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SHOULD INTELLECTUAL PROPERTY OWNERS JUST DO IT? AN EXAMINATION INTO THE EFFECTS OF NIKE’S COVENANT NOT TO SUE

Misa K. Eiritz

In January 2013, the U.S. Supreme Court manifested its desire to rein in abusive litigation and promote judicial efficiency in the Already v. Nike decision. The Court announced a new standard for determining whether a federal court maintains jurisdiction over a case in which a trademark holder commences an infringement claim but consequently issues a covenant not to sue—a promise by which a party that has a right of action agrees not to assert that right in future litigation. Establishing that the voluntary cessation standard applied to these situations, the Court attempted to balance the requirements of Article III, which call for a live case or controversy, against the desire to limit the manipulation of a federal court’s jurisdiction to avoid a ruling on validity.

Under this standard, the intellectual property holder clearly bears the burden of establishing that its conduct, usually a threat to sue the defendant, cannot reasonably be expected to recur.

A deferral to this standard marks a break with precedent, as the Federal Circuit previously analyzed covenant-not-to-sue cases as independent claims for declaratory judgment. In the past, the initial burden remained with the accused infringer, not the party attempting to divest the court of jurisdiction, to establish its post-covenant standing by proving there was a continued substantial controversy between the parties. Despite the Court’s allocation of this burden to the trademark owner to show that the possibility of a future

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3. BLACK’S LAW DICTIONARY 419 (9th ed. 2009).
4. See Wendlandt & Tassel, supra note 2, at 955.
5. See id. at 956.
6. See id. at 957.
7. See id. at 957; see also Super Sack Mfg. Corp. v. Chase Packaging Corp., 57 F.3d 1054, 1058 (Fed. Cir. 2007) (holding the burden remained with the party seeking a declaratory judgment).
controversy is gone, if an accused infringer wishes to maintain standing and avoid mootness after a covenant has been issued, he must present concrete plans for some type of future conduct outside of the scope of the issued covenant.\(^8\)

Although a covenant not to sue may preserve a trademark owner’s right to the mark at the time of the suit, this litigious strategy may have unforeseen adverse consequences, not only on the alleged infringer, but also on the future validity of the mark itself. Covenants can be disruptive to an alleged infringer’s business relations, negatively affecting its reputation and funding,\(^9\) while simultaneously setting the stage for future trademark dilution and potentially afflicting the trademark owner’s ability to license and protect its mark.\(^10\) Furthermore, in light of the Nike decision, patent holders in particular have tried to use Nike’s strategy to moot an action initiated against an alleged infringer. In the majority of cases, however, they have been unsuccessful in constructing a covenant broad enough to satisfy the standards of the voluntary cessation doctrine.

If intellectual property holders wish to use this method to divest a court of Article III jurisdiction, the key consideration is whether a genuine threat of enforcement persists. Looking to the Nike case and several more recent patent cases for guidance, it is clear that to eliminate this threat, the covenant must be unconditional, irrevocable, and broad.

This Note examines the general ramifications of a covenant not to sue on alleged infringers and trademark holders and analyzes the ways in which Nike’s offensive strategy has affected the intellectual property litigation field. Part I discusses the principles of standing, mootness, and voluntary cessation and their correlation with covenants not to sue in the intellectual property field. Part II inspects the specifics of the Already v. Nike Supreme Court decision. Part III argues that a covenant not to sue negatively affects small companies and has the potential to be interpreted by courts as a naked license, and Part IV surveys the ways in which the Nike decision has affected current litigation and contends that a successful covenant not to sue needs to be irrevocable, unconditional, and so broad that it fundamentally eliminates all possibilities of future lawsuits.

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\(^{8}\) See Wendlandt & Tassel, supra note 2, at 957.

\(^{9}\) See Kevin Snell, Issues, Not Injuries: The Effects of Covenants Not to Sue on Small Competitors, 74 OHIO ST. L.J. FURTHERMORE 17, 18 (2013) (cautioning judicial restraint when deciding the mootness of a case because of the adverse effects on smaller competitors).

I. BACKGROUND

Courts are limited in their ability to adjudicate cases. Section I.A addresses this limitation through a discussion of the judicial doctrines of standing, mootness, and voluntary cessation. Section I.B describes the ways in which covenants not to sue interact with these doctrines and examines the ways in which lower courts have resolved the issuance of covenants not to sue by intellectual property holders.

A. THE GENERAL PRINCIPLES GOVERNING A FEDERAL COURT’S JURISDICTION: STANDING, MOOTNESS, AND VOLUNTARY CESSATION

Under Article III of the United States Constitution, the judicial branch has the authority to decide legal questions in the presence of a “case” or “controversy.”11 In addition, there must be “[a] personal injury fairly traceable to the defendant’s allegedly unlawful conduct [that is] likely to be redressed by the requested relief.”12 An actual controversy must not only exist at the time a complaint is filed, but must also last through all stages of litigation.13 In general, this requirement is easily met because there is a readily identifiable dispute between the parties.14 However, when a dispute is merely anticipated, the case-or-controversy requirement can preclude judicial intervention.15 This situation most often occurs when there is a declaratory judgment action.16

The requirements of Article III are satisfied in the context of a declaratory judgment action so long as the dispute is “definite and concrete, touching the legal relations of parties having adverse legal interests.”17 As the Court set forth in MedImmune v. Genetech, “[t]he question in each case is whether the facts alleged, under all the circumstances, show that there is a

11. “The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States . . . to Controversies to which the United States shall be a Party;—or to Controversies between two or more States . . . .” U.S. CONST. art. III. § 2, cl. 1.
14. See Wendlandt & Tassel, supra note 2, at 956.
15. See id.
16. A declaratory judgment is a “binding adjudication that establishes the rights and other legal relations of the parties without providing for or ordering enforcement.” BLACK’S LAW DICTIONARY 918 (9th ed. 2009).
substantial controversy between [the] parties . . . of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”

At the commencement of a lawsuit, the case-or-controversy requirement is satisfied when each litigant has standing. To have standing, a plaintiff must have (1) suffered or be threatened with an actual injury (2) that is traceable to the defendant and (3) is likely to be redressed by a favorable judicial decision. The injury suffered cannot be hypothetical or conjectural and must instead be “concrete” and “imminent.” Once a lawsuit has commenced on the other hand, this requirement is addressed through the doctrine of mootness. A case becomes moot when circumstances change such that the dispute at issue is no longer “live” or it is impossible for a court to grant any effective relief to the prevailing party. Because there is no longer a case or controversy at this stage of litigation, a court is divested of its power to decide the case. Since the early days of the judicial system, cases were routinely dismissed as moot because the litigation concerned an object that had been destroyed or transferred, or because the litigants were seeking relief that had no possible solution due to a change in circumstances or law.

