sotomayor's point -- we have an intention, we have a desire to make a copy of your shoe, then there would be a case or controversy. And it's in --

JUSTICE KENNEDY: Is -- is -- is the Petitioner -- do you anticipate that the Petitioner will agree with you, that this covers future products?

MR. GOLDSTEIN: Yes, because although the cert petition says that it doesn't, we have quite stridently pointed out, in our briefing, that that was completely inaccurate. And I'll just -- let's go to the covenant. I don't think this is really that hard or that controversial.

So if we go to the Joint Appendix, at pages 96 to 97, and so -- and -- and I remind you that the -- the question presented is -- is exactly what you're saying, Justice Kennedy. I'll read it, so you don't have to turn back to the cert petition.

And its premise was that the registrant promises not to assert its mark against the party's then existing commercial activities. So now, I'm in the covenant itself, on page 97A, and this is what we promised not to sue them about.

We have -- we have promised not to sue them, and I'm five lines down from the top, on account of any possible action based on or involving trademark infringement, unfair competition or dilution, under state or Federal law, based on the appearance of Already's current -- okay, that's not future -- or

previous footwear product designs and any colorable imitations. And that's what -- and that's what --

JUSTICE SOTOMAYOR: The colorful imitations -- colorable --

MR. GOLDSTEIN: Colorable.

JUSTICE SOTOMAYOR: The colorable imitations are colorable imitations of their shoe?

MR. GOLDSTEIN: That's exactly right.

JUSTICE SOTOMAYOR: You haven't promised to not sue them over colorable imitations of your shoe?

MR. GOLDSTEIN: That are not colorable imitations of --

JUSTICE KENNEDY: But you have two categories. You have current and previous, as to which the covenant runs to everything. Then you have what you say is future, and that has to be a colorable imitation.

MR. GOLDSTEIN: That's exactly right.

JUSTICE KENNEDY: So it -- so it -- so it does cover some future designs. And they're correct about that, and you're incorrect.

MR. GOLDSTEIN: Justice Kennedy, I -- I may have confused things. This is the situation with the covenant: Our covenant not to sue covers everything they have made in the past, everything they were making at the time and every future product of theirs that is a

colorable imitation.

Our point is not that it covers every future shoe of theirs. We're on the same page in that respect. You are absolutely right, Justice Kennedy, that there are shoes that they could make in the future that would not be covered by the covenant. There could be an injury about that.

And so my point about the record in the case and how the case was developed and how we might have modified the covenant, if they had told us anything, suggesting -- suggested anything outside the covenant they might want to make, is let's look at what they actually told the district court and the court of appeals about what their intentions were.

JUSTICE GINSBURG: So it's -- so it's a question of -- of deficiency in their pleading. Suppose they amended that counterclaim and said, as soon as we are able, we want to do a counterfeit.

MR. GOLDSTEIN: Yes. It is not a deficiency in the pleading. It's a deficiency in the proof. So my point about this -- it's very important for the Court to understand that this case was not dismissed just on the pleadings. It wasn't just an insufficiency in their allegation.

And they said, well, actually, we have more

that we want to say, because we actually can explain to the courts that we want to make other shoes.

The case was decided on a fully developed record. We moved to dismiss. They submitted five declarations in response that described their intentions precisely.

JUSTICE KAGAN: But suppose in a different hypothetical case, they had said, what we want to do is to copy Nike's shoe --

MR. GOLDSTEIN: Yes.

JUSTICE KAGAN: -- what then should have happened then, in your view?

MR. GOLDSTEIN: Okay. So I do -- I would love to return to what actually happened. But in that hypothetical, what would happen is that our motion to dismiss would be denied, unless and until we could prove that what they were saying wasn't true because it is absolutely the case -- and it is a strong point in our favor -- that you can't evade an attempt to invalidate your trademark through a covenant not to sue because you can't give a covenant not to sue over a counterfeit because you are in real risk of being deemed to have abandoned the mark because you're just --

JUSTICE GINSBURG: Why? Why? I know you said that in your brief, but if you give it -- yes, if

you -- if you say the -- the whole world can copy it, but this covenant would give it to only one manufacturer.

MR. GOLDSTEIN: That's correct.

