

No. 23-63

IN THE
Supreme Court of the United States

SAN DIEGO COUNTY CREDIT UNION,
Petitioner,

v.

CITIZENS EQUITY FIRST CREDIT UNION,
Respondent.

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

**REPLY IN SUPPORT OF PETITION
FOR WRIT OF CERTIORARI**

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INTRODUCTION

San Diego County Credit Union's ("SDCCU") petition for writ of certiorari presents two significant issues of trademark law.

In response to the first question, CEFCU's opposition goes to extraordinary lengths to avoid this Court's review by misconstruing the record, distorting the law, and expressly contradicting the Ninth Circuit's findings. CEFCU primarily relies on allegations that fall well outside of the appellate record and have no relevance to the Ninth Circuit's holding. Cutting through the noise, however, CEFCU cannot escape the Ninth Circuit's clear holding that, until the district court granted summary judgment finding non-infringement, the district court had Article III jurisdiction because CEFCU's conduct instilled in SDCCU a reasonable apprehension that CEFCU would sue for trademark infringement. Nor does CEFCU deny the Ninth Circuit found SDCCU's invalidity claim had been mooted solely because of the district court's non-infringement finding and nothing more.

This case, therefore, squarely presents the question whether a district court's finding of non-infringement by itself moots an invalidity claim. Or, as the Ninth Circuit itself framed the "central question" in this appeal: "After a party obtains declaratory relief which decrees that it is not infringing a trademark, does it retain Article III standing to invalidate that mark?" In answering that

question “no,” the Ninth Circuit departed from the principles this Court articulated in *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83 (1993) and created a clear circuit split with the well-established line of authority from the Federal Circuit—authority that CEFCU relegates to a string cite in a footnote. And contrary to CEFCU’s assertion, there is nothing unique about the circumstances here that would distinguish this case from the Federal Circuit’s decisions or make the issue unlikely to recur. To the contrary, this circuit split implicates an important issue that will affect a broad swath of trademark and patent disputes and this Court should resolve it.

On the second question, CEFCU’s response is cursory. CEFCU does not attempt to address the reasons outlined in the petition for why this Court should decide the question of whether 15 U.S.C. § 1119 provides jurisdiction for the district court to decide a cancellation claim at the same time or after it finds non-infringement. CEFCU does not dispute that the Ninth Circuit’s interpretation of Section 1119 will impact a wide-range of cases where infringement and cancellation claims are considered together. And CEFCU does not analyze the statutory language, which plainly provided ongoing jurisdiction over the cancellation claim even after the infringement claim was decided.

For all the reasons stated in the petition and this reply, this Court should grant the petition and resolve the important trademark questions at issue.

I.

Question One Implicates A Circuit Split On An Important Question And This Case Is The Appropriate Vehicle To Resolve that Split

A. CEFCU cannot refute that the Ninth Circuit decision here conflicts with Federal Circuit law

The Ninth Circuit’s decision directly conflicts with Federal Circuit authority, which interprets this Court’s decision in *Cardinal Chemical* to hold in the patent context that “[a] finding of non-infringement . . . does not by itself moot a request for declaratory judgment of invalidity.” *Synchronoss Techs., Inc. v. Dropbox, Inc.*, 987 F.3d 1358, 1365 (Fed. Cir. 2021). See also Pet. 16-18 (summarizing Federal Circuit authority). Had this case been decided under Federal Circuit precedent, the result would have been different—that is, the district court’s post-trial finding that CEFCU’s purported common-law trademark was invalid would have been affirmed.

CEFCU contends that “unlike the patentees in the Federal Circuit cases cited in the petition, [CEFCU] did not assert any claim for infringement” Opp. 13 & n.5. As explained in the petition, however, that’s a distinction without a difference. Pet. 20–21. Just as the infringement claims provided jurisdiction over the declaratory relief claims in those Federal Circuit cases, SDCCU’s reasonable apprehension of an infringement lawsuit provided

jurisdiction over its claims seeking a declaration of non-infringement. App.18a–28a.

Thus, the question in those Federal Circuit cases was the exact same as the question the Ninth Circuit faced here: does a finding of non-infringement moot the invalidity claim. The Federal Circuit answers that question differently than the Ninth Circuit, and this Court should resolve the resulting circuit split.