In addition, under the voluntary cessation doctrine, a case can become moot based on the conduct of the defendant when it is absolutely clear that the behavior at issue is not reasonably expected to recur. This standard is necessary so that the defendant is not free to return to its old ways as soon as the case is dismissed. This “heavy burden” rests with the party declaring mootness to prove that its voluntary change in conduct resolves the

23. See, e.g., *Brownlow v. Schwartz*, 261 U.S. 216, 217 (1923) (invoking a controversy that became moot once the building at issue was sold to an uninvolved third party); *California v. San Pablo & Tulare R.R.*, 149 U.S. 308, 313–314 (1893) (invoking an action that was rendered moot once the tax debt owed was paid by the defendant).
24. See, e.g., *Cheong Ah Moy v. United States*, 113 U.S. 216, 217–18 (1885) (dismissing a habeas petition as moot because the petitioner was deported).
25. See *Sidney A. Diamond, Federal Jurisdiction to Decide Moot Cases*, 94 U. PA. L. REV. 125, 132 (1946) (describing instances where a change in the law that governed the situation at hand rendered the litigation moot).
controversy at hand and extinguishes the plaintiff’s standing so that the court no longer possesses the requisite subject matter jurisdiction to decide the case.\(^\text{28}\) The voluntary cessation doctrine is efficiently illustrated in *Friends of the Earth, Inc. v. Laidlaw Environmental Services.*\(^\text{29}\) In *Friends of the Earth*, the Court found that an industrial polluter could not claim that the case was moot even though the company had ceased polluting after the commencement of litigation, achieved compliance with the allowed amount of authorized pollutants, and closed down the factory responsible for the suit.\(^\text{30}\) The Court recognized that so long as the company retained a license to operate such a factory, a similar enterprise could occur elsewhere, and it was not absolutely clear that the wrongful behavior would not recur.\(^\text{31}\)

Therefore, in a traditional declaratory judgment action, the plaintiff seeking the declaratory judgment bears the burden of establishing standing, but under the voluntary cessation doctrine, the initial burden rests with the party who is arguing that his voluntary change in conduct extinguishes the plaintiff’s standing because it resolves the controversy at hand.\(^\text{32}\) Prior to the Supreme Court’s decision in *Nike*, several lower courts addressed the effects of a covenant not to sue on a federal court’s continued jurisdiction over an intellectual property claim by treating the invalidity counterclaim proffered by the alleged infringer as an independent claim for declaratory judgment,\(^\text{33}\) avoiding the use of the voluntary cessation doctrine.

**B. COVENANTS NOT TO SUE AND THE STANDING QUESTION**

The cases addressed by several lower courts prior to the decision in *Nike* followed the same general pattern: an intellectual property holder (usually a patent or trademark owner) sued another party alleging infringement, and the defendant counterclaimed for declaratory judgment asking the court to invalidate the patent or trademark.\(^\text{34}\) Recognizing that an unfavorable judicial

\(^{28}\) See Wendlandt & Tassel, *supra* note 2, at 956.

\(^{29}\) 528 U.S. 167 (2000).

\(^{30}\) Id. at 193–94.

\(^{31}\) Id. at 189.

\(^{32}\) See id. at 170; see also Wendlandt & Tassel, *supra* note 2, at 958.

\(^{33}\) The Declaratory Judgment Act is codified at 28 U.S.C. § 2201 (2012); the burden is on the party claiming declaratory judgment jurisdiction to establish that such jurisdiction existed at the time the claim for declaratory relief was filed and that it has continued since. *See* Super Sack Mfg. Corp. v. Chase Packaging Corp., 57 F.3d 1054, 1060 (Fed. Cir. 1995), *overruled in part* by MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118 (2007).

\(^{34}\) See, e.g., Amana Refrigeration Inc. v. Quadlux, Inc., 172 F.3d 852, 852 (Fed. Cir. 1999); *Super Sack*, 57 F.3d 1054, 1055; Benitec Australia, Ltd., v. Nuleonics, Inc., 495 F.3d
ruling of invalidity was likely, the intellectual property owner then backed away from its original claim, offered a covenant not to sue, and moved to dismiss the case and the invalidity counterclaim for lack of subject matter jurisdiction. The covenant not to sue served as a release of liability, discharging the alleged infringer from any legal responsibility.

Traditionally, the U.S. Court of Appeals for the Federal Circuit addressed covenant-not-to-sue cases by treating the invalidity counterclaim as an independent claim for declaratory judgment, placing the burden on the declaratory judgment plaintiff to establish its post-covenant standing. Jurisdiction was easily divested by the issuance of a covenant not sue, which, as the Federal Circuit held prior to the MedImmune decision, did not need to cover future products, but only current and past products, to resolve the controversy at hand and force a dismissal.

Previously, for a defendant to maintain standing and bring a claim of invalidity there had to be an explicit threat or other action creating a reasonable apprehension of imminent suit and there had to be present activity that could constitute infringement. However, in MedImmune, the Court found this standard to be too narrow, and the Court decided that a standard applying the totality of circumstances, based on the particular facts and relationships involved, was a better test to determine whether an actual case or controversy continued to exist.

In Revolution Eyewear, the Federal Circuit noted that its continued ability to adjudicate a case depends on what is covered by the covenant. However, the court continued to place the initial burden on the accused infringer alleging invalidity to establish a live controversy for purposes of Article III standing. The court found that an unconditional “covenant not to sue . . .

1340, 1342 (Fed. Cir. 2007); Revolution Eyewear, Inc. v. Aspex Eyewear, Inc., 556 F.3d 1294, 1295 (Fed. Cir. 2009).


36. This discharge is enforceable under contract law. See Restatement (Second) of Contracts § 285 (1981).

37. See, e.g., Super Sack, 57 F.3d 1054 at 1060.

38. Wendlandt & Tassel, supra note 2, at 958; see also Amana, 172 F.3d at 855–56, (“The Quadlux covenant ensures that Quadlux is forever estopped from asserting liability against Amana in connection with any products that Amana advertised, manufactured, marketed, or sold before [the covenant issue date], and that resolves the controversy.”).

39. See BP Chems. Ltd. v. Union Carbide Corp. 4 F.3d 975, 978 (Fed. Cir. 1993).


42. See Wendlandt & Tassel, supra note 2, at 958.
for patent infringement under the patent in suit based upon any activities and/or products made, used, or sold on or before the dismissal of this action was insufficient to eradicate an actual controversy because the alleged infringer had concrete plans to reintroduce the accused eyewear products into the market. In fact, the patentee suggested that it would file an additional claim if the alleged infringer actually were to do so.

In Benitec v. Nucleonics, the court applied the same standard as articulated in MedImmune but found that the accused infringer had not met its burden. The covenant not to sue for patent infringement sufficed to strip the court of its declaratory judgment jurisdiction because the defendant, Nucleonics, failed to show that its future plans met the immediacy requirement of MedImmune. Nucleonics only pointed to discussions with unnamed customers and stated that they “expected” to begin work “shortly” on new products that could fall outside of the scope of the covenant. In addition, Nucleonics only had a vaguely defined expansion plan of its production line from human health into animal husbandry, and the fact that they could file a New Drug Application in a few years failed to meet the immediacy and reality requirements for a declaratory judgment action.

