

No. 18-1086

IN THE
Supreme Court of the United States

LUCKY BRAND DUNGAREES, INC., *et al.*,

Petitioners,

v.

MARCEL FASHIONS GROUP, INC.,

Respondent.

**ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED
STATES COURT OF APPEALS FOR THE SECOND CIRCUIT**

BRIEF IN OPPOSITION

OLIVERA MEDENICA
Counsel of Record
RAYMOND J. DOWD
SIXTINE BOUSQUET-LAMBERT
DUNNINGTON BARTHOLOW & MILLER LLP
230 Park Avenue, 21st Floor
New York, NY 10169
(212) 682-8811
omedenica@dunnington.com

Counsel for Respondent

288394



COUNSEL PRESS

(800) 274-3321 • (800) 359-6859

**COUNTERSTATEMENT OF THE
QUESTION PRESENTED**

1. Whether, in an action to enforce a trademark infringement judgment, a defendant who continues with the exact same infringements can collaterally attack the prior judgment with a defense that it raised in the underlying action but deliberately chose not to prosecute prior to the parties reaching a final judgment on the merits.
2. Whether this Court should issue a writ of certiorari in an action at the pre-answer, pre-discovery stage when the sole question presented by Petitioners is not dispositive of the outcome in the case.

PARTIES TO THE PROCEEDING

Respondent represented in this opposition, who was the plaintiff below, is Marcel Fashions Group Inc.

Petitioners, who were the defendants below, are Lucky Brand Dungarees, Inc., Lucky Brand Dungarees Stores, Inc., Leonard Green & Partners, L.P., Lucky Brand Dungarees, LLC, Lucky Brand Dungarees LLC, and Kate Spade & Co.

CORPORATE DISCLOSURE STATEMENT

In accordance with Supreme Court Rule 29.6, Respondent Marcel Fashions Group, Inc. discloses that it has no parent corporation and there is no publicly traded corporation that owns more than 10 per cent of its stock.

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INTRODUCTION

Since 2001, Respondent has fought Petitioners' unceasing infringement of its GET LUCKY trademark. After two years of litigation, Petitioners conceded Respondent's unrestricted ownership of the GET LUCKY mark in a May, 2003 release and settlement agreement (the "2003 Release and Settlement Agreement")¹. In 2010, following a jury trial of a breach of contract and trademark infringement action commenced in 2005 (the "2005 Action"), Petitioners and Respondent jointly drafted a Final Order and Judgment (the "2010 Final Order and Judgment") stipulating that Petitioners infringed Respondent's GET LUCKY trademark by using "GET LUCKY, the LUCKY BRAND trademarks, and any other marks including the word 'Lucky' after May 2003."² On May 28, 2010, the Southern District of New York entered this stipulated 2010 Final Order and Judgment, including an express waiver by both parties of the right to appeal.

Following the 2010 Final Order and Judgment and waiver of appellate rights, Petitioners, again, continued with the same infringements of Respondent's GET LUCKY mark by using GET LUCKY, the LUCKY BRAND trademarks and marks including the word LUCKY. In 2011, Respondent again sued, commencing the current action to enforce the 2010 Final Order and Judgment to stop Petitioners from continuing with the same infringements (the "2011 Action") leading to the August 2, 2018 decision below.

1. *2011 Action*, No. 17-0361 (2nd Cir.), Appendix of Marcel Fashions Group, Inc. ("Marcel II App.") at A-82

2. *Marcel II App.* at A-68

Petitioners now erroneously argue that Respondent's 2011 judgment enforcement action constitutes a new claim that entitles Petitioners to shield infringing conduct by raising the 2003 Release and Settlement Agreement as a defense. However, in the 2005 Action, Petitioners raised this 2003 release, never pursued it, and ultimately waived it by stipulating to the 2010 Final Order and Judgment on the merits. The Second Circuit rightfully rejected as *res judicata* Petitioners' attempt to relitigate the 2003 release that had been entirely adjudicated by the 2010 Final Order and Judgment.

To gain this Court's attention, Petitioners have made the misleading claim that the Second Circuit "barred the defendants from litigating defenses that had never been adjudicated, in the context of claims that had never been litigated." *Petition for Writ of Certiorari* ("Pet. Brief"), at 1. As shown below, Petitioners fully and fairly litigated the 2003 release. Petitioners' current quandary is rather a result of Petitioners' own failure to prosecute a purported defense they now clamor is essential to defeat Respondent's efforts to enforce a prior final judgment on the merits. The opinion below is consistent with other circuits and this Court's precedent. Because the question presented is academic, this case is not an adequate vehicle for review. For the reasons set forth below, the petition for certiorari should be denied.

COUNTERSTATEMENT OF THE CASE

I. FROM 2001 TO 2010 THE PARTIES FULLY LITIGATED THE GET LUCKY AND LUCKY BRAND MARKS RESULTING IN THIS 2011 JUDGMENT ENFORCEMENT PROCEEDING.

A. The 2001 Action Resulted in the 2003 Release and Settlement Agreement

The present dispute spans two decades and three federal litigations. In the first action, filed in 2001, Respondent sued Petitioners in the Southern District of Florida for infringement of Respondent's GET LUCKY trademark (the "2001 Action"). The 2001 Action settled in 2003. The parties entered into the 2003 Release and Settlement Agreement, which is part of the record in *Marcel II*. *Marcel II App.* at A-82. The 2003 Release and Settlement Agreement includes mutual releases for "any matter . . . occurring on or prior to" May 2003, and provides that Petitioners must pay Respondent \$650,000 and stop using the GET LUCKY mark. *Id.* at A-85, 86 and 88. The 2003 release is the defense that Petitioners claim was never adjudicated.

B. The 2005 Action in Which the 2003 Release Was Raised, Resulted in the 2010 Final Order and Judgment of Infringement Against Petitioners

In the second action, filed in 2005, Petitioners sued Respondent in the Southern District of New York alleging that Respondent breached the parties' 2003 Settlement Agreement by licensing Respondent's GET LUCKY senior mark to a third party. *2005 Action*, No.

05-cv-06757 (SDNY), Lucky Brands' Complaint, Doc. No. 1. Respondent counterclaimed that Petitioners' continued infringing use of the GET LUCKY mark with Petitioners' LUCKY BRAND marks after the 2003 Settlement Agreement constitutes trademark infringement (reverse confusion), federal unfair competition, and common law trademark infringement. *Marcel II App.* at A-98.

