

No. 18-1086

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In the  
**Supreme Court of the United States**

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LUCKY BRANDS DUNGAREES, INC., LUCKY BRAND  
DUNGAREES STORES, INC., LEONARD GREEN &  
PARTNERS, L.P., LUCKY BRAND DUNGAREES, LLC,  
LUCKY BRAND DUNGAREES STORES, LLC, KATE  
SPADE & CO.,

*Petitioners,*

v.

MARCEL FASHION GROUP, INC.,

*Respondent.*

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**On Writ of Certiorari to the  
United States Court of Appeals  
for the Second Circuit**

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**REPLY BRIEF**

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## TABLE OF CONTENTS

TABLE OF AUTHORITIES.....	ii
REPLY BRIEF.....	1
ARGUMENT.....	4
I. The Claims In The Current Action Are Not The Same As The Claims In The 2005 Action ...	4
A. The Two Suits Involve Different Conduct, Different Theories of Liability, and Different Periods of Time.....	4
B. Marcel Is Judicially Estopped from Arguing Otherwise.....	9
II. Affirming Would Require Abandoning Nearly 150 Years Of Settled Precedent.....	12
III. Marcel's Remaining Arguments Fail.....	16
A. This Case is Not a Collateral Attack.....	16
B. The Current Action is Not a Judgment- Enforcement Action.....	19
C. Reversing Will Cause No Unfairness, but Affirming Will.....	21
CONCLUSION.....	23

## TABLE OF AUTHORITIES

### Cases

<i>Bank of Am., N.A. v. Caulkett</i> , 135 S. Ct. 1995 (2015).....	14
<i>Christianson v. Colt Indus. Operating Corp.</i> , 486 U.S. 800 (1988).....	11
<i>City of Beloit v. Morgan</i> , 74 U.S. (7 Wall.) 619 (1868).....	20, 21
<i>Comm’r v. Sunnen</i> , 333 U.S. 591 (1948).....	18
<i>Cromwell v. County of Sac</i> , 94 U.S. 351 (1877).....	3, 18, 19
<i>Davis v. Brown</i> , 94 U.S. 423 (1877).....	<i>passim</i>
<i>Fox v. Maulding</i> , 112 F.3d 453 (10th Cir. 1997).....	16
<i>Janus v. Am. Fed’n of State, Cty., &amp; Mun. Emps., Council 31</i> , 138 S. Ct. 2448 (2018).....	14
<i>Kansas v. Ventris</i> , 556 U.S. 586 (2009).....	11
<i>Kimble v. Marvel Entm’t, LLC</i> , 135 S. Ct. 2401 (2015).....	14
<i>Kremer v. Chem. Constr. Corp.</i> , 456 U.S. 461 (1982).....	4
<i>Landscape Forms, Inc. v. Columbia Cascade Co.</i> , 113 F.3d 373 (2d Cir. 1997) .....	5

<i>Mercoid Corp. v. Mid-Continent Investment Co.</i> , 320 U.S. 661 (1944).....	18, 19
<i>Nasalok Coating Corp. v. Nylok Corp.</i> , 522 F.3d 1320 (Fed. Cir. 2008).....	17
<i>New Hampshire v. Maine</i> , 532 U.S. 742 (2001).....	3, 10, 11, 15
<i>Pegram v. Herdrich</i> , 530 U.S. 211 (2000).....	9
<i>Pepper v. United States</i> , 562 U.S. 476 (2011).....	11
<i>Tioga R.R. v. Blossburg &amp; Corning R.R. Co.</i> , 87 U.S. 137 (1873).....	21
<i>SimpleAir, Inc. v. Google LLC</i> , 884 F.3d 1160 (Fed. Cir. 2018).....	6
<i>Stout v. Lye</i> , 103 U.S. 66 (1880).....	17
<i>Taylor v. Sturgell</i> , 553 U.S. 880 (2008).....	1, 15
<i>United States v. Tohono O’Odham Nation</i> , 563 U.S. 307 (2011).....	4
<i>Whole Woman’s Health v. Hellerstedt</i> , 136 S. Ct. 2292 (2016).....	2, 4, 5, 15

## REPLY BRIEF

For the past 150 years, courts uniformly have held that in a second suit involving different claims from the parties' first suit, the defendant is free to raise defenses that could have been resolved in the first suit, but were not. The decision below broke that unbroken line of precedent. According to the Second Circuit, "defense preclusion" *can* "bar[] a party from raising a defense" that was not resolved in a prior case involving different claims, so long as the defense "could have been" resolved "in the prior action." Pet.App.19. The Second Circuit applied that new rule here, holding that Lucky "is barred from asserting" a defense that "was in no way 'actually litigated and determined'" in the parties' prior case. Pet.App.9 n.3, 22.