Although the majority followed the precedent set out in MedImmune, Judge Dyk dissented on the grounds that a “different test for determining whether there is a case or controversy applies when the allegation of infringement is withdrawn during the course of litigation” and expressed concern about the manipulative ways in which an intellectual property holder could try to divest the court of jurisdiction. Judge Dyk argued that under the proper standard, once the court established there would be a declaratory judgment, the party seeking to divest the court of jurisdiction should prove that there is no longer a current case or controversy by using the voluntary

43. Revolution Eyewear, 556 F.3d at 1296.
44. During the course of litigation the defendant had stopped selling the goods at issue but still retained an inventory of the accused product, and because they were able to re-enter the market with those same products and the plaintiff had reserved the right to sue on the basis of those products, the case was not moot. Benschar, Kalow & Springut, supra note 10, at 1220.
45. Id. at 1299.
47. Id. at 1340.
48. Id. at 1344. Under MedImmune, adverse legal interests need to have sufficient immediacy and reality to warrant the issuance of a declaratory judgment. Id. at 1343–44.
49. Id. at 1347.
50. Id. at 1343, 1346.
51. Id. at 1350 (Dyk, J., dissenting).
52. Id. at 1352.
cessation doctrine. Judge Dyk’s argument directly foreshadowed the Nike decision and mirrored much of the eventual rationale the Supreme Court employed in examining Nike’s covenant not to sue.

Lastly, and in contrast with prior Federal Circuit decisions, in Bancroft & Masters v. Augusta National, the Ninth Circuit applied the voluntary cessation doctrine (much in line with Judge Dyk’s reasoning) when deciding the court’s jurisdictional reach over a case arising out of a dispute over the domain name masters.com, owned by Bancroft & Masters (“B & M”), a company that sold computer and networking products. B & M brought an anti-dilution and anti-infringement claim against the Augusta National Golf Club in Georgia, which sponsors the annual Professional Golfers’ Association (“PGA”) Tour event known as the Masters, after the golf club sent a letter to B & M challenging their use of the domain name. Augusta National argued that the case had been rendered moot because it offered to waive all trademark infringement, dilution, and unfair competition claims against B & M so long as the company stayed out of the golf business. However, the court found that Augusta National’s promise was incomplete and qualified because it was not absolutely clear that they would never seek to prevent B & M from using its domain name in the future. It also held, contrary to the Nike decision, that the invalidity proceeding was a separate cause of action that did not require an ongoing controversy.

The above cases illustrate the muddy waters surrounding the examination of covenants not to sue. Prior to Nike, several courts treated invalidity counterclaims as independent declaratory judgment actions, while the Ninth Circuit employed the voluntary cessation doctrine to settle the dispute at

53. Id.
54. Judge Dyk noted that this case was not one “in which the patentee suffered an adverse judgment, but rather one in which it voluntarily abandoned its infringement suit in the light of unfavorable developments.” Id. at 1353. Furthermore, he noted that “[i]t is particularly inappropriate to place the burden of establishing continuing jurisdiction on declaratory plaintiffs where, as here, the claim of mootness is the result of the opposing party’s acts designed, at least in part, to defeat declaratory jurisdiction.” Id.
56. The court relied on the reasoning of another Ninth Circuit decision to guide their applicability of the voluntary cessation doctrine in this case. See F.T.C. v. Affordable Media, LLC, 179 F.3d 1228, 1238 (9th Cir. 1999) (noting that if there is even a possibility of the behavior at issue recurring, the case is not moot).
57. Id. at 1085. The golf club also asked B & M to cease and desist use of the domain name and to transfer it immediately to Augusta National. Id.
58. Id.
59. Id.
60. Id.
The Supreme Court jumped into the fray and tried to clarify this area of law through its decision in *Nike*.

**II. ** *ALREADY V. NIKE*

On January 9, 2013, the Supreme Court held that Nike, Inc.’s unconditional and irrevocable covenant not to enforce its Air Force 1 trademark against Already, LLC mooted Already’s action to have the trademark declared invalid and cancelled. In a 9-0 opinion, with a concurring opinion filed by Justice Kennedy, the Court announced that Nike’s broad covenant not to sue satisfied the voluntary cessation doctrine.

**A. FACTS AND PROCEDURAL HISTORY**

Already and Nike are competing businesses that design, manufacture, and sell athletic footwear. Already manufactures two shoe lines known as “Sugars” and “Soulja Boys” that are similar in design and overall look to Nike’s Air Force 1 shoe line. Nike, alleging that the Soulja Boys and Sugars infringed and diluted the Air Force 1 trademark, ordered Already to cease and desist the sale of its shoes. Already denied the allegations and filed a counterclaim challenging the validity of Nike’s Air Force 1 trademark.

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62. Id.
63. Id.
64. Id.
66. Nike, 133 S. Ct. at 725. Nike’s registration for the Air Force 1 mark states:

The mark consists of the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other. The broken lines show the position of the mark and are not claimed as part of the mark.

NIKE AIR FORCE 1, Registration No. 77,055,375.
67. Id. at 723.
Eight months after Nike filed the initial lawsuit, the company issued a “Covenant Not to Sue,” promising that it would not raise any trademark or unfair competition claims against Already.69 The covenant was unconditional and irrevocable; it went beyond merely prohibiting Nike from filing a lawsuit and instead barred Nike from making any claim or demand against Already.70 The covenant also protected Already’s customers and distributors and covered not only past and current products,71 but also any future “colorable imitations.”72

Following the issuance of the covenant, Nike moved to dismiss its claims with prejudice and to dismiss Already’s counterclaim without prejudice on the ground that the covenant had eliminated the case or controversy,

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69. Nike, 133 S. Ct. at 725.
70. Id.
71. Id. at 728. More specifically, the covenant provided that:

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

Id.
72. Id. “Colorable imitation” is defined by statute as “any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.” 15 U.S.C. § 1127 (2012).
fulfilling the voluntary cessation standard. Already opposed dismissal of its counterclaim, arguing that Nike had not established that its covenant and voluntary cessation mooted the case.

The district court dismissed Already’s counterclaim for invalidity, finding that Already failed to demonstrate that the court possessed the requisite jurisdiction to hear the case. The court read Nike’s covenant so broadly that it concluded that any of Already’s future footwear would be protected as a “colorable imitation” of its current products. Finding that there was no evidence of any development of a shoe that was not covered by the covenant, the court held that there was no longer a substantial controversy that warranted a declaratory judgment.