At a jury trial, Petitioners lost all claims. Respondent prevailed on its trademark infringement (reverse confusion), federal unfair competition, and common law unfair competition claims. The Southern District of New York entered the 2010 Final Order and Judgment finding Petitioners liable for trademark infringement. This stipulated judgment was jointly drafted by the parties, and both parties expressly waived any right of appeal. *Marcel II App.* at A-68.

C. This 2011 Judgment Enforcement Action Resulted in the August 2, 2018 Decision Below

In 2011, Petitioners filed the present judgment enforcement action to enforce the 2010 Final Order and Judgment. Respondent pleaded Petitioners' continued infringement, using the same infringing brands, on the same infringing goods. *Marcel II App.* at A-53. *Marcel II* correctly observed that Respondent "styled its complaint as one that effectively sought to enforce the judgment entered in the 2005 Action." *Pet. App. A* at App-21. That August 2, 2018 decision is the subject of Petitioners' petition for writ of certiorari.³

3. Respondent refers to the Second Circuit's first decision dated February 25, 2015 as "Marcel I" (*Pet. App. D* at App-39) and the August 2, 2018 decision as "Marcel II" (*Pet. App. A* at App-1)

II. THE 2010 FINAL ORDER AND JUDGMENT IS JOINTLY DRAFTED AND BARS PETITIONERS FROM FURTHER INFRINGING RESPONDENT'S GET LUCKY MARK BY USING GET LUCKY, THE LUCKY BRAND TRADEMARKS AND ANY OTHER MARKS INCLUDING THE WORD LUCKY

At issue in the 2005 Action was Petitioners' infringing use of Respondent's GET LUCKY mark alongside Petitioners' LUCKY BRAND trademarks. Respondent alleged that "Lucky Brand's use of the GET LUCKY and Lucky Brand trademarks in its vast and extensive advertising has so saturated the market, that it has resulted in actual confusion, likelihood of confusion, mistake, and the deception of consumers . . ." *Marcel II App.* at A-132. Petitioners had used Respondent's GET LUCKY mark so extensively with the Lucky Brand marks, that consumers had come to confuse the GET LUCKY mark as Petitioners' mark (i.e. reverse confusion).

Examples of Petitioners' post 2003 Settlement Agreement infringing use are included here:



2005 Action, No. 05-cv-06757 (SDNY), Declaration in Support of Marcel, Exhibit AA, Doc. No. 155-1



2005 Action, No. 05-cv-06757 (SDNY), Declaration in Support of Marcel, Exhibit AA, Doc. No. 155-2

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2005 Action, No. 05-cv-06757 (SDNY), Declaration in Support of Marcel, Exhibit AA, Doc. No. 155-3

In February 2009, the Southern District of New York sanctioned Petitioners due to extensive discovery violations and found Respondent entitled to “preclusive judicial findings that, as a matter of law, [Petitioners] infringed [Respondent’s] GET LUCKY trademark . . . and that [Petitioners] breached a 2003 Settlement Agreement that settled a prior trademark dispute between the parties.” *2005 Action, No. 05-cv-06757 (SDNY), Order on Defendants’ Counterclaims*, Doc. No. 171; *2005 Action, No. 05-cv-06757 (SDNY), Memorandum & Order*, Doc. No. 164.

The 2005 Action ultimately resulted in the 2010 Final Order and Judgment against Petitioners expressly stating that Petitioners infringed Respondent’s GET LUCKY mark by using “GET LUCKY, the LUCKY BRAND trademarks, and any other trademarks including the word ‘Lucky’ after May 2003.” *Marcel II App.* at A-68. Respondent also received two separate damages for: (1) Petitioners’ use of GET LUCKY, and (2) Petitioners’ use of “the LUCKY BRAND trademarks, and any other trademarks including the word ‘Lucky’ after May 2003.” *Id.* Respondent was awarded compensatory damages, and \$280,000 in punitive damages. *Id.* The 2010 Final Order and Judgment was jointly drafted by the parties and Petitioners expressly waived any right of appeal.

III. THE PARTIES’ 2003 SETTLEMENT AGREEMENT ESTABLISHED RESPONDENT’S UNRESTRICTED OWNERSHIP OF THE GET LUCKY MARK AND RELEASED ONLY PETITIONERS’ PRE-2003 ACTS OF INFRINGEMENT

Contrary to Petitioners’ statement that Respondent “allegedly” owns the GET LUCKY mark,⁴ Respondent’s unrestricted ownership of the GET LUCKY mark was unequivocally established with the parties’ 2003 Release and Settlement Agreement. *Marcel II App.* at A-82.

Section 7 of the 2003 Release and Settlement Agreement provides that “[Petitioners] *shall desist henceforth* from use of “Get Lucky” as a trademark, trade name, brand, advertising slogan or tag line in connection with the advertising, promotion or sale” of clothing and fragrances. *Marcel II App.* at A-85 (emphasis added). The 2003 Release and Settlement Agreement contains no restrictions on Respondent’s use of the GET LUCKY mark. On the contrary, Section 7 provides that should Petitioners ever seek to use the GET LUCKY mark in the future, Petitioners must first seek a license from Respondent. *Id.* Respondent, however, is under no obligation to grant one.

The 2003 Release and Settlement Agreement further provides that “Marcel understands that this Agreement settles, bars and waives any and all claims that it has or had based on any act, event or omission occurring *before the execution of this Agreement.*” *Marcel II App.* at A-83 (emphasis added). Section 8 and 9 address mutual

4. *Pet. Brief*, at 4.

releases for acts occurring prior to the 2003 Release and Settlement Agreement's effective date of May 2003. Section 8 provides that Respondent releases Petitioners for:

any . . . causes of action . . . Marcel . . . may have, by reason of or arising out of any matter, cause or event *occurring on or prior to the date hereof*, including, but not limited to (a) any and all claims or defenses of any nature arising out of or in any relating to Marcel's right in the trademark GET LUCKY . . . (e) any and all claims arising out of or in any way relating to Lucky Brand's right to use, license and/or register the trademark LUCKY BRAND and/or any other trademarks, trade names, brands, advertising slogans or tag lines owned, registered and/or used by Lucky Brand in the United States and/or in any foreign country as of the date of this Agreement.

Marcel II App. at A-85, 86 (emphasis added).

