

Alert | Trademark & Brand Management



May 2020

Supreme Court Unanimously Cuts Off Judicially Created ‘Defense Preclusion’ Doctrine, Especially in Trademark Cases

The U.S. Supreme Court evaluated a *res judicata* question through a trademark lens in *Lucky Brand Dungarees, Inc. v. Marcel Fashion Group, Inc.*, 590 U.S. ____ (2020), and held, for all intents and purposes, that defenses to trademark infringement are almost never forfeited in between successive litigations.

The road to the Supreme Court was paved with three rounds of litigation, a 2001 federal lawsuit initiated by Marcel, a 2005 federal lawsuit initiated by Lucky Brand (but finished by Marcel), and a 2011 federal lawsuit initiated by Marcel.

The 2001 lawsuit related solely to Lucky Brand’s use of Get Lucky and ended with a settlement agreement, under which Marcel released Lucky Brand from, *inter alia*, “any and all claims or defenses of any nature arising out of or in any way relating to Marcel’s rights in the trademark GET LUCKY” and “any and all claims or defenses alleged, pleaded or which could have been alleged or pleaded in or otherwise related to the Lawsuit, or which could have been alleged in any other litigation, administrative proceeding or other legal proceeding between Marcel and Defendants.”

When Marcel expanded its use of GET LUCKY from women’s pant suits, blouses, and dresses to men’s and women’s jeans and t-shirts, Lucky Brand sued Marcel for infringement, alleging that the terms of the

settlement agreement did not anticipate Marcel entering Lucky Brand's niche. Marcel counterclaimed, alleging that Lucky Brand's continuing use of Get Lucky violated the settlement agreement and infringed Marcel's GET LUCKY trademark. Marcel also alleged that Lucky Brand's use of LUCKY BRAND (and other LUCKY marks) infringed Marcel's GET LUCKY trademark. Marcel was found not liable for trademark infringement, while Lucky Brand was found to have infringed Marcel's GET LUCKY trademark "by using GET LUCKY, the LUCKY BRAND trademarks, and any other trademarks including the word 'Lucky' after May 2003" (the date of the settlement agreement). The judgment included a damages award of \$150,000 "[f]or Lucky Brand Parties' infringement of Marcel Fashion's GET LUCKY trademark by their use of GET LUCKY, the LUCKY BRAND trademarks and any other marks including the word 'Lucky' after May 2003," but the injunction (and an additional \$150,000 damages award) clearly applied only to Lucky Brand's use of Get Lucky.

Shortly after the judgment, Marcel filed suit again, to address the missing piece of the puzzle – an injunction against Lucky Brand's use of LUCKY BRAND (and other LUCKY marks) vis-a-vis GET LUCKY. The district court (same judge as before) held, in response to Lucky Brand's motion for summary judgment, that Marcel was barred from seeking to enjoin Lucky Brand's use of LUCKY BRAND because it did not seek the injunction in the prior lawsuit. Marcel appealed to the Second Circuit, and the Second Circuit reversed, holding that Lucky Brand's post-judgment use of the LUCKY BRAND mark gave rise to a question of whether damages were an insufficient remedy at law.

Lucky Brand then moved to dismiss the lawsuit for injunctive relief based on the language of the settlement agreement permitting Lucky Brand to use the LUCKY BRAND mark. The district court granted Lucky Brand's motion to dismiss. Marcel appealed to the Second Circuit again, arguing that Lucky Brand was barred from using the settlement agreement to defend its use of LUCKY BRAND because it did not do so in the prior litigation leading to the finding of infringement with respect to Lucky Brand's use of "GET LUCKY, the LUCKY BRAND trademarks, and any other trademarks including the word 'Lucky' after May 2003." The Second Circuit held:

Our review of the record evinces no conceivable justification for Lucky Brand, a sophisticated party engaged in litigation pertaining to its ability to use some of its core trademarks, not to have fully litigated the release defense in the 2005 Action and Lucky Brand has not suggested one. It should be the rare case that application of defense preclusion will be unfair where not even a theoretical explanation for the omission of the defense in the earlier action is apparent. Lucky Brand cannot seriously contend that it viewed the release defense as a minor or tangential issue. To the contrary, despite its failure to reintroduce the Release as a defense in the 2005 Action, it initially viewed the Release as a complete defense when it moved to dismiss the counterclaims in that action . . . before it decided to forego the defense at summary judgment. This is the same position it takes as to the scope of the Release in this action.

The concept of "defense preclusion" caught the Supreme Court's attention, and, the Supreme Court granted certiorari to review "when, if ever, claim preclusion applies to defenses raised in a later suit."

Ultimately, the Supreme Court held that the prior litigation (from 2005-2010), which focused on both Lucky Brand's use of Get Lucky *and* Lucky Brand's use of LUCKY BRAND (and other LUCKY marks) and the instant litigation (2011-present), which focused only on Lucky Brand's use of LUCKY BRAND (and other LUCKY marks) involved different conduct, different claims, different marks, and different times. The Supreme Court distinguished the review of the LUCKY BRAND in the prior litigation from the current litigation by characterizing the prior litigation as relating to "Lucky Brand's continued use of the 'Get Lucky' catchphrase *alongside its own marks*" and noting, with respect to the passage of time between successive litigations, "the enforceability of a mark and likelihood of confusion between marks often turns

on extrinsic facts that change over time . . . liability for trademark infringement turns on marketplace realities that change dramatically from year to year.”