On appeal, the Second Circuit affirmed the District Court’s opinion and held that when “determining whether a covenant not to sue eliminates a justiciable case or controversy . . . [courts should look to the] totality of the circumstances test . . . [which includes]: (1) the language of the covenant, (2) whether the covenant covers future, as well as past, activity and products, and (3) evidence of intention or lack of intention, on the part of the party asserting jurisdiction.” Again, finding little evidence of a shoe that would infringe the Air Force 1 trademark but not fall within the covenant, the Second Circuit held that there was no longer a continuing injury warranting relief.

The Supreme Court granted certiorari. The Court affirmed the decision to dismiss Already’s invalidity counterclaim and stated that a remand was not appropriate. The Court held that (1) Nike had the burden to show it could not reasonably be expected to resume its enforcement efforts against Already and (2) Nike could not reasonably be expected to resume its enforcement efforts (based on the language of the issued covenant), mooting Already’s invalidity counterclaim.

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73. Nike, 133 S. Ct. at 728.
74. Id.
75. Id. at 726.
76. Id.
77. Id. Following the MedImmune standard, the court held that there was no longer a “substantial controversy of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” Id. (quoting MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 (2007)).
78. Id. (citing Nike, Inc. v. Already, LLC, 663 F.3d 89, 96 (2d Cir. 2011) (internal quotations omitted)).
79. Id.
80. Id. at 726.
81. Id. at 721.
82. Id.
B. ANALYSIS OF THE COURT

The main issue the Supreme Court addressed in its opinion was whether there continued to be a case or controversy between Nike and Already after the issuance of the covenant not to sue. The answer to this issue turned on the determination of whether or not Already had the requisite standing needed to bring its invalidity claim against Nike’s Air Force 1 trademark after Nike issued its covenant not to sue. The Court noted that once a case or controversy disappears, the case becomes moot.

Because the burden (when applying the voluntary cessation doctrine) falls on the party who claims that its voluntary compliance ceases the controversy, the Court ruled that Nike had to show that it could “not reasonably be expected to resume its enforcement efforts against Already.” Once this was established, the case before the Court became a fact-intensive inquiry as to determine whether or not Nike’s behavior would indeed recur. To make this determination, the Court examined the language Nike used in its covenant not to sue.

The Court determined that Nike authored a broad, unconditional, and irrevocable covenant that reached Already’s distributors and customers and covered not only current or previous designs, but also any colorable imitations. Hence, the Court concluded that Nike had satisfied the voluntary cessation standard. The burden then shifted to Already to show that it intended to market and manufacture a product that could infringe on the Air Force 1 trademark yet not fall within the scope of the covenant.

On this point, the Court indicated that Already did not put forth any credible evidence in the lower courts or during oral arguments to satisfy this burden. The Court went so far as to state, “[i]f such a shoe exists, the

83. Id.
84. Id. At the outset of litigation, both parties had standing to pursue their claims in court. Nike had standing to sue because Already’s activity allegedly infringed under trademark law, and Already had standing to file its counterclaim because Nike was allegedly pursuing an invalid trademark to halt Already’s legitimate business activity. Id. at 727.
85. Id.
86. Id. at 723.
87. Id. at 727.
88. Id.
89. Id.
90. Id. at 728.
91. Id. at 729. When given the opportunity before the district court, Already did not assert any intent to design or market a shoe that could possibly give rise to any infringement liability. Id. (citing Petition for Writ of Certiorari for Defendant-Appellant at 31a, Already, LLC v. Nike, Inc., 133 S. Ct. 721 (2013) (No. 11-982) (finding that there was “no indication” of any such intent); Nike, Inc. v. Already, LLC, 663 F.3d 89, 97 (2d Cir. 2011) (noting the
parties have not pointed to it, there is no evidence that Already has dreamt of it, and we cannot conceive of it. It sits, as far as we can tell, on a shelf between Dorothy’s ruby slippers and Perseus’s winged sandals. The Court then analyzed Already’s proposed alternative theories of Article III injury to support its standing argument, noting that Already could not “rely on theories of Article III injury that would fail to establish standing in the first place” outside the context of a covenant not to sue.

First, Already argued that as long as Nike is free to assert its trademark, investors would be hesitant to invest in Already. The mere existence of the covenant, Already argued, would hamper its ability to attract capital. However, the Court asserted that concrete injury is necessary to establish standing, and any hypothetical or conjectural speculation among investors is not adequate to give rise to an “actual” injury required for Article III standing.

Second, Already argued that Nike’s decision to sue in the first place left the company fearing another suit. However, the Court quickly rejected Already’s argument, as the terms of the covenant were expressly made to extinguish any reasonable fear of a future suit, and the Court has “never held that a plaintiff has standing to pursue declaratory relief merely on the basis of being ‘once bitten.’”

Third, Already argued that as one of Nike’s competitors, it inherently possessed standing because no covenant can eradicate the effects of a registered but invalid trademark. According to Already, allowing Nike to moot the case destabilized the important role federal courts play in the administration of federal patent and trademark law. However, under this

“absence of record evidence that [Already] intends to make any arguably infringing shoe that is not unambiguously covered by the Covenant”). The only affidavit submitted was from the company’s president, merely stating that Already had current plans to introduce new and modify existing shoe lines. On appeal in the Second Circuit, counsel for Already was asked at oral argument whether his client had any intention to design or market a shoe that would even arguably fall outside the covenant, and he could not provide a suitable answer, which was reconfirmed during oral arguments in the Supreme Court. Transcript of Oral Argument at 6–8, Already, LLC v. Nike, Inc., 133 S. Ct. 721 (2013) (No. 11-982).

92. Nike, 133 S. Ct at 728.
93. Id. at 729.
94. Id. at 730.
95. Id. at 729–30.
96. Id. at 730.
97. Id.
98. Id. at 729.
99. Id. at 730.
100. Id.
101. Id.
approach, the Court reasoned that Nike did not even need to threaten suit first.\footnote{Id.} Already, without any plans to market a shoe resembling the Air Force 1, could sue to invalidate the trademark merely because the two companies were in the same line of business and participated in the same market.\footnote{Id.} This “boundless theory of standing[\textup{\ldots}]” the Court noted, had never been accepted and could not be recognized.\footnote{Id.}

Ultimately, the Court refused to adopt Already’s multiple policy objections calling for standing and found insufficient Already’s argument that a dismissal of its case allowed Nike to bully small companies.\footnote{Id.} Although the Court acknowledged that such a theory could allow larger companies to attack the portfolios of smaller rivals in the name of competitive injury,\footnote{Id.} the Court explained that this principle would only further encourage parties to employ litigation as a weapon instead of a last resort, as “lowering the gates for one party lowers the gates for all.”\footnote{Id.} Endless attempts at invalidation (initiated by smaller or larger companies) under Already’s theory could potentially swamp an overburdened court system.\footnote{Id.}