JUSTICE GINSBURG: So why would you abandon -- why would giving a covenant to Already amount to abandonment of your mark?

MR. GOLDSTEIN: Okay. It is not a settled question in the law. There is no case that has considered this question. What a party claiming abandonment would say is that we would have licensed Already then to increase its production and its distribution.

But even if one didn't agree with that, Justice Ginsburg, my point would be this: And that is you can't continually evade an attempt to invalidate your mark because, certainly, the agree -- we would agree that if you give a second one of these things out or the third one, you would be abandoning the mark. I have some actual facts for you about this, and that --

JUSTICE BREYER: What is it -- I would like to know. I mean, I assume you ask them, do you have any current or future plan to produce a shoe that would violate our mark --

MR. GOLDSTEIN: Yes.

JUSTICE BREYER: -- or that might -- which does not look at all like the present -- your present shoe, and isn't even colorably like your present shoe, do you have a plan to do such a thing, are you in the process, is it likely?

And they say, no, it's not likely. That's the end of it. They're just as if they manufactured cell phones.

MR. GOLDSTEIN: Yes.

JUSTICE BREYER: But if they were to say -- you know, we make new shoes all the time.

MR. GOLDSTEIN: Yes.

JUSTICE BREYER: And this is some kind of thing we might well consider, and we have people working on it; and they are considering whether to do it or not, it's well in the works -- they win. Okay?

What did they say?

MR. GOLDSTEIN: Page 173 of the Joint Appendix. They had every opportunity to describe exactly what you wanted to know about, Justice Breyer. We moved to dismiss the case --

JUSTICE SOTOMAYOR: I'm making this as simple as I can.

MR. GOLDSTEIN: Okay.

JUSTICE SOTOMAYOR: I'm a shoe manufacturer.

I want to make new designs, and I want to be free to make the designs that I want.

MR. GOLDSTEIN: Yes.

JUSTICE SOTOMAYOR: If this mark isn't validated --

MR. GOLDSTEIN: Yes.

JUSTICE SOTOMAYOR: -- I intend to copy as much of it as I can.

MR. GOLDSTEIN: Sure.

JUSTICE SOTOMAYOR: I don't have any records of doing the planning because the trademark was there.

MR. GOLDSTEIN: Sure.

JUSTICE SOTOMAYOR: But, for sure, given my current shoe --

MR. GOLDSTEIN: Yes.

JUSTICE SOTOMAYOR: -- and the fact that they thought I imitated them --

MR. GOLDSTEIN: Yes.

JUSTICE SOTOMAYOR: -- meaning, you --

MR. GOLDSTEIN: Yes.

JUSTICE SOTOMAYOR: -- you invalidate the mark, I'm going to copy as much of it as I can.

MR. GOLDSTEIN: Yes.

JUSTICE SOTOMAYOR: Would that be enough?

MR. GOLDSTEIN: Yes.

JUSTICE SOTOMAYOR: In your mind, you're saying --

MR. GOLDSTEIN: Yes, that would be fine.

JUSTICE SOTOMAYOR: You could do discovery then?

MR. GOLDSTEIN: Yes. And, Justice Sotomayor --

JUSTICE SOTOMAYOR: And the discovery is going to show what?

MR. GOLDSTEIN: Well --

JUSTICE SOTOMAYOR: The president comes in and says exactly what I said. There are no plans --

MR. GOLDSTEIN: They're going to win. They're going to win, Justice Sotomayor. And so for your vote, I am resting my entire case on the fact that you're understanding that this is what their affidavit suggests that's just not right.

CHIEF JUSTICE ROBERTS: Counsel, could you go back to Justice Breyer's question and answer that?

MR. GOLDSTEIN: Yes. Yes. So page 173 -- because there is a record here. You -- you don't have to hypothesize. This was all on the table in the district court. We said, they have no intention, no desire, no nothing, to make something that is not unambiguously covered by the covenant.

And Justice Ginsburg did point out, in passing, that if they said something to the contrary, we would have modified the covenant. So here's what they said -- and I -- it would take a lot of your time for me to read all seven paragraphs on page 173, but they don't --

JUSTICE SOTOMAYOR: Yes. You don't have to read to us.