B. CEFCU’s attempt to cloud the record does not undermine the viability of this case as the proper vehicle to resolve the circuit split

CEFCU’s opposition seeks to avoid review by asserting this case is unique and that the circumstances here are unlikely to recur. But CEFCU’s contentions are directly contrary to the record and the Ninth Circuit’s decision.

For example, CEFCU claims it “waived any claims for infringement that it might have had by not asserting any counterclaims for infringement in its answer pleadings.” Opp. 13; see also Opp. 5, 6, 15. CEFCU also claims to have admitted that it lacked standing to sue for infringement. Opp. 15. According to CEFCU, in the face of this waiver, SDCCU tricked the district court into litigating a “hypothetical, waived, and dismissed claim for common law service mark infringement.” Opp. 14; see also Opp. 10.

As the Ninth Circuit recognized, however, there was nothing hypothetical about SDCCU’s claims

seeking declaratory relief of non-infringement because SDCCU reasonably apprehended that CEFCU would sue for infringement. App.18a–28a. And contrary to CEFCU’s current contention that it waived any infringement claim, the Ninth Circuit recognized that CEFCU steadfastly refused “to provide a binding promise that it would not sue for infringement” and also “affirmatively refused SDCCU’s stipulation that SDCCU was not infringing CEFCU’s marks.” App.28a. Indeed, CEFCU maintained that the district court never had personal or subject matter jurisdiction to decide SDCCU’s non-infringement claims. Although both lower courts squarely rejected those arguments, a successful bid by CEFCU to dismiss the case before trial or reverse its jurisdictional losses on appeal would have voided any purported waiver and left CEFCU free to sue SDCCU for infringement—just as SDCCU had feared.

CEFCU also asserts that SDCCU’s complaint was based on a “disapproved and discredited” theory that CEFCU’s cancellation proceeding in the TTAB “charged [SDCCU] with common law service mark infringement.” Opp. 11–12. Thus, CEFCU accuses SDCCU of forum shopping in an attempt to circumvent the TTAB’s jurisdiction. *Ibid.*; see also Opp. 21–22. Not true. Although SDCCU argued that CEFCU’s TTAB filings, which stated the elements of an infringement claim, were sufficient to put SDCCU on notice of a potential infringement lawsuit, SDCCU also based its reasonable apprehension of such a lawsuit on additional facts that CEFCU ignores. As

the Ninth Circuit summarized, “[d]uring discovery in the TTAB proceedings, SDCCU uncovered information that gave it a reasonable apprehension of being sued by CEFCU.” App.22a–23a.

Setting aside CEFCU’s spurious contentions, the only fact that matters to SDCCU’s petition is the Ninth Circuit’s finding that the district court had Article III jurisdiction at the time it granted summary judgment of non-infringement. The straight-forward legal question that follows is whether that finding of non-infringement by itself mooted the remaining validity claim. The rest of CEFCU’s assertions are just noise.

The relevant facts here are not unique—that is, a party brought a valid claim for declaratory relief of non-infringement and also sought a declaration of invalidity. The Court need only look to the Federal Circuit precedent to understand that bringing such claims together is a common practice. Pet. 16–18. The legal question presented is, therefore, important beyond the parties to this case and the need for uniformity in the law across jurisdictions is evident.

C. CEFCU’s defense of the Ninth Circuit’s decision fails

The Ninth Circuit’s decision misapplied the burden of proof by requiring SDCCU to present evidence that the case had not become moot by the district court’s summary judgment decision. Pet. 21–26. Far from disputing this point, CEFCU continues to assert it remained SDCCU’s burden to prove

Article III jurisdiction through trial, even after having already established jurisdiction. Opp. 16. As this Court has held, however, once Article III jurisdiction is established at the outset of the case, courts must “presume, absent further information, that jurisdiction continues.” *Cardinal Chemical*, 508 U.S. at 98. It is, therefore, well established that “the party arguing that a case has become moot bears the burden of bringing forth such further information of mootness. The heavy burden of persuading the court that a case is moot lies with the party asserting mootness.” *Dey Pharma, LP v. Sunovion Pharm., Inc.*, 677 F.3d 1158, 1165-66 (Fed. Cir. 2012) (cleaned up). The fact the Ninth Circuit cited both *Cardinal Chemical* and *Dey Pharma* does not mean, as CEFCU contends (at 16), that the Ninth Circuit properly applied that legal precedent.