That unprecedented decision cannot stand. The line of authority the Second Circuit snubbed reflects fundamental principles of preclusion. "The preclusive effect of a judgment is defined by claim preclusion and issue preclusion, which are collectively referred to as 'res judicata.'" *Taylor v. Sturgell*, 553 U.S. 880, 892 (2008). Claim preclusion applies only when a claim is the very same as a claim previously adjudicated, and issue preclusion applies only when an issue of fact or law was previously litigated and resolved. So, when a later case involves different claims than a prior case, res judicata does not bar defenses (*i.e.*, issues of law) unless they actually were resolved in the prior case.

Remarkably, Marcel now seems to agree. Marcel admits that never-before-resolved defenses cannot be precluded by operation of an earlier judgment unless the "causes of action" in "the two suits" are "the same." Resp.Br.17; *accord* Resp.Br.21 ("the preclusion of a

defense requires ... an identity of the cause of action”); Resp.Br.50 (“Defense preclusion applies only when the causes of action are the same[.]”). Yet rather than follow that admission to its logical conclusion and concede the error of the decision below, Marcel now argues that the Current Action involves “the same cause of action” as the 2005 Action—and as such, that there is nothing novel or problematic about precluding Lucky from raising new defenses. Resp.Br.17, 37.

That argument fails for three reasons. **First**, the two suits involve distinct conduct and distinct theories of liability. Marcel’s counterclaims in the 2005 Action all depended on Lucky’s use of Marcel’s GET LUCKY mark. But there is not a single allegation in Marcel’s complaint in the Current Action that Lucky is still using GET LUCKY. Liability in the prior action thus does not compel liability here. **Second**, the two suits cover different time periods, and a claim “predicated on events that postdate” a prior suit is not “the very same” as any prior claim. *Whole Woman’s Health v. Hellerstedt*, 136 S. Ct. 2292, 2305 (2016). That rule is particularly apt in the trademark context, where the enforceability of a mark and the likelihood of confusion between marks inherently depend on extrinsic facts that are often in flux. Pet’rs.Br.43-45. **Third**, Marcel is judicially estopped from arguing that its claims here are the same as its counterclaims in the 2005 Action. In the initial phase of this case (*Marcel I*), Marcel convinced the Second Circuit that its “claims” here are “new, separate and distinct” from the counterclaims on which it prevailed in the 2005 Action. Amended Opening Br. 10, *Marcel I*, No. 12-4341 (2d Cir. July 8, 2013), Dkt. 82-10 (“AOB”) (capitalization omitted); *see also, e.g., id.* at 15-25

(arguing that its claims here “are not related in time, space, or origin to the wrongs litigated previously”). Having won on that argument, Marcel cannot take the opposite position now. *New Hampshire v. Maine*, 532 U.S. 742, 749-51 (2001).

With that issue out of the way, this case is easy: Because the claims in the Current Action are not the same as in the 2005 Action, preclusion does not apply.

Marcel tries to complicate matters by arguing that allowing Lucky to raise its release defense will “impair rights established in the initial action.” Resp.Br.30. But because the claims here derive from conduct that is distinct from the conduct adjudicated infringing in the 2005 Action, this case does not threaten any rights established in that prior case.

Similarly irrelevant is Marcel’s exegesis on the principle that “a defendant who suffers a defeat in one proceeding will ordinarily be barred from raising in a later proceeding any defense *to the same cause of action* that was available to it in the earlier proceeding.” Resp.Br.21 (emphasis added). As Lucky has explained, that principle is just an “ordinary incident of claim preclusion,” Pet’rs.Br.25, which forecloses “not only” relitigation of “every matter which was offered and received to sustain or defeat the claim or demand,” but also litigation of “every matter” (which includes defenses) “which might have been offered for that purpose” in the first suit, but was not. *Cromwell v. County of Sac*, 94 U.S. 351, 352 (1877). That principle therefore applies “only when the causes of action [in the two cases] are the same,” Resp.Br.50; accord Pet’rs.Br.25, which is not the case here.

Reaching any other conclusion would require overruling *Davis v. Brown*, 94 U.S. 423 (1877). Marcel tries to fight that conclusion on two fronts. Marcel first insists that “*Davis* stands only for the proposition that a suit on one negotiable instrument represents a different cause of action from a suit on a different instrument.” Resp.Br.48. But that ignores the entire second half of the opinion, which rejected a defense-preclusion argument identical to the one Marcel makes here. *See Davis*, 94 U.S. at 427-29. Marcel next asks this Court to ignore *Davis*. Resp.Br.48-49. But *Davis* is perfectly consistent with modern doctrine; indeed, this Court has reaffirmed its core holding over a dozen times and “has never once cast doubt on the vitality of the rule.” Pet’rs.Br.21.