MR. GOLDSTEIN: Okay. So these paragraphs do not say -- they do not suggest, they do not imply -- even between the lines -- an intention to make something that is outside the covenant. They just don't. And that's --

JUSTICE BREYER: What they say is that they changed this at the rate of a mile a minute -- you know, they have -- they have stuff they put out, and we have the YUMS and the Sweet -- whatever it is and the Jelly Bean and so forth, and we keep changing it.

And so I don't know. I mean, it doesn't seem clear, one way or the other. If it is -- if I come to that conclusion, is it the case -- I thought perhaps, in looking at this, that the line I quoted -- remember, which puts a lot of burden on you, from Friends of the Earth -- is not quoted in the district court, not quoted in the Court of Appeals, so perhaps the thing -- I think

the SG wants something like it.

MR. GOLDSTEIN: Yes.

JUSTICE BREYER: So you say, okay, this is the standard; it's tough for Nike to show this. You seem to have conducted this case without that standard quite in mind. It's tough for Nike, but they can do it -- you know, depending on the facts, and you have these protective orders, da, da, da, so send it back, use the right standard, and give Nike a chance and give them a chance, and that way, we --

JUSTICE SOTOMAYOR: I thought what they were arguing --

JUSTICE BREYER: What about that? I would like to know what the answer to that question is here.

MR. GOLDSTEIN: Okay. Do you want --

CHIEF JUSTICE ROBERTS: Answer Justice Breyer's question.

JUSTICE BREYER: Excellent.

MR. GOLDSTEIN: All right. Justice Breyer, so you've got a choice. You could let us win now, or you could say, well, maybe you will win on remand.

JUSTICE BREYER: Well, that's your opinion, that you will win on remand. Okay.

MR. GOLDSTEIN: Okay. Right.

(Laughter.)

MR. GOLDSTEIN: Right. And, Justice Breyer, I have two answers for you. Number one is going -- the first one is going to be about the facts of the case, and the second is just going to be jurisprudential. The first one is what more could one imagine in such an opinion that you would ask Nike to do on a remand?

JUSTICE BREYER: I would ask Nike, I suppose, Nike could say -- you know, I read the page 73 and you changed things at the rate of mile a minute, and we looked at YUMS and Jelly Bean, and they're sort of like our shoe, but we didn't think enough, but you did think enough, and are some of these changes that could happen at a mile a minute -- is there any reason to think -- you know, that they won't look really colorably even like what you just did, but nonetheless, is a pretty good point that they might infringe our -- our present trademark.

MR. GOLDSTEIN: Justice Breyer --

JUSTICE BREYER: That's a long question, I don't know if I'll get a good answer.

MR. GOLDSTEIN: Well, I hope you'll get a good answer. The -- my point is this, Justice Breyer: what you've just said on remand, what we would do is ask a question. We wouldn't try to prove and anything. My point is this: Already has told the district court, the

court of appeals, and this Court everything that it wants to say about its intentions.

It has had every opportunity in every court to have its lawyers simply say, Justice Sotomayor, this is not an accident. The reason they are not saying that they want to make a covenant of the -- a copy of the Air Force 1 is that they don't want to make a copy of the Air Force 1. There is no reason in the world to send this back to give -- ask Already, again, the question that has been asked in three separate courts.

I said I had a jurisprudential -- jurisprudential answer to you as well, and that is the case was presented to you as presenting a question of law, and that is, can you have a covenant not to sue that will end a case like this?

And if you tell the lower courts, we don't know, you are doing, I think, not as much of a service to the development of the law as you could. It is a much more sound approach, we think, to say Already had the chance to build its record --

JUSTICE GINSBURG: Mr. Goldstein, can you inform us of when this practice of the unilateral covenant in order to moot a -- a cancellation claim, when -- how long has it been around?

MR. GOLDSTEIN: It is still -- it has been

around for at least 20 years. It is still not very common for the very important reason that trademark owners know that, if they hand these things out, they are at risk of having their mark invalidated; and second, they know that it doesn't avoid a -- a determination of the validity of the mark because a party like Already can always go to the Federal agency, the TTAB.

So I said I have some actual facts. And the facts are these: Although Nike has a broad trademark portfolio, it has only, once in its history, issued a covenant not to sue. It is in this case.