Although Justices Kennedy, Thomas, Alito, and Sotomayor agreed with the Court’s holding, they believed that the two lower courts issued their rulings on the “erroneous premise” that Already carried the burden to make the relevant showing.\footnote{Id. at 733 (Kennedy, J., concurring).} Justice Kennedy noted, and reiterated the majority’s finding, that in the present circumstance, Nike needed to demonstrate that its covenant not to sue was of “sufficient breadth and force that Already can have no reasonable anticipation of a future trademark infringement claim from Nike.”\footnote{Id. at 734.} The concurrence proposed that part of a trademark holder’s burden in showing that a case is moot ought to require the party to make a “substantial showing that the business of the competitor and its supply network will not be disrupted or weakened by satellite litigation over mootness or by any threat latent in the terms of the covenant itself.”\footnote{Id. at 734.}
Furthermore, the concurrence emphasized the importance of caution when dealing with covenants not to sue. The Court noted that covenants should not be a spontaneous method for a party who has instigated a trademark infringement suit to avoid the potential for adverse judicial review. In addition, courts should take into account the potential ramifications that litigation can have on affiliated entities of a business threatened with a trademark infringement suit and should carefully consider these effects when relying on a covenant not to sue to moot a case.

III. THE EFFECTS OF A COVENANT NOT TO SUE

Covenants not to sue impact both the trademark holder and the alleged infringer. Section III.A discusses how smaller companies are affected by the issuance of a broad covenant, while Section III.B examines the potential interpretations of a covenant not to sue and argues it is most similar to that of a naked license.

A. SMALL COMPANIES ARE NEGATIVELY IMPACTED BY AN EXPANSIVE COVENANT NOT TO SUE

Justice Kennedy’s concurrence recognized several issues that covenants not to sue present, highlighting that “[they are not] an automatic means for the party who first charged a competitor with trademark infringement suddenly to abandon the suit without incurring the risk of an ensuing adverse adjudication.” Because there are not many cases dealing with the effects of covenants not to sue on ongoing litigation, careful consideration is required when a party uses this tactic to moot a case.

Charges of infringement can be disruptive to the business relations between an allegedly infringing smaller company and its “distributors, retailers, and investors.” Pending litigation represents an additional risk that could possibly dissuade investment or keep partnerships from forming. Although the point of a covenant not to sue is to clear the air and

112. Id.
113. Id.
114. Id.
115. Id. at 733.
116. Id. at 734; Snell, supra note 9, at 18.
117. See Snell, supra note 9, at 18.
118. Already presented affidavits from potential investors alleging Nike’s actions prompted them to not invest in the company. Nike, 133 S. Ct. at 730. As part of Nike’s aggressive enforcement of its trademark, Already also alleged that Nike threatened retailers with cancelling its accounts or delaying its shipments if retailers continued to sell Already’s products in their stores. Id.
give the alleged infringer the unequivocal right to keep manufacturing its product, the litigation process itself can disincline investment. Justice Kennedy warned about this exact scenario when stating that “[t]he mere pendency of litigation can mean that other actors in the marketplace may be reluctant to have future dealings with the alleged infringer.”

Furthermore, such a covenant may force a smaller competitor to reveal future plans (to avoid mootness) or become more tentative when designing future products in an effort to design around the alleged mark if the covenant is not sufficiently broad or does not include “colorable imitations.” Revealing future plans may give other companies a competitive edge, and a cautious design process slows down the time it takes to get a product from the design table to the market, which incurs additional costs. For these reasons, covenants make it more difficult for smaller companies to raise additional capital while trying to split resources between innovation and legal counsel.

In addition, a court must be wary of a situation in which a covenant not sue is used as a litigious weapon, as it offers practical advantages for large companies because it “provides [an intellectual property holder] additional time to monitor a competitor’s business to determine if a trial is worthwhile” and can drain the resources of the opposing party. If an alleged infringer has unsuccessful products on the market and decides to counterclaim, the intellectual property holder may decide that the cost of litigation is not worthwhile in light of the opposing party’s products’ lack of success. On the other hand, if the trial is quick, the covenant is helpful to the intellectual property holder because it allows an “escape from litigation” and provides “the time and opportunity to examine the strength of its allegations.”

If an intellectual property holder alleges infringement against a smaller competitor, it does so in hopes of a settlement. In the rare instance where the challenger resists, or counterclaims with an invalidity claim, the intellectual property holder can issue a broad covenant, forcing the alleged infringer to

119. Id. at 735 (Kennedy, J., concurring).
120. See Snell, supra note 9, at 18.
122. See Snell, supra note 9, at 19.
123. Id. at 19.
125. Snell, supra note 9, at 19.
invest more money and resources into proving their continued standing in the case by presenting concrete proof that they have plans to market and produce a product falling outside of the covenant.\textsuperscript{126} If the issued covenant is successful, it converts the alleged infringer into an involuntary licensee.\textsuperscript{127} Moreover, even if an intellectual property holder does not succeed in litigation, its covenant reasserts the allegation that the competitor’s product infringes, having an adverse effect on the competitor’s reputation in the marketplace with consumers and potential business partners.\textsuperscript{128}

In light of a clear harm to smaller parties, future courts must hold intellectual property owners to the “formidable burden” established in \textit{Nike} to prevent misuse. Taking Justice Kennedy’s words to heart, courts should “proceed with caution” before deciding that a covenant not to sue moots a case and divests the court of jurisdiction.\textsuperscript{129} In addition, smaller competitors should be wary of counterclaiming with an invalidity claim unless they are ready for potentially lengthy litigation and possess the requisite plans to market a product falling outside the scope of the covenant.

\textbf{B. A BROAD COVENANT NOT TO SUE MAY SET THE STAGE FOR TRADEMARK DILUTION}

Assuming that a covenant not to sue is drafted broadly enough to moot a case, an intellectual property holder’s rights are preserved with regard to future assertions against other parties.\textsuperscript{130} However, this line of reasoning assumes that the covenant will have little effect on the validity of the intellectual property itself.\textsuperscript{131} Although this may hold true in the majority of patent cases, trademarks are susceptible to dilution, and any failure to enforce the mark in question may have negative effects on a trademark holder’s rights.\textsuperscript{132}

\textsuperscript{126} See \textit{id}. This is especially true if the smaller company wishes to invalidate the trademark or patent, as concrete proof is necessary to keep the case live.

\textsuperscript{127} See \textit{Already, LLC v. Nike, Inc.}, 133 S. Ct. 721, 731 (2013); Transcript of Oral Argument, \textit{supra} note 91, at 10 (noting that \textit{Already} preferred not to be “the involuntary licensee of the [company] that sued it”).

\textsuperscript{128} See Transcript of Oral Argument, \textit{supra} note 91, at 11–12, 19. Nike’s covenant continued to allege infringement. The covenant was issued merely because Already did not infringe “at a level sufficient to warrant the substantial time and expense of continued litigation.” \textit{Brief for Petitioner, supra} note 124, at 15.