Because the claims in the Current Action are not the same as the counterclaims on which Marcel prevailed in the 2005 Action, and the release defense was not actually litigated in the 2005 Action, preclusion does not apply. The Court should reverse.

## ARGUMENT

### I. **The Claims In The Current Action Are Not The Same As The Claims In The 2005 Action.**

#### A. **The Two Suits Involve Different Conduct, Different Theories of Liability, and Different Periods of Time.**

Two claims are not “the same” unless they “aris[e] from the same transaction.” *United States v. Tohono O’Odham Nation*, 563 U.S. 307, 316 (2011) (quoting *Kremer v. Chem. Constr. Corp.*, 456 U.S. 461, 482 n.22 (1982)). That was true “in the 19th century,” *id.*, and it remains true today, *see Whole Woman’s Health*, 136 S. Ct. at 2305. Marcel is thus wrong that “[t]he claims



here and in the 2005 litigation are the same.” Resp.Br.39. The claims in the Current Action derive from “alleged infringements that occurred subsequent to ... the 2005 Action,” Pet.App.7 (citing Pet.App.48), and “claims that are predicated on events that postdate” a prior case are not “the very same” as any claims raised in the prior case. *Whole Woman’s Health*, 136 S. Ct. at 2305.

The rationale behind that rule carries particular force in the trademark context. Unlike the validity of a note or a contractual obligation, the enforceability of a mark or the likelihood of confusion between marks depend on “marketplace realities,” *i.e.*, extrinsic facts (the context in which the marks are presented, whether a disclaimer is used, the sophistication of “potential purchasers,” the view of “the general public,” the incidence of actual confusion, etc.) that often change over time. *Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373, 382 (2d Cir. 1997); *see* Pet’rs.Br.43-45. So even if, contrary to reality, Marcel’s claims in the Current Action derived from repeats of exactly the same conduct that was adjudicated infringing in the 2005 Action—namely, use of the “Lucky Brand” marks in conjunction with GET LUCKY—liability in that prior suit still would not compel liability here. After all, the marketplace realities that prevailed (and thus contributed to consumer confusion) when Lucky committed the conduct found infringing in the 2005 Action may or may not remain in place today.

In any event, the conduct underlying Marcel’s claims here *is different from* the conduct adjudicated infringing in the prior case. In the prior case, the court

imposed liability for “Lucky’s direct imitation of the GET LUCKY mark,” Resp.Br.9, and “the jury” imposed liability for Lucky’s “use of the ‘get lucky’ slogan alongside [Lucky’s] other marks,” Resp.Br.52. All liability in the prior case thus “depended” on Lucky’s use of GET LUCKY. Resp.Br.9-11. Marcel acknowledges this in its brief, explaining that “Marcel’s position” in the prior case “was that ‘the constant mixing of [Lucky’s] trademarks *and [Marcel’s] trademark*’” (namely GET LUCKY) is what created consumer “confusion with respect to [Lucky’s] use of ‘Lucky.’” Resp.Br.10 (emphasis added, first and second alterations in original).

In the Current Action, by contrast, Marcel *does not allege* that Lucky continued to use GET LUCKY. See JA53-75. Marcel’s theory here is that Lucky has used “the LUCKY BRAND Marks”<sup>1</sup> (which Lucky owns) together with other instantiations of “the word ‘Lucky’” *that are not GET LUCKY*, and that such use has diluted Marcel’s rights. JA63 ¶30; see JA69 ¶¶53-55, JA70 ¶¶59-62. So even setting aside the fact that the two cases cover different time periods, it could not be clearer that they involve distinct causes of actions. *Cf. SimpleAir, Inc. v. Google LLC*, 884 F.3d 1160, 1165 (Fed. Cir. 2018) (“essential transactional facts” for preclusion “include both the asserted patents and the accused activity”).

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<sup>1</sup> The “Lucky Brand marks” refers to the twelve trademark registrations appended to the 2010 Final Order and Judgment. See Exhibit 1 to Final Order and Judgment, 1:05-cv-06757-LTS-MTD (S.D.N.Y. June 1, 2010), Dkt. 248. Marcel’s two GET LUCKY registrations are separately appended to the judgment.

Marcel nonetheless insists (at 46) that this case “alleg[es] sales of identical merchandise creating the same trademark confusion as the jury had found” “in the 2005 action.” That is simply false. The judgment in the 2005 Action is clear that Lucky’s merchandise infringed Marcel’s rights only to the extent that it “bear[ed] Marcel Fashion’s GET LUCKY trademark,” and that Lucky’s “advertisements” infringed Marcel’s rights only to the extent that they “use[d] ... GET LUCKY.” JA204; *see also* JA207 ¶5 (Lucky “infringed [Marcel’s] GET LUCKY trademark ... by using GET LUCKY” in conjunction with “other trademarks” Lucky owns). Again, Marcel acknowledges this in its brief,<sup>2</sup> and stated it succinctly in its complaint.<sup>3</sup> Because *none* of the claims in the Current Action depends on, or even involves, use of GET LUCKY, the two cases simply do not involve the same claim for preclusion (or any other) purposes.