JUSTICE KENNEDY: That's because it usually sues. Page -- page 114 of the Joint Appendix says, "Your Honor, over the past eight months, Nike has cleared out the worst offending infringers. Now, Already remains as one of the last few companies that was identified on that top ten list of infringers."

I mean, that -- that's your company's policy. That's your attorney, I take it.

MR. GOLDSTEIN: We -- Justice Kennedy, we do enforce our trademarks. You say we usually sue. I will tell you that we have filed six trade dress actions in the company's history.

Now, you had said, because I think it's the

other side's -- the impression the other side has given, that we are getting a special advantage over them. I think it's really important to recognize, for purposes of standing doctrine and mootness doctrine, that of all the shoe manufacturers in the country, the one that is least likely to be injured by this trademark -- there is only one.

And it is Already because they are the only company in the entire world that has a promise that's substantial not to be sued under this trademark. We are the one -- they are the ones that are least likely to come into conflict with Nike. Now, they --

JUSTICE KENNEDY: Well, but that's because you gave them the covenant after you sued them.

MR. GOLDSTEIN: Yes. Yes, that's right, but we did give them the covenant. That's my point. After the covenant -- we didn't merely withdraw the case. I have one other piece of fact.

JUSTICE SCALIA: What -- what -- what's the consideration -- I used to teach contract law. This is -- you know, you can just give a covenant like that?

MR. GOLDSTEIN: Yes, we're judicially estopped. It's not a contract. We are estopped, and they have -- the district court acted in reliance on it, construed it, and so we are bound by it. It's not a

contract.

I did have one other fact for you, because the other side has given you this impression that, once bitten, twice shy; that if you are sued once for a trademark -- they have a special fear that they're in the cross-hairs, that we're watching everything that they do. So when they made this argument --

JUSTICE KENNEDY: They are on the top ten list of infringers.

(Laughter.)

MR. GOLDSTEIN: Yes. They are on the top ten list of infringers. But after that -- after that they, and they alone, got a covenant not to be sued, under the -- they are the -- they are in the specially protected position, not a specially disadvantaged position.

I did, however -- when they made this argument in the reply brief -- tried to figure out if that is true. Is it actually the case that a person who is sued once has a legitimate worry that they will actually be sued again?

So you should lower the -- the mootness or standing bar still further. So we looked at every single trademark action between 2000 -- January 1, 2000, and December 31, 2004, all of them. There were 593.

And over the next eight years, we tried to figure out how many times did the plaintiff sue the defendant again. It happened six times, so --

JUSTICE BREYER: I see that. But I thought your response to Justice Kennedy was a different one. I liked it because it was that -- the concern that Nike can go and find out the competitor's plans is true, but it exists whenever a -- a -- a manufacturer brings a trademark infringement case because that manufacturer has to show he is now making the product; or, if not, he intends to. And if it's a question of intends to, then the defendant can go and look and see if that's true.

MR. GOLDSTEIN: Yes.

JUSTICE BREYER: And your response, I took it, to that was there are procedures that deal with that. They're called protective orders and so forth. Is that -- have I got that right with your argument?

MR. GOLDSTEIN: You could not -- you could not be more right.

JUSTICE BREYER: That's what your argument is, yes.

MR. GOLDSTEIN: It's also the truth that -- that it is what happens in every single patent and trademark invalidity case. If you believe that gives rise to Article III injury, then every party has standing to

challenge every competitor.

JUSTICE GINSBURG: Mr. Goldstein, what about Federal Rule 41(a)(2)? It says, if the defendant has pleaded a counterclaim -- and you have recognized that there was Article III jurisdiction over that counterclaim -- the case may be dismissed on the plaintiff's request over the defendant's objection, only if the counterclaim can remain pending for independent adjudication.

MR. GOLDSTEIN: Yes.

JUSTICE GINSBURG: So on the face of it, it seems that this -- that that rule fits this case to a T; that is, the -- plaintiff wants the case withdrawn, defendant objects, and the question is can the counterclaim remain pending for independent adjudication.

MR. GOLDSTEIN: Yes. I think the reason they did not pursue the Rule 41 argument in this Court and abandoned it is that it's completely understood that, if the party that's instituting the claim says I'm not going to pursue my case at all, there simply is no Article III jurisdiction. And so even without a Rule 41 dismissal, there is no case or controversy remaining in the case.