Section 9 further provides that Petitioners release Respondent for:

any . . . causes of action . . . [Petitioners] . . . may have, by reason of or arising out of any matter, cause or event *occurring on or prior to the date hereof*, including, but not limited to: (a) any and all claims or defenses of any nature arising out of or in any relating to Marcel's right in the trademark GET LUCKY . . .

Marcel II App. at A-86, 87 (emphasis added)

**IV. PETITIONERS UNSUCCESSFULLY ASSERTED
THE 2003 RELEASE AS A DEFENSE IN THE
2005 ACTION AND DELIBERATELY CHOSE NOT
TO RAISE IT AT SUMMARY JUDGMENT OR AT
TRIAL OR UNTIL FOUR YEARS AFTER THE
COMMENCEMENT OF THIS ACTION**

In the 2005 Action, Petitioners moved to dismiss Respondent's trademark infringement counterclaims on the ground that Respondent released such claims when it executed the 2003 Release and Settlement Agreement. Petitioners argued that any post-2003 claim of infringement was barred by the 2003 Release and Settlement Agreement. *Marcel II App.* at A-225.

The Southern District of New York denied Petitioners' motion to dismiss because it could not find "at this stage that all of the relevant aspects of the disputed counterclaims were raised or could have been raised prior to the 2003 dismissal and settlement of the [2001 Action]". *Marcel II App.* at A-243. The court noted that Petitioners "are free to raise the issue of *res judicata* again after the record is more fully developed." *Id.* at A-257 (emphasis in original).

Petitioners then filed an answer asserting as an affirmative defense that the 2003 Release and Settlement Agreement bars Respondent's counterclaims. *Marcel II App.* at A-271.

Petitioners did not subsequently raise the 2003 release at summary judgment or at trial. The 2010 Final Order and Judgment, jointly drafted by the parties, contains no mention of the 2003 release. Petitioners did not raise the

2003 release in this action until four years had elapsed. *2011 Action, No. 11-cv-5523 (SDNY), Lucky Brand's Motion to Dismiss*, Doc. No. 157.

V. INCONSISTENT WITH PETITIONERS' POSITION TODAY PETITIONERS IN THE 2005 ACTION SUCCESSFULLY ARGUED THAT THE 2003 SETTLEMENT AGREEMENT CREATED NO PROSPECTIVE RIGHTS AND RELEASED ONLY CLAIMS BASED ON PRE-MAY 2003 ACTS

In the 2005 Action, Petitioners sued Respondent for Respondent's purported infringement of Petitioner's mark subsequent to the operative date of the 2003 Release and Settlement Agreement. In that action, Petitioners sought to convince the Southern District of New York that Petitioners' claims were not barred by the release because the claims arose after to the 2003 Release and Settlement Agreement.

Petitioners argued that the 2003 Release and Settlement Agreement "is unequivocal in its release only of claims based on act occurring before its execution, i.e. claims 'by reason of or arising out of any matter, cause or event occurring prior to the date hereof,' including 'any and all claims or defense alleged, pleaded or which could have been alleged or pleaded in or otherwise related to the Lawsuit, or which could have been alleged.'" *2005 Action, No. 05-cv-06757 (SDNY), Lucky Brands' Opposition to Motion for Summary Judgment*, Doc. No. 77 at 20.

Petitioners made this argument in pleadings, in their request for a preliminary injunction and in successfully defeating Respondent's summary judgment. See *2005*

Action, No. 05-cv-06757 (SDNY), Lucky Brands' Complaint, Doc. No.1 at ¶71; 2005 Action, No. 05-cv-06757 (SDNY), Lucky Brands' Reply Memorandum to Marcel's Opposition to Preliminary Injunction, Doc. No. 31 at 3-4; 2005 Action, No. 05-cv-06757 (SDNY), Order, Doc. No. 148 at 1. According to Petitioners:

Florida courts have uniformly interpreted similar release language to apply only retroactively and not to bar claims that matured or accrued after the date of the release . . .

Any contrary interpretation would be void as against public policy because it would leave [Respondent] “free to run rampant over” [Petitioners’] interests.

2005 Action, No. 05-cv-06757 (SDNY), Lucky Brands' Reply Memorandum to Marcel's Opposition to Preliminary Injunction, Doc. No. 31 at 4 (emphasis in original).

The Southern District of New York agreed with Petitioners’ argument and denied Respondent’s motion for summary judgment holding that the 2003 Release and Settlement Agreement released only Respondent “from all claims that [Petitioners] may have had ‘by reason of or arising out of any matter’ occurring on or prior to” the 2003 Release and Settlement Agreement. Since Petitioners’ claims were based on post-2003 settlement events, Petitioners’ infringement claims in the 2005 Action were not barred by the 2003 Release and Settlement Agreement. *2005 Action, No. 05-cv-06757 (SDNY), Order, Doc. No. 148 at 1.*

In the Petition, Petitioners urge a contrary and inconsistent meaning of the 2003 release. Petitioners currently argue that “[t]here can be no doubt that the Settlement Agreement bars the claims” based on infringements occurring after the 2003 Release and Settlement Agreement. *2011 Action, No. 11-cv-5523 (SDNY), Lucky Brand’s Motion to Dismiss*, Doc. No. 157 at 16.

VI. THIS ACTION SEEKS TO ENFORCE THE 2010 FINAL ORDER AND JUDGMENT BARRING PETITIONERS FROM FURTHER USING GET LUCKY, THE LUCKY BRAND TRADEMARKS AND ANY OTHER MARKS INCLUDING THE WORD LUCKY

Respondent filed the current action in 2011 alleging that “Defendants have continued to willfully infringe upon Plaintiff’s GET LUCKY Mark by using the LUCKY BRAND Marks in the identical manner and form, and in connection with the identical goods for which they were found liable for trademark infringement by this Court” in the 2010 Final Order and Judgment. *Marcel II App.* at A-53.

To its pleading, Respondent attaches the 2010 Final Order and Judgment as a reference, further alleging that “[Petitioners] are liable to [Respondent] for any and all profits, and a reasonable royalty, reaped from their sales of clothing and other products contained in the description of the goods and services of the varied trademark registrations owned by Defendants and cited in” the 2010 Final Order and Judgment. *Marcel II App.* at A-56. The pleading contains no other claims. The 2011 Action is thus, unequivocally, a judgment enforcement action.