\textsuperscript{129} \textit{Nike}, 133 S. Ct. at 734 (Kennedy, J., concurring).

\textsuperscript{130} See Benschar, Kalow & Springut, \textit{supra} note 10, at 1228.

\textsuperscript{131} See \textit{id}.

\textsuperscript{132} See \textit{id}. A trademark is defined as “any word, name, symbol, or device, or any combination thereof” that a person uses or has intent to use to “identify and distinguish his or her goods, including a unique product, from those manufactured and sold by others and
A trademark owner’s actions or inactions with respect to one potential infringer may weaken the general validity of a mark by undermining the mark’s ability to function as a symbol of source. There are three trademark doctrines where this concept has been applied: (1) failure to enforce, (2) consent to use agreements, and (3) naked licensing. Although courts have not attempted to construe a covenant not to sue in terms of these categories, it is possible (though perhaps unlikely) that in the future, this type of covenant may fit into the category of a naked license.

1. Failure to Enforce

The easiest and most obvious way to construe a covenant not to sue is to interpret the covenant as a failure to enforce one’s mark. In the Nike case, Nike clearly decided not to enforce its Air Force 1 trademark against Already. As case law in this area is ambiguous, it is unclear what a lack of enforcement against one party means for third parties engaged in similar behavior. However, three possible positions can be taken when evaluating the effects against a new infringer in a later case when there was a failure to enforce a trademark against an earlier infringer. The first view is that the effect is irrelevant because “a defendant cannot rely upon the wrongdoing of others to exculpate itself from its own infringing activities.” Second, a failure to enforce may constitute an abandonment of the trademark. And

133. See Benschar, Kalow & Springut, supra note 10, at 1228. A trademark owner can only prevent uses of the mark that are likely to cause confusion as to the source or sponsorship of the product or service. As Justice Holmes once remarked:

Then what new rights does the trade-mark confer? It does not confer a right to prohibit the use of the word or words. It is not a copyright . . . . A trade-mark only gives the right to prohibit the use of it so far as to protect the owner’s good will against the sale of another’s product as his . . . . When the mark is used in a way that does not deceive the public, we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.

Id. (citing Prestoneettes, Inc. v. Coty, 264 U.S. 359, 368 (1924)).

134. Nike, 133 S. Ct. at 721.

135. See Benschar, Kalow & Springut, supra note 10, at 1229.

136. See id. (citing J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 17:17 (4th ed. 2012)).

third, a failure to enforce is only partially relevant in that it may show a weakening of the plaintiff’s mark through use by others in the market. Thus, under the third position, the mere fact that there is an infringer that the plaintiff chooses not to pursue does not automatically give rise to a loss of rights. However, when there are multiple products in the marketplace bearing the mark at issue, the ability of the mark to function as a designation of source is diminished and perhaps completely lost. This scenario presented itself to the Supreme Court in *Saxlehner v. Eisner & Mendelson Co.* There, the Court held that a twenty-year period of inaction in which other importers used the mark—HUNYADI, a Hungarian mineral water—meant it was too late to resuscitate the original title, signaling a complete loss of rights in the trademark.

A sufficiently broad covenant not to sue requires a court to observe the volume of products visibly out on the market and to look at the effects (if any) on public perception regarding the trademark or trade dress subject to the covenant. When looking at the covenant issued by Nike, it is important to note that the covenant did not limit quantities. Therefore, Already has every right to flood the market with imitations and various designs covered by the covenant if it is financially feasible and it so desires. This could potentially change consumer perceptions and in turn weaken Nike’s Air Force 1 trademark.

However, it may be unwise to equate a covenant not to sue with a failure to enforce because a trademark holder can always reverse a failure to enforce (subject only to the defense of laches), while a covenant not to sue is permanent against the designee. For example, a trademark owner could permit infringement in small quantities, but may later decide to enforce its rights if the activity exponentially expands or becomes more egregious, while a trademark owner who issues a covenant not to sue binds itself not to sue on any infringement similar in character indefinitely into the future. Therefore, a covenant not to sue is a “far more significant undermining” of

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138. See Benschar, Kalow & Springut, supra note 10, at 1229. This position was the one endorsed by Professor McCarthy. See *McCARthy*, supra note 136, § 17:17.
139. See Benschar, Kalow & Springut, supra note 10, at 1229.
141. *Id.* at 36–37.
142. See Benschar, Kalow & Springut, supra note 10, at 1229.
143. See *id.* at 1230.
144. See *id.* Courts have excused a trademark owner that delayed in suing one defendant because it was burdened by enforcement costs against other infringers. *McCARthy*, supra note 136, § 31:16.
trademark rights than is a mere decision not to enforce against a particular infringer.\(^\text{145}\)

2. Consent to Use Agreements

A second construing of a covenant not to sue could frame the covenant as a “consent to use” agreement in which one party, the trademark owner, consents to the other party’s use of its trademark within a defined set of boundaries and promises not to sue so long as the party keeps its use within the agreed upon specified boundaries.\(^\text{146}\) These boundaries may limit use to certain formats of the mark, within specific geographical territories, or on certain lines of goods.\(^\text{147}\)

However, it is doubtful that a covenant not to sue will be construed as a consent to use agreement because the former authorizes activities that would otherwise be infringing, whereas the latter defines certain activities for each of the parties that would not infringe on the other party’s rights.\(^\text{148}\) Specifically, covenants not to sue lack the basic characteristics of a consent to use agreement: mutual consent to carve out trademark rights in distinct areas, the parties having their own rights in certain areas, and acceptance by one party that the other parties exercise of its rights does not infringe its own.\(^\text{149}\) Indeed, in typical covenant-not-to-sue cases, the alleged infringer does not consent to anything and is instead forced to abide by a covenant being proffered as a means to moot the suit at hand.\(^\text{150}\) Therefore, it is difficult to construe covenants not to sue as consent to use agreements because the latter’s purpose is to define areas of non-infringement, while a covenant not to sue tolerates some infringement in exchange for the case being rendered moot.\(^\text{151}\)

3. Naked Licensing

A third doctrine of trademark law that could apply to a covenant not to sue is a naked license. Under trademark law, a product is not genuine unless it has been manufactured and distributed either by the trademark owner or is under the owner’s quality control.\(^\text{152}\) Therefore, when a trademark owner fails to adequately control the quality of its products, there is potential for

\(^\text{145}\) See Benschar, Kalow & Springut, supra note 10, at 1230.
\(^\text{146}\) See id. at 1236.
\(^\text{147}\) See id.
\(^\text{148}\) See id.
\(^\text{149}\) See id.
\(^\text{150}\) See id.
\(^\text{151}\) See id. at 1237.
\(^\text{152}\) See id. at 1231.
consumer deception and confusion. Consumers may believe that the trademark owner “stands behind the goods,” when in fact they have been made without any type of supervision. A license without adequate quality control is a “naked license” and can be condemned as fraud in addition to leading to the forfeiture of trademark rights.

