

Is “Air Force 1” Dismissal Grounded?

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On November 7, the United States Supreme Court heard oral argument in ***Already, LLC d/b/a Yums v. Nike, Inc.***, a trademark infringement case, in which Nike sued Already for infringement of the design of Nike’s Air Force 1 shoe. The case has become “one to watch” because it poses the following question: “Whether a federal district court is divested of Article III jurisdiction over a party’s challenge to the validity of a federally registered trademark if the registrant promises not to assert its mark against the party’s then-existing commercial activities.”

In the underlying district court case, Nike asserted its common law trademark rights in and ownership of a U.S. Patent and Trademark Office Registration (No. 3,451,905) for the design of the Air Force 1 shoe (the “Air Force 1 Mark”). Nike’s complaint asserted that Already sold footwear “bearing a confusingly similar imitation” of the Air Force 1 Mark, and asserted claims against Already for trademark infringement, unfair competition and trademark dilution under the federal **Lanham Act** and New York State law. Already counterclaimed for a declaratory judgment that Nike’s asserted mark was not a valid trademark and that Already did not infringe. Already also sought an order cancelling Nike’s federal trademark registration for the Air Force 1 Mark.

Several months later, Nike delivered to Already a written covenant not to sue in which Nike voluntarily agreed not to assert any claims against Already relating to the Air Force 1 Mark based on the appearance of Already’s “current and/or previous footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale...before or after the Effective Date of th[e] Covenant.” According to the covenant not to sue, Nike “recently learned that Already’s actions complained of in the Complaint no longer infringe or dilute the NIKE Mark at a level sufficient to warrant the substantial time and expense of continued litigation and NIKE wishes to conserve resources relating to its enforcement of the NIKE Mark...”

Nike then moved to dismiss its complaint, as well as Already’s counterclaim. According to Nike, its delivery of the covenant not to sue, as well as its request to dismiss the complaint, removed any actual case or controversy concerning the subject of Already’s counterclaim, and divested the district court of subject matter jurisdiction to entertain the declaratory judgment counterclaim.

Already disagreed, and argued that the district court retained jurisdiction over the counterclaim. According to Already’s response to Nike’s motion to dismiss, a justiciable controversy existed because the existence of Nike’s federal trademark registration was “continuing to interfere with Yums’ [Already’s] ability to carry on a lawful business in making and selling YUMS-branded

shoes.”

After considering the scope of Nike’s covenant not to sue and the improbability of future claims of infringement, the district court agreed that Nike’s covenant did extinguish any justiciable controversy. The district court further found that Already’s request for an order of cancellation of Nike’s federal trademark registration was not an independent basis for the court’s continued subject matter jurisdiction.

The Second Circuit affirmed the judgment of the district court.

The Supreme Court granted Already’s petition for a writ of certiorari on June 25, 2012. The Supreme Court heard oral argument concerning the appeal on November 7. A transcript is available here: http://www.supremecourt.gov/oral_arguments/argument_transcripts/11-982.pdf

The Supreme Court is expected to issue its much anticipated decision by the end of June 2013, according to reports.

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