REASONS WHY CERTIORARI SHOULD BE DENIED

I. THE SECOND CIRCUIT COURT OF APPEALS' DETERMINATION THAT *RES JUDICATA* PRECLUDES RELITIGATING A PREVIOUSLY RAISED RELEASE DEFENSE IN THIS JUDGMENT ENFORCEMENT ACTION BASED ON CONTINUED INFRINGEMENTS OF THE SAME TRADEMARK IS CONSISTENT WITH THIS COURT'S PRECEDENT AND RAISES NONE OF THE LEGAL ISSUES THE PETITION MISLEADINGLY SUGGESTS

The Petition should be denied because it is premised on two false and misleading central arguments. *First*, Petitioners argue that their release defense has never been adjudicated. *Second*, Petitioners argue that Respondent's claims in this action have never been litigated. The rules of this Court constrain us to point this Court to misleading arguments at the risk of waiver. *Supreme Court Rule 15.4*. These misleading arguments were crafted to catch the Court's attention.

The record reveals that the Second Circuit correctly found that this action was brought to enforce a judgment and that Petitioners sought to resist the judgment merely by raising a defense that was raised before the 2010 Final Order and Judgment was entered. This routine judgment enforcement action raises none of the legal issues that the Petition suggests and is in accord with this Court's teachings on claim preclusion and the teachings of other circuits. *See Point II infra*.

A. Petitioners’ Argument That The Release Defense Had Never Been Adjudicated Is Misleading

Petitioners’ claim that arguments relating to the 2003 release have never been adjudicated is misleading. Petitioners raised the 2003 release in moving to dismiss Respondent’s counterclaims in the 2005 Action and in Petitioners’ answer. *Marcel II App.* at A-225; *Marcel II App.* at A-271. See Point IV *supra*.

Petitioners, however, never raised the 2003 release again. Petitioners did not raise it at summary judgment, nor at trial, and ultimately waived their defense by stipulating to the jointly drafted 2010 Final Order and Judgment finding Petitioners liable for infringement of Respondent’s GET LUCKY trademark, and expressly waiving any right of appeal. See Point II *supra*.

As discussed in Point IV above, Petitioners had a full and fair opportunity to litigate the 2003 release and knowingly waived the right to raise the defense in a final judgment on the merits. Petitioners’ papers provide no explanation for this glaring omission, nor do Petitioners even mention it. *Marcel II* thus rightfully precluded Petitioners from raising this defense in the context of the current judgment enforcement proceeding alleging only continuing infringements post-2010.

B. Petitioners’ Argument That Respondent’s Claims In The 2011 Action Are “Different” And Have Never Been Adjudicated Is Misleading

Petitioners lament of being deprived of a defense relating to “claims that had never been litigated” is similarly misleading. Respondent’s pleading is a judgment enforcement proceeding alleging Petitioners’ continued infringement in an identical manner and form, and in connection with the identical goods for which Petitioners were found liable in the 2010 Final Order and Judgment. *Marcel II App.* at A-53. The Second Circuit specifically recognized the 2011 Action as a judgment enforcement action tailored only to addressing Petitioners’ continuing infringements. *Pet. App. A* at App-21.

There is no “different” claim or “different” issue. It is the same claim but for a subsequent time period, addressing Petitioners’ continued infringement in the identical manner and form proscribed by the 2010 Final Order and Judgment. *Marcel II* thus correctly precluded Petitioners from relitigating the same 2003 release. Petitioners had a full and fair opportunity to defend and discuss in the 2005 Action. Because Petitioners waited four years before raising the 2003 release in this action, the Second Circuit’s assessment of the unfairness of Petitioners raising the defense so belatedly was within the discretion granted by this Court. *See Point II infra.*

II. THE SECOND CIRCUIT COURT OF APPEALS’ PRECLUSION OF A DEFENSE PETITIONERS RAISED THEN FAILED TO PROSECUTE PRIOR TO A 2010 FINAL ORDER AND JUDGMENT AVOIDS AN IMPROPER COLLATERAL ATTACK ON THE PRIOR JUDGMENT BETWEEN THE PARTIES AND IS IN ACCORD WITH THIS COURT’S AND OTHER CIRCUITS’ PRECEDENT

Petitioners argue that certiorari is warranted because *Marcel I* and *Marcel II* are inconsistent. Petitioners argue that *Marcel I* “did not preclude the plaintiff from raising new claims,” but *Marcel II* “did preclude the defendants from raising a defense to those new claims that was never previously resolved.” *Pet. Brief* at 2. According to Petitioners, *Marcel I* and *Marcel II* are thus “fundamentally inconsistent with the decisions and reasoning” of the Federal Circuit, Eleventh Circuit, Ninth Circuit and this Court’s precedent. *Pet. Brief* at 11.

Petitioners’ contention is incorrect. There is no conflict between *Marcel I* and *II*, and none of the Petitioners’ citations conflict with the decision below, nor address the fully adjudicated trademark infringement claims before this Court. There is no circuit split. Accordingly, no further review is warranted.

A. The Second Circuit’s Decision in *Marcel I* and *II* are Consistent with *Parklane Hosiery* and *Lawlor*

In *Marcel I*, the Second Circuit correctly found “that a prior judgment in [Respondent’s] favor awarding damages and an injunction did not bar [Respondent] from

instituting a second suit seeking relief for alleged further infringements that occurred subsequent to the earlier judgment.” *Pet. App. D* at App-40.

Relying upon claim preclusion principles as enunciated in *TechnoMarine SA v. Giftports, Inc.*, 758 F.3d 493 (2d Cir. 2014), *Marcel I* found that because Respondent’s claims related to post-2010 infringements could not have been asserted in the 2005 Action, Respondent’s claims in the 2011 Action were not precluded. *Marcel I* noted that in an action to address a defendant’s continuing infringement, a plaintiff’s award of damages and injunctive relief based on past infringements should not operate as a bar to subsequent action:

Claim preclusion does not bar a claim arising subsequent to a prior action “even if the new claim is premised on facts representing a continuance of the same course of conduct.” *Id.* at 499 (internal quotation marks omitted). The prior judgment “cannot be given the effect of extinguishing claims which did not even then exist and which could not possibly have been sued upon in the previous case.” (*quoting Lawlor v. Nat'l Screen Serv. Corp.*, 349 U.S. 322, 327–28, 75 S.Ct. 865, 99 L.Ed. 1122 (1955)). *Pet. App. D* at App-48.