The labeling of a covenant not to sue as a “covenant” as opposed to a “license” lacks any bearing on this analysis, as many courts have construed a variety of agreements and relationships to constitute trademark licenses subject to the naked licensing defense. Thus, a covenant not to sue that is broad enough to moot a case, like the one issued in Nike, will most likely give open permission to the alleged infringer to continue manufacturing infringing goods without any quality control whatsoever, as the owner of the mark is no longer the producer nor has any connection to the infringing products present in the marketplace. Therefore, it is possible that a court could interpret a covenant not to sue as a naked license because of the forfeiture of quality control, but it is up to courts to make this parallel analysis and apply the interpretation to the cases before them.

IV. USING A COVENANT NOT TO SUE AS A LITIGATION TOOL

The Court’s holding in Nike approves of a strategy in which a plaintiff can eliminate the standing of an alleged infringer by issuing a broad covenant not to sue. At first glance, this tactic favors the first mover, who can sue anyone he believes is engaging in infringing behavior. In the rare instance where a competitor fights back with an invalidity counterclaim, the first mover can then issue a broad covenant not to sue to moot the case. To avoid a finding of mootness, the alleged infringer must provide concrete evidence

153. See id.
154. See id.
156. See Benschar, Kalow & Springut, supra note 10, at 1231. In addition, according to many authorities naked licensing results in an abandonment of all rights in the trademark and may result in cancellation of registration. See id. at 1231–32. The Ninth Circuit found that a licensor’s failure to retain actual control over the quality of the trademarked goods resulted in a “naked license,” whereby the trademark is canceled. See Freecycle Sunnyvale v. Freecycle Network, 626 F.3d 509 (9th Cir. 2010).
157. See Benschar, Kalow & Springut, supra note 10, at 1231; see also Exxon Corp. v. Oxxford Clothes, Inc., 109 F.3d 1070, 1077 (5th Cir. 1997).
158. See Benschar, Kalow & Springut, supra note 10, at 1231.
of behavior that would fall outside of the covenant if he wishes for the case to continue. Therefore, the first mover has a clear advantage, not only because he can essentially put an end to a case he believes may result in adverse adjudication, but also because a court will require more than just a generalized plan from the alleged infringer. The infringer will need specific, material proof that its products will fall outside the scope of the covenant. This requirement demands hard evidence that many smaller competitors may not have available. Section IV.A discusses recent intellectual property cases that involve one party attempting to use Nike’s strategy, while Section IV.B maintains that for a covenant not to sue to be successful it must be irrevocable, unconditional, and so broad that the opposing party cannot engage in infringing activity outside of its scope.

Figure 2: Decision Tree

A. RECENT CASES ATTEMPTING TO USE NIKE’S STRATEGY

Despite the theoretical impression that a covenant not to sue favors the first mover and allows a plaintiff to moot an invalidity counterclaim against its intellectual property, in practice, parties are having a difficult time issuing covenants that meet the requisite broadness to divest the court of its subject matter jurisdiction. Nike’s success in the trademark context has not found mirrored achievement in the patent field, as several recent cases have held that the issued covenant not to sue was not unconditional, irrevocable, or sufficiently broad to meet the requirements of the voluntary cessation doctrine.

In PerfectVision Manufacturing v. PPC Broadband, the court held that the patentee’s offer of a covenant not to sue did not eliminate the case of actual controversy because the threat of future legal action still loomed. PerfectVision is a company that designs, sells, and manufactures coaxial cables and connectors as well as other products. The business was contacted by PPC (a competitor), who wished to inquire about the possibility of PerfectVision distributing a PPC continuity connector. However, when PerfectVision told PPC that it had its own continuity connector, PPC asserted that the connector at issue infringed on PPC’s patent and stated that it would pursue legal remedies against PerfectVision. PerfectVision brought a declaratory judgment action seeking determination that its continuity patent did not infringe on any of PPC’s corresponding patents. In response, PerfectVision issued a covenant not to sue and argued that its covenant divested the court of jurisdiction over the declaratory judgment action.

However, using Nike’s rationale, the court found that PPC had not met its burden of showing that it was absolutely clear that it would not resume enforcement efforts in contending that one of PerfectVision’s connectors infringed on PPC’s patents, as the covenant was neither unconditional nor irrevocable. Furthermore, the court recognized that PPC predicated its covenant on specific assumptions based on a viewing of PerfectVision’s sample connector, not on actual representations made by PerfectVision to

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161. Id.
162. Id. at *1.
163. Id.
164. Id. The covenant more specifically stated:
PPC will release and covenant not to sue PerfectVision for infringement of U.S. Patent Nos . . . based on PerfectVision’s manufacture, importation, use, sale and/or offer of the SignaLoc connectors as depicted in the illustrations and represented in the product sample. This would not be a license to practice the patents-in-suit, and PPC would explicitly reserve the right to later assert the patents-in-suit against PerfectVision should the design of the SignaLoc connectors change in a material way, or should PerfectVision in the future offer some other product that PPC believes infringes one or more of the patents-in-suit.

Id. at *2.
165. Id.
166. The court compared Nike’s covenant not to sue with PPC’s. In Nike, Already was free to sell its shoes without any fear of a trademark claim. In contrast, PerfectVision was not free to sell its connector without fear of a patent-infringement claim. Id. at *7.
167. Id. at *5.
PPC. In addition, the covenant was worded so carefully that it left open the
possibility of suit for other patents at issue in the original complaint. Therefore, it was clear to the court that the opportunity for future litigation
still loomed large.

In a similar case, AstraZeneca, a pharmaceutical company, issued a
covenant not to sue that was neither unconditional nor irrevocable and did
not cover the opposing party’s suppliers, distributors, and customers. Relying upon the voluntary cessation standard articulated in Nike, the court
reasoned that AstraZeneca had the “formidable burden” of showing that it
“could not reasonably be expected” to resume its enforcement efforts against
Apotex, a competitor. However, AstraZeneca’s covenant was considerably
narrower than Nike’s and, more importantly, only covered the competitor’s
Abbreviated New Drug Application (“ANDA”). Apotex amended its ANDA
after the issuance of the covenant, and the covenant only provided
protection for the application as it existed on the original filing date and
nothing more. Therefore, it was clear that Apotex’s application fell outside
of the scope of the covenant, and the company could either pursue arguably
illegal behavior in launching its product or completely abandon the project
altogether. Based on their analysis under Nike, the court concluded that
AstraZeneca failed to show that it could not reasonably be expected to
resume its enforcement efforts against Apotex.