CEFCU also ignores (i) this Court’s approval of “the District Court’s decision to consider the question of validity even though it had found that a patent had not been infringed,” *Cardinal Chemical*, 508 U.S. at 100, and (ii) this Court’s disapproval of the “tendency among the lower federal courts in infringement suits to dispose of them where possible on the ground of non-infringement without going into the question of validity of the patent.” *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330 (1945). *See* Pet. 19–20. The Ninth Circuit’s decision here flies in the face of that precedent.

Finally, CEFCU notes the Ninth Circuit’s conclusion that there is no evidence that an ongoing

threat of liability was “chilling” SDCCU’s use of its mark. Opp. 16. As SDCCU pointed out in its petition, however, not only does that finding improperly place the burden on SDCCU to prove lack of mootness, it is also contrary to the realities facing a company like SDCCU that fears being accused of infringement. Pet. 23. This Court has previously recognized that a party claiming invalidity has no obligation to reveal how the intellectual property in question was chilling future plans because, even after a finding of non-infringement, the party necessarily remains at risk in the absence of an invalidity finding. Pet. 22–25 (quoting and applying *Cardinal Chemical*, 508 U.S. at 99-100). CEFCU provides no justifiable defense of the Ninth Circuit’s decision to require further evidence of a “chilling” effect from SDCCU.

II.

Review Should Be Granted of the Ninth Circuit’s Decision Narrowly Interpreting the Scope of Section 1119

As explained in SDCCU’s petition, the Ninth Circuit’s decision narrowly interpreting Section 1119 (i) conflicts with a decision of the Fifth Circuit, (ii) is contrary to the statute’s plain language and (iii) creates a nonsensical rule that the sequence in which a district court rules on separate claims at summary judgement or even after a full trial can divest it of jurisdiction, making supplemental jurisdiction altogether illusory. CEFCU’s opposition does not refute any of these points.

A. CEFCU cannot reconcile the Ninth Circuit's decision here with *Amazing Spaces*

CEFCU attempts to reconcile the Ninth Circuit's decision with the Fifth Circuit's decision in *Amazing Spaces, Inc. v. Metro Mini Storage*, 608 F.3d 225 (5th Cir. 2010). But CEFCU just misreads that decision.

As explained in SDCCU's petition (at 29–31), the Fifth Circuit in *Amazing Spaces* remanded a Section 1119 cancellation claim for consideration on the merits even after affirming the district court's order granting summary judgment on the only claims involving a trademark. 608 F.3d at 252. Contrary to CEFCU's assertion, the Fifth Circuit did not “decline to reach” the Section 1119 issue, but explicitly reversed the district court's decision that summary judgment on the trademark claims rendered the Section 1119 cancellation claim moot. The Fifth Circuit instructed the district court that on remand it “is free to consider Metro's argument relating to cancellation of the Star Symbols' registration in the first instance.” *Ibid.*

In other words, despite affirming summary judgment on the only claim involving a registered mark, the Fifth Circuit held that the district court should consider the Section 1119 cancellation claim. That outcome is irreconcilable with the Ninth Circuit's decision here, which held the district court had no jurisdiction to decide the cancellation counterclaim after granting summary judgment of

non-infringement on the claim involving a registered mark.

CEFCU does not deny that this issue will arise in a wide-range of cases because district courts routinely consider infringement and cancellation claims together. Pet. 30–31 & n.4. This Court’s further guidance on this issue is necessary.

B. CEFCU makes no attempt to analyze the statutory language

In its petition, SDCCU explained how the Ninth Circuit’s decision is directly contrary to Section 1119’s plain language and is inconsistent with how courts have interpreted similar language in the supplemental and diversity jurisdiction statutes. Pet. 32–35. CEFCU’s silence in response is deafening. CEFCU does not quote or even reference the statutory language, let alone provide any rationale for interpreting the language in Section 1119 differently from other, similar jurisdiction giving statutes.

Instead, CEFCU simply argues that “the Ninth Circuit followed uniform circuit precedent holding that 15 U.S.C. § 1119 only provides a remedy for some other violation of the trademark laws, not an independent cause of action.” Opp. 19. The cases CEFCU cites, however, are inapposite.