In contrast, *Marcel II*, tackled the issue of defense preclusion and whether Petitioners should be precluded from raising a defense they never fully prosecuted and then waived in the 2005 Action. Relying specifically on *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 99 S.Ct. 645, 58 L.Ed.2d 552 (1979), *Marcel II* articulated the following standard for defense preclusion:

In sum, we conclude that defense preclusion bars a party from raising a defense where: (i) a previous action involved an adjudication on the merits; (ii) the previous action involved the same parties or those in privity with them; (iii) the defense was either asserted or could have been asserted, in the prior action; and (iv) the district court, in its discretion, includes that preclusion of the defense is appropriate because efficiency concerns outweigh any unfairness to the party whose defense should be precluded. *Pet. App. A*, App-19.

As in *Parklane Hosiery*, *Marcel II* was guided by the fourth factor's considerations of fairness, efficiency and judicial economy. In ruling to preclude the 2003 release defense, *Marcel II* found that the current action is a judgment enforcement action and that Petitioners' should have raised and prosecuted the 2003 release in the 2005 Action. *Marcel II* specifically noted that Respondent "styled its complaint as one that effectively sought to enforce the judgment entered in the 2005 Action." *Pet. App. A* at App-20. It further noted that any purported unfairness to Petitioners was substantially outweighed by efficiency concerns given Petitioners' failure to prosecute its 2003 release defense in the 2005 Action. *Pet. App. A* at App-14 ("[W]e view the efficiency concerns as equally pressing when the matter subject to preclusion is a defense rather than a claim") *Pet. App. A* at App-18 ("Finally, the fairness of defense preclusion may depend on the nature of the action . . . there will hardly ever be unfairness in applying defense preclusion to bar a defendant from invoking defenses that could have been asserted in a previous action in a subsequent action to enforce a judgment previously entered against it").

Marcel II took note of Petitioners' failure to address the 2003 release in the 2005 Action at summary judgment, trial, or in the 2010 Final Order and Judgment on the merits. *Marcel II* noted the "inefficiencies that would have to be tolerated were [the Second Circuit] to prohibit defense preclusion." *Pet. App. A* at App-15. *Marcel II* accurately observed that "had [Petitioners] litigated and prevailed on [their] release defense in the 2005 Action . . . the [2011 Action] would have been avoided." *Id.* Emphasizing the inefficiency of Petitioners' argument, *Marcel II* stated:

Assuming arguendo that Lucky Brand is correct in its interpretation of the Release . . . the court system will have been unnecessarily burdened with seven-plus years of litigation, involving 179 district court docket entries and two appeals to this Court. The entire endeavor would have been avoided, however, had Lucky Brand successfully litigated and not cast aside its release defense in the 2005 Action. *Pet. App. A*, App-15.

Marcel II also noted Petitioners' laxity in addressing the 2003 release even in the current 2011 Action. Petitioners waited until 2015, *four years after the start of the 2011 Action*, to raise the 2003 release as a defense. Not only did Petitioners fail to plead the 2003 release as an affirmative defense to Respondent's pleading, but Petitioners also failed to raise it as a basis for dismissal when moving for summary judgment in the 2011 Action. Petitioners raised the defense only after *Marcel I* when the Second Circuit remanded and Petitioners hired new counsel. *Pet. App. A*, App-7, 20 .

Marcel II correctly concluded that Petitioners had a full and fair opportunity to litigate the 2003 release in the 2005 Action, but did not do so, and did not proffer “even a theoretical explanation for the omission of the defense.” *Pet. App. A* at App-20. In concluding that defense preclusion applies to Petitioners’ 2003 release defense, *Marcel II* aptly stated that “[t]o conclude otherwise would allow judgment-debtors wide leeway to forgo payment while they assert previously unasserted defenses to successive judgment enforcement actions that they force their creditors to bring.” *Pet. App. A* at App-21, 22.

There is thus no inconsistency between *Marcel I* and *II*. Both decisions are consistent in their judicious balance of fairness, efficiency and judicial economy, and in accordance with this Court’s teachings on claim and issue preclusion.

B. There is no Conflict with the Federal Circuit

None of the cases cited by Petitioners from the Federal Circuit support Petitioners’ argument that there is a circuit split. Petitioners rely upon *Nasalok Coating Corp. v. Nylok Corp.*, 522 F.3d 1320 (Fed. Cir. 2008) for the proposition that a plaintiff and defendant must be treated equally when it comes to *res judicata*. According to Petitioners, *Nasalok* held that if a plaintiff is not “barred from bringing a second infringement suit . . . then [a] defendant also will not be precluded from raising a defense that could have been asserted in the first case, but was not.” *Pet. Brief* at 11-12 (quotations omitted).

Nasalok is consistent with *Marcel II*. *Nasalok* dealt with claim preclusion and the impropriety of asserting

a claim or defense that is essentially a collateral attack on a prior judgment. In *Nasalok*, a trademark owner was granted an injunction and default judgment when Nasalok failed to appear. Nasalok petitioned to cancel the trademark before the Trademark Trial and Appeals Board. The Board granted the motion for summary judgment on the ground that claim preclusion barred Nasalok's petition. Nasalok appealed and the Federal Circuit affirmed the Board's decision on the basis of claim preclusion.

In *Nasalok*, “Nasalok’s claim of trademark invalidity, in its petition to cancel [the owner’s trademark registration] amounted to a collateral attack on the Southern District of New York’s judgment in the earlier infringement suit...” and “the rules of defendant preclusion are properly applied to bar Nasalok from asserting that claim.” 522 F. 3d at 1330. *Nasalok* supports Respondent’s position and the decision below. In *Marcel II*, as in *Nasalok*, the Second Circuit barred Petitioners from raising a defense that amounted to a collateral attack upon the 2010 Final Order and Judgment.

Ecolab, Inc. v. Paraclipse, Inc., 285 F.3d 1362 (Fed. Cir. 2002) is consistent with *Marcel II*. *Ecolab* was a patent case addressing defense preclusion involving different claims for different devices where the holder of a patent brought a patent infringement suit against a competitor. The parties had previously entered into a consent judgment agreeing that the patent holder had a valid patent. The patent holder sought to preclude the competitor from asserting patent invalidity as a defense in the second action. The Federal Circuit held that the defense should not be precluded because the subsequent lawsuit was “a new infringement suit involving a new product.” 285 F. 3d at 1377. The Federal Circuit analyzed

“whether the products are ‘essentially the same’” and concluded they were not. *Id.* Thus, the *Ecolab* facts are markedly different.

