

WEDNESDAY, DECEMBER 21, 2022

PERSPECTIVE



Voluntary cessation doctrine in trademark cases

Shutterstock

By David Martinez
and Tommy H. Du

Parties may avoid potential attorney fee and cost exposure under the Lanham Act by invoking the voluntary cessation doctrine, which generally provides that a party may cease an unlawful practice to moot a claim. A recent federal district court decision illustrates the contours of the voluntary cessation doctrine and provides a roadmap on how to invoke it to moot declaratory relief jurisdiction.

In *Crown Cell Inc. v. Ecovacs Robotics Inc.*, No. 21-cv-07890, 2022 WL 4087512 (N.D. Cal. Sep. 6, 2022), Crown Cell Inc. sued Ecovacs Robotics Inc. seeking, inter alia, a declaratory judgment that it had not engaged in counterfeiting. Crown Cell had purchased over 8,000 refurbished vacuum cleaners from Ecovacs through its distributor NETi. *Id.* at *1. After Crown Cell started selling these products on

Amazon, it received a significant volume of complaints and returns regarding vacuum functionality. *Id.* at *2. Having learned of the voluminous complaints about its vacuums, Ecovacs submitted a complaint to Amazon that Crown Cell was listing counterfeit products, thus causing Amazon to take down Crown Cell's listings. *Id.* at *3.

Crown Cell filed suit seeking declaratory judgment that Crown Cell "never sold, offered for sale, distributed and/or advertised counterfeit products bearing the ECOVACS mark," and sought attorneys' fees under 15 U.S.C. § 1117, which allows for the award of fees in the Court's discretion in exceptional cases. In an attempt to dismiss Crown Cell's declaratory relief claim and avoid fee exposure, Ecovacs moved to dismiss on grounds that the declaratory relief claim was moot and argued that "Ecovacs is informing Crown Cell now, here in this written brief, that it will not sue Plaintiff for trademark infringement as to the vacuums it

purchased from NETi on all the dates alleged in the SAC."

The court rejected Ecovacs' argument, finding that Ecovacs' statement was not an "unconditional and irrevocable" covenant not to sue sufficient to invoke the voluntary cessation doctrine. *Id.* at *7. In order to properly use the voluntary cessation doctrine, a party needs to "unconditionally and irrevocably covenant[s] to refrain from making claims or demands ... on account of any possible cause of action." *Already, LLC v. Nike, Inc.*, 568 U.S. 85, 88–89 (2013) (finding covenant not to sue enforceable where party promised to "refrain from making claims or demands ... on account of any possible cause of action based on or involving trademark infringement, unfair competition ... before or after the Effective Date of this Covenant"). The doctrine also requires a showing that "the allegedly wrongful behavior could not reasonably be expected to recur." *Already, LLC*, 568 U.S. 85, 90 (2013).

The court reasoned that there remained "an actual and ongoing controversy" and that Ecovacs failed to meet its burden for mootness. *Crown Cell Inc. v. Ecovacs Robotics Inc.*, 2022 WL 4087512 at *7. In particular, the court was concerned that the statement contained in the motion to dismiss was not broad enough to moot the declaratory judgment claim. Whereas the covenant in *Already, LLC* included a statement that the party "unconditionally and irrevocably covenants to refrain from making any claims or demands ... based on or involving trademark infringement," Ecovacs' statement only included a promise not to sue for trademark infringement. Crown Cell's complaint sought relief for both trademark infringement and counterfeiting and claims based on trademark infringement and counterfeiting. As such, simply promising not to sue for trademark infringement was not sufficient to moot the claim.

Subsequently, Ecovacs filed a

document entitled: Covenant Not to Sue. *Crown Cell Inc. v. Ecovacs Robotics Inc.*, No. 21-cv-07890 (N.D. Cal. Oct. 10, 2022). In this filing, Ecovacs included a broader statement, signed by its Intellectual Property Director, that it “unconditionally and irrevocably covenants and agrees not to sue ... for trademark infringement or counterfeiting ... or any other claims under the Lanham Act ... arising out of or relating to the facts set forth [in the Complaints].” Crown Cell and the court found this statement sufficient to invoke the voluntary cessation doctrine. Order Denying Mot. to Dismiss Third Am. Compl., *Crown Cell Inc. v. Ecovacs Robotics Inc.*, No. 21-cv-07890 (N.D. Cal.

Nov. 18, 2022).

Invocation of the cessation doctrine requires careful thought and consideration. The doctrine may be appropriate where the facts are generally not disputed. The voluntary cessation doctrine requires an unconditional and irrevocable covenant not to sue. Statements such as “I promise not to sue” or “I do not intend to sue for trademark infringement” are not enough. Parties who attempt to assert a covenant not to sue should take due care to ensure that the covenant is broad enough to moot the claims in dispute, but also be cognizant to not waive unintended rights resulting from the broadness of the covenant.

David Martinez is a partner and **Tommy H. Du** is an associate at Robins Kaplan LLP.