In contrast to the above cases, Monsanto successfully argued that its
representations to the Organic Seed Growers Association should be
construed as a covenant not to sue extensive enough to defeat the appellant’s
declaratory judgment claims. Appellants, a coalition of farmers, seed sellers,

168. Id. In addition the court believed that there was a high possibility of PPC exploiting
the conditional nature of the covenant not to sue. Id. at *8.
169. AstraZeneca LP v. Breath Ltd., No. 08-1512, 2013 WL 2404167 (D.N.J. May 31,
170. The covenant stated in relevant part:

AstraZeneca hereby covenants not to sue [Apotex] for infringement of
the Kit Claims, as they now read . . . as described in Apotex’s Abbreviated
New Drug Application . . . as approved and as it existed on March 30, 2009 .
. . . The covenant does not reach other products or changes to Apotex’s
budesonide inhalation suspension . . . or uses of such products, as
described in Apotex’s ANDA No. 78–202 . . . .

Id. at *3.
173. Id. at *4.
174. Id.
175. Organic Seed Growers and Trade Ass’n v. Monsanto Co., 718 F.3d 1350 (Fed. Cir.
2013). The fact that the promises were not explicitly a covenant not to sue did not matter to
and agricultural organizations, sought declaratory judgment of non-infringement and invalidity with respect to twenty-three patents owned by Monsanto, a chemical and agricultural biotechnology company. However, Monsanto “made binding assurances that it would not take legal action against growers whose crops might inadvertently contain traces of Monsanto biotech genes,” and appellants could not allege any circumstance that placed them beyond the scope of those assurances. Although Monsanto did not expressly issue a covenant not to sue, its promise was equally effective because it was an explicit commitment to avoid legal action, and the company maintained the position throughout litigation that they were unaware of any circumstances that would give rise to any claim for infringement. The facts and representations, as made by the appellants, made any fear of suit or other action unreasonable. Therefore, the court concluded that taken together, Monsanto’s representations unequivocally eliminated a controversy.

B. A SUCCESSFUL COVENANT IS UNCONDITIONAL, IRREVOCABLE, AND BROAD

These three cases, along with the Nike decision, illustrate the factors—revocability, conditionality, and breadth—that play a major role in shaping the success of a covenant not to sue in divesting the court of its jurisdiction. In Nike and Monsanto the covenants at issue were irrevocable and unconditional, whereas the covenants in PerfectVision and AstraZeneca could be revoked and were conditioned on the plaintiff acting within certain

the court, as the representations Monsanto made were binding as a matter of judicial estoppel. Id. at 1358.

176. Id.

177. Id. at 1352.

178. Id. at 1357. Appellants could not allege any contamination over the one percent threshold. Id. at 1359.

179. Id. at 1357–58. Monsanto published the following statement on its website: “[i]t has never been, nor will it be Monsanto’s policy to exercise its patent rights where trace amounts of our patented seeds or traits are present in farmer’s fields as a result of inadvertent means.” Id.

180. Id. at 1358.

181. As maintained throughout the case, “Monsanto . . . does not assert and has no intention of asserting patent-infringement claims against your clients. You represent that ‘none of your clients intend to possess, use or sell any transgenic seed, including any transgenic seed potentially covered by Monsanto’s patents.’” Id.

182. Id. at 1359.

narrowly prescribed boundaries.\textsuperscript{184} Nike’s covenant explicitly stated that it was making an “unconditional” and “irrevocable” promise,\textsuperscript{185} and Monsanto promised that it had no intention of asserting patent infringement claims against any of the parties involved in the suit if trace amounts of its products were found on the plaintiffs’ plants.\textsuperscript{186} On the other hand, AstraZeneca’s covenant not to sue Apotex was conditioned on Apotex’s ANDA being identical to the one that was approved before the covenant was issued,\textsuperscript{187} and PerfectVision’s covenant purposefully left open the possibility of future suit against PPC.\textsuperscript{188}

In addition, Nike’s covenant disallowed the company from making any claim or demand against Already; protected Already’s customers and distributors; and covered past, current, and future products, including any colorable imitations.\textsuperscript{189} It seems then, that a successful covenant must include future activities based on any past designs. However, despite the breadth of Nike’s covenant, Monsanto’s promise to not sue farmers whose crops contained trace amounts of its seed was rather limited, as its disclaimer did not clarify whether or not the company would assert its patents against a grower who inadvertently used greater than trace amounts of modified seed.\textsuperscript{190} Despite this limitation, the court focused on the fact that the appellants could not make any allegations that they were engaging in activities that placed them outside the scope of Monsanto’s disclaimer.\textsuperscript{191} On the other hand, PerfectVision’s covenant only covered the SignaLoc connectors,\textsuperscript{192} and AstraZeneca’s covenant only covered Apotex’s ANDA.\textsuperscript{193} Therefore, the breadth of a covenant must be read in context with the specific facts of a case, and so long as the promise not to sue is irrevocable and unconditional, it will most likely be successful in mooting the case at hand.

\textsuperscript{185} Nike, 133 S. Ct. at 728.
\textsuperscript{186} Organic Seed Growers, 718 F.3d at 1357–58.
\textsuperscript{187} AstraZeneca, 2013 WL 2404167, at *3.
\textsuperscript{189} Nike, 133 S. Ct. at 721.
\textsuperscript{190} See Organic Seed Growers, 718 F.3d at 1357.
\textsuperscript{191} Id. In addition there was no allegation that contamination already did not exceed the one percent threshold, nor did appellants take any concrete steps that would place them outside of the binding disclaimer. Id.
\textsuperscript{192} See supra note 164 and accompanying text.
V. CONCLUSION

The Nike decision made clear that a covenant not to sue has the ability to moot a case if an intellectual property owner can overcome the heavy burden of the voluntary cessation doctrine.\(^\text{194}\) Courts should make a careful evaluation of the totality of the circumstances in order to guarantee that larger, more powerful corporations are not unduly taking advantage of smaller competitors. Furthermore, trademark owners should be aware that such a covenant could not only affect the future acts of the defendant but also the validity of its trademark, as a sufficiently broad covenant may be construed as a naked license or an admission that there is no confusion from any present uses of the mark.\(^\text{195}\) It is impossible for small companies to challenge a covenant not to sue unless they can show that they have concrete plans that constitute infringement outside of the covenant. Trying to prove continued standing will most likely lead to an incursion of increased costs, which many companies may not be willing to take on.

Lastly, as seen in the patent context, issuing a covenant not to sue is a trade-off that must be cautiously calculated and evaluated to make sure that it is the most efficient solution available that will accomplish a party’s goals. In effect, issuing a successful covenant, which should be as broad as possible, irrevocable, and unconditional, is a difficult endeavor that may limit an intellectual property owner’s ability to snuff out and eliminate competitors with similar trademarks or patents. Taking this risk is a question all companies must deal with if the situation presents itself in the future.

\(^{194}\) See supra Section II.B.

\(^{195}\) See Benschar, Kalow & Springut, supra note 10, at 1239–40.