Hallco Manufacturing Co. v. Foster, 256 F.3d 1290 (Fed. Cir. 2001) also involved different devices. *Hallco* was a patent infringement case examining whether the second device was the same as the first device. If the same device, defendant was barred by the prior judgment in raising its patent invalidity defense. If a different device, the defense could be asserted: “We will not give parties the power to agree to waste the resources of the courts in revisiting infringement determinations that have already been made.” 256 F.3d 1290 at 1298. See also *Foster v. Hallco Mfg. Co.*, 947 F. 2d 469 (Fed. Cir. 1991) (remanding for the determination of whether claim preclusion should apply to a defense where there is a question of fact as to whether the second lawsuit involved a different device). Because the devices were different, the court concluded that defendant was not barred from raising its defense. *Hallco* is thus consistent with *Marcel II*.

Aspex Eyewear, Inc. v. Marchon Eyewear, Inc. (Fed. Cir. 2012) does not address defense preclusion. On the contrary, it addresses the well-established principle that claim preclusion will not bar a second suit for damages for conduct occurring after the first judgment. Defendant in *Aspex* unsuccessfully argued that plaintiff’s failure to seek injunctive relief in the first case precluded plaintiff from recovering for post judgment acts of infringement. *Aspex* at 1344 (“[a] patentee’s right to recover for postjudgment acts of infringement should not depend on the willingness of a court to issue an injunction that would test the permissible limits of injunctive breadth”). *Aspex* is also consistent with *Marcel II*.

None of the cases cited by Petitioners from the Federal Circuit are thus helpful to Petitioners. As the Second Circuit noted, Respondent's pleading addresses only Petitioners' *continued* infringement for the *same* infringing brands, and the *same* infringing goods. *Marcel II App.* at A-53. The same principles fairness and judicial economy guided the Federal Circuit's decisions and the Second Circuit in *Marcel I* and *II*. The Second Circuit ruled accordingly, in line with Federal Circuit precedent.

This case therefore presents no conflict with the Federal Circuit.

C. There is no Conflict with the Eleventh Circuit

Petitioners next argue that “[t]he decision below is also in square conflict with the Eleventh Circuit.” Brief at 14; *McKinnon v. Blue Cross & Blue Shield of Alabama*, 935 F.2d 1187 (11th Cir.). Petitioners cite to *McKinnon* for the proposition that:

Because [plaintiff's] *claim* in the second suit could not have been litigated in the first case and was not barred, [defendant's] *defense* was also not barred, even though the same defense was equally available, but not actually adjudicated, in the first suit.

Pet. Brief at 14-15 (emphasis in original)

Petitioners misread *McKinnon*. In *McKinnon*, the plaintiff's claim could not have been litigated in the first case because Belinda McKinnon was not a party. The initial case was brought by Belinda's father, an employee, against the administrator of his welfare benefit medical

coverage plan for fraud and bad faith refusal to pay claims. The employee died. His daughter, Belinda, stepped in as executor of her father's estate. Those initial claims were never in Belinda's personal capacity, but rather claims that her father brought.

Belinda was subsequently terminated by her employer, who also happened to be the administrator. Belinda then separately sued the administrator alleging her own wrongful termination claims under various federal antiretaliation provisions.

In this second action, Belinda sought to preclude a defense raised by defendant in the first action. The Eleventh Circuit ruled the doctrine of *res judicata* inapplicable. 935 F.2d 1187 at 1192. *McKinnon* has absolutely no relevance here. *McKinnon* involved different parties with different claims and very different circumstances. Petitioners' analysis is therefore wholly inapposite.

D. There is no Conflict with the Ninth Circuit

Petitioners contend that “[t]he Ninth Circuit reached a similar conclusion to the Federal Circuit and the Eleventh Circuit” relying *Orff v. United States*, 358 F. 3d 1137 (9th Cir. 2004). *Orff* is in line with *Marcel I* and *Marcel II*, and these other circuits.

In *Orff*, farmer irrigators brought suit challenging the federal government's reduced allocation of water to a water district to protect threatened species. Plaintiffs argued that a prior adjudication that the federal government had waived its sovereign immunity defense should preclude the United States from raising it as a defense in *Orff*. The Ninth Circuit disagreed.

The Ninth Circuit found that the two cases did not arise from the same “nucleus of facts.” *Orff* had unique factual circumstances that were different from the first case. The first case addressed the federal government’s violation of a contract for the allocation of water, whereas *Orff* involved a reduction of water triggered by a subsequent finding under the Endangered Species Act. The Ninth Circuit further found that the grounds upon which the sovereign immunity defense was deemed waived in the first action, were neither alleged nor applicable in *Orff*. 358 F. 3d 1137 at 1150.

In sharp contrast, *Marcel II* involved Petitioners’ continued infringement of the same brand, on the same goods. Petitioners’ reading of *Orff* is thus misplaced; there is no conflict with the Ninth Circuit.

E. There is No Conflict between This Court’s Precedent and the Decision Below

Petitioners contend that *Marcel I* conflicts with this Court’s precedent. Petitioners argue that this Court follows a “simple” rule: “[I]n successive actions growing out of different transactions, the defendant is free to raise defenses that were equally available but omitted from the first action.” *Pet. Brief* at 17 (citing Wright & Miller §4414). Petitioners argue that the Second Circuit did not follow this “simple” rule. None of the cases cited by Petitioners support Petitioners’ absurdly broad reading of *res judicata*.

Petitioners rely on *Davis v. Brown*, 94 U.S. 423 (1876) and “its companion case,” *Cromwell v. County of Sac*, 94 U.S. 351 (1876). *Pet. Brief* at 20. Petitioners err in concluding that *Davis v. Brown* conflicts with *Marcel II*.

In *Davis v. Brown*, plaintiff argued that *res judicata* bars defendant from raising a defense it failed to raise in a prior action between the same parties. In siding with defendant, this Court reasoned that “[w]hen a judgment is offered in evidence in a subsequent action between the same parties upon a different demand, it operates as an estoppel only upon the matter actually at issue and determined in the original action.” 94 U.S. 423 at 428.

Davis is consistent with this action which involves continuing infringement of the same trademarks. *Davis* dealt with a different set of promissory notes from the prior action. Plaintiff sued on one set of promissory notes in the first action, and sued on another set of promissory notes in the second action. The underlying claim in *Davis* was different because it arose out of different documents between the same parties.