While the Supreme Court stopped short of holding that the application of claim preclusion to defenses *never* applies, it held that because the prior and current litigation lacked a “common nucleus of operative facts,” claim preclusion did not and could not bar Lucky Brand from asserting its settlement agreement defense in the [later action].” In other words, if Marcel’s claim for injunctive relief somehow circumvented the reach of *res judicata*, Marcel’s claim must be different enough from the prior lawsuit that Lucky Brand’s defenses should be fully restored in the interest of fairness. Or, put simply, “what’s good for the goose is good for the gander.”

Whereas the Supreme Court’s application of defense preclusion, even as a nuanced application of claim preclusion or issue preclusion and not a stand-alone form of *res judicata*, would have potentially been monumental (and sent a warning signal to litigators to always throw in the proverbial kitchen sink), its refusal to apply defense preclusion is, more or less, a non-event, especially with respect to trademarks. Notably, the Supreme Court last examined the intersection of *res judicata* and trademark law in *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 575 U.S. 138 (2015), holding “[s]o long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before a district court, issue preclusion should apply.” While the Supreme Court’s recognition that “the enforceability of a mark and likelihood of confusion between marks often turns on extrinsic facts that change over time” and “liability for trademark infringement turns on marketplace realities that change dramatically from year to year” is within the context of *claim* preclusion, it is easy to imagine that these same trademark principles will be argued to apply to issue preclusion. Accordingly, this decision may increase a district court’s hesitance to apply *issue* preclusion as permitted under *B&B Hardware*.

It is always important to look at the steps leading to a Supreme Court case for any lessons that can help avoid the expense of reaching the Supreme Court. Here, the Lucky Brand-Marcel litigation demonstrates the potential dangers of using broadly defined terms to identify rights (e.g., “collectively, the Acme Marks”) and to identify infringements (e.g., “collectively, the “Infringing Uses”). Just as ambiguous contracts can lead to litigation, ambiguous judgments can lead to re-litigation. And while parties do not always have control over the language used in orders, they often do directly (by drafting proposed orders and verdict forms) or indirectly (by drafting pleadings and motions that are incorporated within orders or jury instructions that are incorporated within verdict forms). Accordingly, it would behoove trademark litigators to carefully evaluate the use of defined terms in the interest of convenience and inclusiveness, but at the expense of precision, to potentially avoid the need for re-litigation.

Author

This GT Alert was prepared by:

- [Joel Feldman](#) | +1 678.553.4778 | joel@gtlaw.com

Albany. Amsterdam. Atlanta. Austin. Boca Raton. Boston. Chicago. Dallas. Delaware. Denver. Fort Lauderdale. Germany.~ Houston. Las Vegas. London.* Los Angeles. Mexico City.+ Miami. Milan.* Minneapolis. Nashville. New Jersey. New York. Northern Virginia. Orange County. Orlando. Philadelphia. Phoenix. Sacramento. San Francisco. Seoul.∞ Shanghai. Silicon Valley. Tallahassee. Tampa. Tel Aviv.^ Tokyo.* Warsaw.- Washington, D.C.. West Palm Beach. Westchester County.

This Greenberg Traurig Alert is issued for informational purposes only and is not intended to be construed or used as general legal advice nor as a solicitation of any type. Please contact the author(s) or your Greenberg Traurig contact if you have questions regarding the currency of this information. The hiring of a lawyer is an important decision. Before you decide, ask for written information about the lawyer’s legal qualifications and experience. Greenberg Traurig is a service mark and trade name of Greenberg Traurig, LLP and

*Greenberg Traurig, P.A. ~Greenberg Traurig's Berlin office is operated by Greenberg Traurig Germany, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. *Operates as a separate UK registered legal entity. +Greenberg Traurig's Mexico City office is operated by Greenberg Traurig, S.C., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. »Greenberg Traurig's Milan office is operated by Greenberg Traurig Santa Maria, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ∞Operates as Greenberg Traurig LLP Foreign Legal Consultant Office. ^Greenberg Traurig's Tel Aviv office is a branch of Greenberg Traurig, P.A., Florida, USA. ¤Greenberg Traurig Tokyo Law Offices are operated by GT Tokyo Horitsu Jimusho, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ~Greenberg Traurig's Warsaw office is operated by Greenberg Traurig Grzesiak sp.k., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. Certain partners in Greenberg Traurig Grzesiak sp.k. are also shareholders in Greenberg Traurig, P.A. Images in this advertisement do not depict Greenberg Traurig attorneys, clients, staff or facilities. No aspect of this advertisement has been approved by the Supreme Court of New Jersey. ©2020 Greenberg Traurig, LLP. All rights reserved.*