For example, the district court in *Airs Aromatics, LLC v. Opinion Victoria’s Secret Stores Brand Management, Inc.*, 744 F.3d 595 (9th Cir. 2014)

dismissed under Rule 12(b)(6) both the plaintiff's claim involving a registered trademark and its cancellation claim, but the plaintiff appealed only the cancellation claim's dismissal. The Ninth Circuit held that it could not remand the cancellation claim because that claim would not "provide an independent basis for subject-matter jurisdiction on remand standing alone." *Id.* at 598. Because *Airs Aromatics* was decided at the pleading stage, that decision merely stands for the unremarkable proposition that an "action" does not "involv[e] a registered mark" for purposes of Section 1119 where the complaint does not include a well-pleaded claim involving such a mark. That holding does not dictate the outcome where, as here, the district court had jurisdiction over a cancellation claim because the "action" indisputably "involv[ed] a registered mark," but the claims involving that mark were resolved on summary judgment.

CEFCU also cites cases holding that a cancellation claim may not be maintained by a party lacking Article III standing. *East Iowa Plastics, Inc. v. PI, Inc.*, 832 F.3d 899, 904 (8th Cir. 2016); *Nike, Inc. v. Already, LLC*, 663 F.3d 89, 91, 98-99 (2d Cir. 2011); *Windsurfing Intern. Inc. v. AMF Inc.*, 828 F.2d 755, 758-59 (Fed. Cir. 1987). But there has never been any suggestion that *CEFCU* lacked standing to pursue the cancellation claim. And there is no question that a justiciable controversy regarding that claim exists, as CEFCU continues to threaten its cancellation claim in the TTAB.

Ditri v. Coldwell Banker Residential Affiliates, Inc., 954 F.2d 869 (3d Cir. 1992), is similarly inapposite. The Third Circuit there held that “a controversy as to the validity of or interference with a registered mark must exist before a district court has jurisdiction to grant the cancellation remedy.” *Id.* at 873. Here, there was such a controversy, as SDCCU sought a declaration of non-infringement in response to its reasonable apprehension that CEFCU would sue for infringement. App.18a–29a.

Nor is CEFCU correct in asserting that Section 1119 only authorizes district courts to order cancellation of a mark where a party asserts some “violation of federal trademark law” Opp. 19. Indeed, the plaintiff in *Airs Aromatics* did not assert an infringement claim or other violation of federal trademark law, but sued for breach of a consent-to-use agreement and, on that basis, sought cancellation. 744 F.3d at 597-98. There is no indication the Ninth Circuit would have found the district court lacked jurisdiction over the cancellation claim had the plaintiff otherwise stated a valid claim for breach of the agreement. See also *SmileDirectClub, LLC v. Berkely*, 2018 WL 8131096, *9 (C.D. Cal., Oct. 26, 2018) (“a proper construction of *Airs Aromatics* and other relevant precedent indicates that cancellation is not limited to cases in which there is a claim specifically for trademark infringement”).

C. CEFCU cannot justify the nonsensical result that the order in which two claims are decided affects jurisdiction to decide a single motion

CEFCU does not even attempt to justify the absurdity that results from the Ninth Circuit's decision. The implication of that decision is that the order in which a district court decides two claims—pending before it in a single summary judgment motion—can divest the court of jurisdiction over one of the claims. Pet. 35–37. CEFCU cannot cite *any* other procedural or substantive area of law requiring such a result, and there is nothing in Section 1119 itself that would require such a strained outcome.

CEFCU argues that SDCCU is simply “unhappy that both lower courts refused to disturb *respondent's* [CEFCU's] choice of the USPTO as the form for deciding the parties' registration dispute.” Opp. 19 (emphasis in original). Notably, however, it was *CEFCU* that brought the cancellation counterclaim in district court, and CEFCU itself argued the district court continued to have jurisdiction over that counterclaim even after the court had decided the non-infringement claims on summary judgment. 3-SER-684–88.

Finally, CEFCU argues that both the district court and the Ninth Circuit had “broad discretion on the subject” of whether to retain jurisdiction over the cancellation claim or to allow the USPTO Trademark Board to review that claim. Opp. 19. But that is not

at all what the district court or the Ninth Circuit held. Indeed, the district court indicated that if it had discretion to do so, it would have exercised jurisdiction over the cancellation claim given the “time, effort and expense in litigating this case” App.77a. But the district court determined that it had no discretion and therefore no jurisdiction to decide the cancellation claim under Section 1119, and the Ninth Circuit affirmed that holding. App.41a–44a; App.77a. SDCCU prays the Court will correct this nonsensical and wasteful precedent.

CONCLUSION

The petition for a writ of certiorari should be granted.

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