The district court -- the court of appeals

might also have said, when it's dealt with this issue on 8(a) and 9(a) of the petition appendix, that they actually acceded to the dismissal of our claims. They're happy to have our claims gone. And you can't say, we'll take the dismissal of the -- sorry -- the plaintiff's claim, but want to have the counterclaim remaining.

JUSTICE KENNEDY: You -- you referred, just in a fleeting way, to the fact that they can go to the PTO and to the board?

MR. GOLDSTEIN: Yes.

JUSTICE KENNEDY: What about my question, and I wasn't -- it was probably my fault --

MR. GOLDSTEIN: No, I understand --

JUSTICE KENNEDY: -- I didn't quite understand the government's petition. Is the standing burden any less after there is a -- an administrative adjudication and you go to court for judicial review?

MR. GOLDSTEIN: The Chief Justice suggested an argument that could be made. It is an argument that we disagree with. We've looked at the cases. We think that it's a point in their favor, Justice Kennedy, that, while you can go to the TTAB, they wouldn't be able to appeal to an Article III court. I think that's a point in their favor.

A point in our favor, however, is this notion of scarecrow trademarks hanging out there on the fields is inaccurate because of the ability to go to the TTAB in the first instance; they're experts. And second, remember what I said to Justice Sotomayor, anybody in this market can say we want to counterfeit the Air Force 1 -- we just want to make a copy of it, it's not complicated -- and they will have the right to bring a claim to invalidate the mark. So we can't leave the trademark hanging out there.

I have kept trying to come back -- and if I could, in my remaining time, to the understanding of the lower courts about the record because I said, Justice Breyer, I think it would be much better for you to resolve the case because they had the opportunity to build a record, the case came to you on two courts' understanding of the record, and so if I could take you back to 14(a) and 15(a) of the petition appendix?

JUSTICE GINSBURG: May I interject just one thing that I would like you to clarify? Justice Breyer started out by saying the standard comes from Friends of the Earth. Do you agree? Because, as I recall, your brief doesn't -- doesn't even cite Friends of the Earth.

MR. GOLDSTEIN: That's not correct, Justice Ginsburg. So on -- we do disagree because of the

Court's decision in Deakins, that this a voluntary cessation case, but we accept for present purposes, so you don't think I'm fighting the hypothetical.

Assuming that voluntary cessation principles apply, here's how they apply: When you not just dismiss the case, but you grant the covenant not to sue, and the covenant not to sue says, I won't sue you over what you're doing now or anything that I can imagine you doing in the future because you haven't told me anything else, then you have ensured that the controversy can't arise again, and you've met the Voluntary Cessation Doctrine.

If, on the other hand, the other side comes forward with a declaration from an officer or some other form of proof that says, no, I'm worried I might do something outside the covenant, I would definitely want to make a counterfeit, then the case is going to go on.

But this case is not that hypothetical case. On 14(a), the first full paragraph, seven lines from the bottom, "Given the similarity of YUMS' designs to the '905 mark and the breadth of the covenant, it is hard to imagine a scenario that would potentially infringe the '905 mark and yet not fall under the covenant. YUMS has not asserted any intention to market any such shoe."

And then in footnote 5, on 15(a), "Given the

absence of record evidence that YUMS intends to make any arguably infringing shoe that is not unambiguously covered by the covenant, this hypothetical possibility does not create a definite and concrete dispute."

That's how the case should be resolved. You should say, yes, there can be other cases where the covenant is too narrow; yes, there can be other cases where someone does allege a desire to make a counterfeit. Those are different cases. But do not, I suggest to you, remand when the facts have already been developed in this case.

If we lose on this record, we lose on this record. But if we win on this record, we win on it because the record has been built in this case and it is settled.

JUSTICE SOTOMAYOR: You are saying that you've met -- if we decide you bear the burden of proof, you're saying, you -- you could live with that.

MR. GOLDSTEIN: Yes.

JUSTICE SOTOMAYOR: And your burden was met by their submissions?