Petitioners' reliance on *Cromwell* is similarly untrustworthy. *Cromwell* found a judgment to be conclusive as to the “issue or points controverted, upon the determination of which the finding or verdict was rendered.” 94 U.S. 351 at 351. This includes defenses that were raised or could have been raised by the defendant:

Thus, for example, a judgment rendered upon a promissory note is conclusive as to the validity of the instrument and the amount due upon it, although it be subsequently alleged that perfect defences actually existed, of which no proof was offered, such as forgery, want of consideration, or payment. If such defences were not presented in the action, and established by competent evidence, the subsequent allegation of their existence is

of no legal consequence. The judgment is as conclusive, so far as future proceedings at law are concerned, as though the defences never existed. The language, therefore, which is so often used, that a judgment estops not only as to every ground of recovery or defence actually presented in the action, *but also as to every ground which might have been presented, is strictly accurate, when applied to the demand or claim in controversy.* Such demand or claim, having passed into judgment, *cannot again be brought into litigation between the parties in proceedings at law upon any ground whatever.* *Cromwell v. Sac Cty.*, 94 U.S. 351, 352–53, 24 L. Ed. 195 (1876) (emphasis added).

Both *Davis* and *Cromwell* are consistent with *Marcel I* and *Marcel II*. As *Marcel II* noted, “*Marcel styled its complaint as one that effectively sought to enforce the judgment entered in the 2005 Action.*” Pet. App. A at App-21. Respondent’s complaint addresses Petitioners continued infringement: the same infringement that Respondent obtained a judgment on in the 2005 Action. Respondent’s pleading is not based on *different* underlying documents, as in *Davis* and *Cromwell*. On the contrary, it is based on the *same* brand for the *same* infringing goods, and addresses Petitioners’ *continued* infringement after the 2010 Final Order and Judgment. To allow Petitioners to raise the same defense they raised and then failed to prosecute in the 2005 Action would depart from both *Davis* and *Cromwell*.

The remainder of the cases cited by Petitioners are unavailing, either because they have no relevance, or because the actions are vastly different. See e.g. *New*

Hampshire v. Maine, 532 U.S. 742 (2001) (judicial estoppel for a party's inconsistent arguments, and not claim preclusion or issue preclusion); *Whole Woman's Health v. Hellerstedt*, 136 S. Ct. 2292 (2016) (addressing claim preclusion, but not defense preclusion, in the context of a dispute over implementation of an anti-abortion state statute and substantially differing circumstances between the first and second lawsuit); *Taylor v. Sturgell*, 553 U.S. 880 (2008) (“by precluding parties from contesting matters that they have had a full and fair opportunity to litigate these two doctrines [claim preclusion and issue preclusion] protect against the expense and vexation attending multiple lawsuits, conserve judicial resources and foster reliance on judicial action by minimizing the possibility of inconsistent decisions”); *Clark v. Young & Co.*, 5 U.S. (1 Cranch) 181 (1803) (addressing claim preclusion, but not defense preclusion); *Commissioner v. Sunnen*, 333 U.S. 591 (1948) (collateral estoppel inapplicable because change in the law occurring between the first and second case constitutes a sufficient change in the legal climate); *Balt. S.S. Co. v. Phillips*, 274 U.S. 316 (1927) (plaintiff injured in a boat accident barred by *res judicata* from bringing a second lawsuit for the same injuries where plaintiff’s claim was defeated in the first action); *Nesbit v. Indep. Dist. Of Riverside*, 144 U.S. 610 (1892) (*res judicata* does not bar second action because plaintiff sued upon different bonds).

F. There is No Conflict with the Federal Rules of Civil Procedure

Petitioners next argue that the decision below creates a conflict with the Federal Rules of Civil Procedure because it “tramples on the clear distinction between compulsory and permissive counterclaims.” *Pet. Brief* at 22.

Neither *Marcel I* nor *Marcel II* rely on the distinction between permissible or compulsory counterclaims. *Marcel II* briefly discusses the issue in a footnote to illustrate that the Federal Rules of Civil Procedure have inherent protections against vexing litigation tactics that waste judicial resources. *Pet. App. A* at App-18. Petitioners' argument that the 2003 Release and Settlement Agreement bars Respondent's claim is an affirmative defense. Specifically, F.R.C.P. 8(c)(1) identifies "release" as an affirmative defense. Rule 8(c) requires that litigants state all affirmative defenses in the answer or they are deemed waived.

While Petitioners did assert the 2003 release as an affirmative defense in the 2005 Action, Petitioners never raised it again after their motion to dismiss was denied. Petitioners never raised it at summary judgment or at trial. In the 2011 Action, Petitioners did not plead it as an affirmative defense, or raise it as a basis for dismissal in moving for summary judgment. Petitioners only raised the defense after the Second Circuit remanded following *Marcel I* and Petitioners hired new counsel. In other words, Petitioners waited until 2015, four years after the start of the 2011 Action, to raise the 2003 release as a defense. *2011 Action, No. 11-cv-5523 (SDNY), Lucky Brand's Motion to Dismiss*, Doc. No. 157.

Petitioners thus err in concluding that the decision below conflicts with the Federal Rules of Civil Procedure.

**III. THIS CASE IS NOT AN ADEQUATE VEHICLE
BECAUSE THE QUESTION PRESENTED IS
IRRELEVANT TO THE ACTION'S OUTCOME
IN THIS PRE-ANSWER, PRE-DISCOVERY
JUDGMENT ENFORCEMENT ACTION**

Even if this Court finds a conflict exists, the present case involving Petitioners' extreme dilatory conduct and unclean hands presents an inadequate vehicle and does not warrant certiorari because this purported conflict is irrelevant to the ultimate outcome of the case. *See Sommerville v. United States*, 376 U.S. 909 (1964) (certiorari denied despite government's concession that a live conflict existed, as it was evident that the resolution of the conflict could not change the result reached below) see also *Michigan v. Long*, 463 U.S. 1032, 1071 (1983) ("If it is not apparent that our views would affect the outcome of a particular case, we cannot presume to interfere.") (Stevens, J., dissenting). *Marcel II* was issued pre-answer and pre-discovery, and if *Marcel II* were vacated, Respondent would have an opportunity to address numerous other grounds upon which Petitioners' claims fail as a matter of law – to wit, waiver, judicial estoppel and the plain language of the 2003 Settlement Agreement.

**A. The Question Presented is Academic Because
the Release Defense was Raised then Waived**

As Respondent argued in its brief before the Second Circuit, Petitioners waived their 2003 release in the stipulated 2010 Final Order and Judgment. *2011 Action, No. 17-0361 (2nd Cir.), Brief for Plaintiff Appellant Marcel*, Doc. No. 51 at 28 (discussing argument)

In the 2005 Action, Petitioners moved to dismiss Respondent's trademark infringement counterclaims arguing that *res judicata* barred such claims because Respondent released them by signing the 2003 Release and Settlement Agreement. *Marcel II App.* at A-225. The Southern District of New York denied Petitioners' motion to dismiss because this 2003 release defense was premature at that early stage. *Marcel II App.* at A-243; *see also* Point IV *supra*.

Petitioners failed to raise the 2003 release again at summary judgment or at jury trial in the 2005 Action. In the 2010 Final Order and Judgment, jointly drafted by the parties, Petitioners expressly waived any right to use GET LUCKY or the word LUCKY, and any right to appeal.

Petitioners, who raised and then abandoned the 2003 release as a defense during the 2005 Action, eventually waived it in writing. The 2003 release can thus not be relitigated in the present action. For this reason, the question presented is irrelevant to the ultimate outcome of the case and certiorari should be denied.

B. The Question Presented is Academic Because the Doctrine of Judicial Estoppel Bars the Release Defense Due to Petitioners' Successful Adoption of a Clearly Inconsistent Position in a Prior Action

Petitioners are judicially estopped from claiming that the 2003 Release and Settlement Agreement bars prospective infringement claims because Petitioners adopted a contrary position in the 2005 Action. See Point IV, *supra*.

Under the doctrine of judicial estoppel, where a party assumes a certain position in a legal proceeding, and succeeds in maintaining that position, she may not thereafter, simply because her interests have changed, assume a contrary position, especially if it be to the prejudice of the party who has acquiesced in the position formerly taken by him. *New Hampshire v. Maine*, 532 U.S. 742 (2001) at 742-43. “Judicial estoppel” generally prevents a party from prevailing in one phase of a case on an argument and then relying on a contradictory argument to prevail in another phase. *Id.* at 749.

This Court analyzes well-settled factors in applying judicial estoppel: (1) whether the party’s later position is “clearly inconsistent” with its earlier position, (2) whether the party has succeeded in persuading a court to accept that party’s earlier position, so that judicial acceptance of an inconsistent position in a later proceeding would create the perception that either the first or second court was misled, and (3) whether the party seeking to assert an inconsistent position would derive an unfair advantage or impose an unfair detriment on the opposing party if not estopped. *Id.* at 750-51.

In the 2005 Action, Respondent moved for summary judgment arguing that “any claims relating to [Respondent’s] use of its trademark GET LUCKY are precluded, as a matter of law by” the 2003 Release and Settlement Agreement. *2005 Action*, No. 05-cv-06757 (SDNY), *Marcel’s Motion for Summary Judgment*, Doc. No. 71 at 4. In opposition, Petitioners argued that their claims were not barred by the 2003 Release and Settlement Agreement since it did not create prospective rights and released only Respondent’s prior conduct:

The 2003 Settlement Agreement is unequivocal in its release only of claims based on acts occurring before its execution, i.e. claims “by reason of or arising out of any matter, cause or event occurring prior to the date hereof,” including “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.” *2005 Action, No. 05-cv-06757 (SDNY), Lucky Brands’ Opposition to Summary Judgment, Doc. No. 77 at 14.*

Petitioners prevailed on this argument and the Southern District of New York denied Respondent’s motion for summary judgment holding that the 2003 Release and Settlement Agreement released Respondent only “from all claims that [Petitioners] may have had ‘by reason of or arising out of any matter’ occurring on or prior to” the 2003 Release and Settlement Agreement. *2005 Action, No. 05-cv-06757 (SDNY), Order, Doc. No. 148.*

This argument is clearly inconsistent with the 2003 release defense Petitioners seek to assert in the 2011 Action and this Petition. Petitioners would derive an unfair advantage because Petitioners would now be able to assert a release defense in this 2011 Action that they successfully defeated in the 2005 Action against the same party. The doctrine of judicial estoppel would thus squarely bar Petitioners’ unconvincing defense.

As Petitioners’ defense would have no effect on the outcome of this case, Petitioners’ petition for certiorari should be denied.

C. The Question Presented is Academic Because the Plain Language of the 2003 Release Does Not Support Petitioners' Case

The plain language of the 2003 Release and Settlement Agreement does not bar prospective claims of infringement asserted subsequent to the agreement's effective date. *2011 Action, No. 17-0361 (2nd Cir.), Brief for Plaintiff Appellant Marcel*, Doc. No. 51 at 33 (discussing argument); *see also* Point III *supra*.

Section 8 of the 2003 Release and Settlement Agreement imposes a temporal restriction fatal to Petitioners' purported defense based on the 2003 Release and Settlement Agreement:

Marcel hereby forever and fully remises, releases, acquit, and discharges [Petitioners] ... from any and all actions, causes of actions ... that Marcel ever had, now has or hereafter can, shall or may have, by reason of or arising out of any matter, cause or event ***occurring on or prior to the date hereof***, including but not limited to:... (e) any and all claims arising out of or in any way relating to Lucky Brand's rights to use , license and/or register the trademark LUCKY BRAND and/or any other trademarks ... registered and/or used by Lucky Brand ... as of the date of this Agreement.

Marcel II App. at A-85, 86 (emphasis added)

This plain language limited the 2003 release to claims that were or could have been raised on or prior to the

date of the agreement. Accordingly, the 2003 release is irrelevant to the current action and provides no defense whatsoever. Even if this Court remanded to permit Petitioners to raise this defense, it would necessarily fail.

There is no reason to review the Second Circuit Decision.

CONCLUSION

The Court should deny the petition.

Respectfully submitted,

OLIVERA MEDENICA
Counsel of Record

RAYMOND J. DOWD
SIXTINE BOUSQUET-LAMBERT
DUNNINGTON BARTHOLOW & MILLER LLP
230 Park Avenue, 21st Floor
New York, NY 10169
(212) 682-8811
omedenica@dunnington.com

Counsel for Respondent