MR. GOLDSTEIN: Our burden was met by our submission of the covenant, which dealt with every product they're making and every colorable imitation in the future of it. And when they didn't then come back

and say, actually, we want to make something that might be outside the covenant, then it was -- that's -- that's when we won the case.

Thank you very much.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Mr. Dabney, you have four minutes remaining.

REBUTTAL ARGUMENT OF JAMES W. DABNEY

ON BEHALF OF THE PETITIONER

MR. DABNEY: Your Honor, the covenant -- the -- the affidavits in this case were prepared about five weeks after this completely unexpected development in the middle of a hard-pressed litigation was made.

And the position that the Petitioner made to the district court was there is obviously subject matter jurisdiction here, not just because of the Rule 41 point, but that you can't say, well, we have a case that raises these three issues. You could, say, enter a single judgment right now, the plaintiff's claims are waived because they've waived them, the trademark is invalid, and the registration was unlawfully issued and should be granted.

Courts issue judgments on the basis of alternative holdings all the time. And the only reason why we're even talking about this is that Judge Sullivan bifurcated the proceedings so that we dealt with this

one issue in isolation, and then the other thing came up separately. So we said, we think there's a case right now, but if you doubt it, we request leave to amend our counterclaim to assert claims for invalid procurement of registration and other things that could have been asserted.

So the -- the state of the record reflects the -- the suddenness with which the -- the plaintiff most unexpectedly did what it now says, in public, it's never done before and dropped its claim so unexpectedly in the case.

So there's no question, but that if -- if it turns out that it's not enough to say that we're actively engaged, and we want to do all of the things any person in a normal position would want to do, and we have a concrete interest, the -- the defendant can certainly allege more than what it has been alleged. The -- the --

JUSTICE SOTOMAYOR: His challenge, you said you had the chance in three different courts to say directly and unequivocally, if the mark is invalid, we're going to imitate, and you haven't been willing to do that. You --

MR. DABNEY: Your Honor, the Petitioner has been trying now for two and a half years to establish

its right to do that. It was not our understanding that, under the law, as it stood, that the -- in addition to staying we have an enormous commercial interest in doing this, and we are seeking the right to do this since --

JUSTICE SOTOMAYOR: What's your commercial interest?

MR. DABNEY: The commercial interest is to partake of this very large and lucrative business that the Respondent's evidence shows in this case.

JUSTICE SOTOMAYOR: So are you willing to make the statement he's asked you for? You keep equivocating on the answer.

I -- you know, it's like I don't want to say it, is what you're telling us.

MR. DABNEY: I -- I think it is -- first of all, the -- the Petitioner, up until now, has said what he said. I could stand here and say I believe that, if the registration were cancelled, it is highly likely that the Petitioner would bring out a YUMS shoe.

JUSTICE BREYER: Okay. So, look, how are you hurt then? Because suppose he wins here. Now, you, if you have the president of the company say, hey, I'm going to do an exact copy, go bring a -- go bring a cancellation action.

If you can't quite say that -- you know, you can start one -- you can't quite say that, but he says something sort of vague about it that's close, go to the PTO. And if he can't say anything like that at all, well, then, maybe you should lose. I mean, that's -- that's -- what's the practical problem with that?

MR. DABNEY: The practical problem here is that, in the procedural posture of this case, which is analogous to a summary judgment situation, all inferences, all reasonable inferences need to be drawn in favor of the nonmoving party. The suggestion that we had the opportunity to develop the record is completely incorrect.

There wasn't even oral argument on this motion. The district court never gave us any opportunity to put in evidence, other than to come in and say, we have what we believe is a basis for jurisdiction now, Rule 41(a)(2) precludes you from dismissing our counterclaim, but if you think what we've alleged now is not enough, we request leave to amend our pleading.

So to force us to start all over again in a new suit is -- would be fundamentally unfair to the Petitioner. And what we're seeking here is simply judicial review.

We're seeking the -- the ability to obtain extinguishment, not just of the particular claims that this Plaintiff saw fit to waive, but the much broader government-registered claim of right to exclude competition in the sale of shoes, and the fact that --

CHIEF JUSTICE ROBERTS: Thank you, counsel. The case is submitted.

MR. DABNEY: Thank you.

(Whereupon, at 11:04 a.m., the case in the above-entitled matter was submitted.)