The Second Circuit’s denial of Marcel’s contempt motion confirms that conclusion. Marcel sought “to hold [Lucky] in contempt for violating the injunction issued in the 2005 Action by its subsequent use of the ‘Lucky Brand’ marks.” Pet.App.53. The premise of the motion was that the conduct alleged in the Current Action is the same as the conduct adjudicated infringing, and prohibited by a final permanent

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<sup>2</sup> “The confusion-based liability assessed by the jury in the 2005 action ... arose principally out of Lucky’s continued use of the ‘get lucky’ slogan alongside its other marks.” Resp.Br.52.

<sup>3</sup> “In short, the Original Defendants were found liable ... for [their] use of the GET LUCKY and the LUCKY BRAND Marks in connection with their clothing, apparel, accessory and fragrance business....” JA61 ¶23.

injunction, in the 2005 Action. Pet.App.52-56. Had the Second Circuit agreed that this case covers the same conduct as the 2005 Action, it would have granted Marcel's contempt motion. Instead, the Second Circuit denied the motion on the ground that the 2005 Action dealt with Lucky's having "us[ed] 'Get Lucky'" alongside its own marks, whereas the Current Action deals with Lucky's "use of the 'Lucky Brand' marks" in conjunction with other marks that are *not* GET LUCKY. Pet.App.54-55.<sup>4</sup>

In sum, the Current Action does not just cover a different timeframe than the 2005 Action; it is premised on distinct conduct and distinct theories of liability. Or, to use Marcel's words, the "facts, evidence, and legal rights" that were adjudicated in the 2005 Action are not the same as the "facts, evidence, and legal rights" that are "at issue" here. Resp.Br.33. So even under the most "flexible" understanding of what it means for two claims in two cases to be the same, Resp.Br.38, the claims here are not the same as the counterclaims in the 2005 Action. Accordingly, "defense preclusion" does not apply.

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<sup>4</sup> Marcel accuses Lucky (at 11 n.3) of having argued "that the verdict for Marcel" in the 2005 Action "might have been based only on 'Lucky's use of GET LUCKY' rather than on its use of 'other LUCKY-formative marks.'" That misunderstands Lucky's point, which was that the final judgment in the 2005 Action emphatically did not hold that Lucky's "use of the 'Lucky Brand' marks" *simpliciter* (i.e., not in conjunction with GET LUCKY) "constituted infringement of 'Get Lucky.'" Pet.App.56.

### **B. Marcel Is Judicially Estopped from Arguing Otherwise.**

The doctrine of judicial estoppel prevents Marcel from now arguing that its claims in the Current Action are “the same” as its counterclaims in the 2005 Action. Resp.Br.2, 4, 12, 17, 37. Judicial estoppel “prevents a party” that “prevail[ed] in one phase of a case on an argument” from “relying on a contradictory argument to prevail in another phase.” *Pegram v. Herdrich*, 530 U.S. 211, 227 n.8 (2000). This is a textbook case for judicial estoppel. Marcel not only argued in *Marcel I* that the Current Action involves “new claims,” *but prevailed on that argument*.

In *Marcel I*, the district court ruled that the Current Action is based on “the same conduct” as the 2005 Action. Pet.App.68. Marcel’s sole argument in *Marcel I* was that its complaint in the Current Action “assert[s] *new claims* based on new facts and circumstances.” AOB.21. Marcel repeated that argument over and over again in *Marcel I*, arguing, *e.g.*, that the “claims” in the Current Action “are not related in time, space, or origin to the wrongs litigated previously”; are “new”; are “separate and distinct” from the claims in the 2005 Action; “involve[] different transactions”; and so on. *Id.* at 10, 15-16, 18-21, 25. Marcel literally underscored its view that “no reasonable person could read” the Current Action as being “based upon the same acts, facts, and circumstances” as the counterclaims in the 2005 Action. *Id.* at 15-16 (underline in original).

And, crucially, *Marcel won* based on that argument. The Second Circuit in *Marcel I* adopted Marcel’s position, reversed the district court, and held

that the claims in the Current Action are not the same as, and so are not precluded by, Marcel's counterclaims in the 2005 Action. Pet.App.46-52.

Marcel now insists that "the basis for the Second Circuit's decision in the first appeal" was that "a suit claiming damages for prior infringements does not bar a subsequent suit for damages for ... [identical, post-judgment] infringements." Resp.Br.41 (alterations in original) (quoting Pet.App.50). Marcel's inline alterations to the opinion give away the game. The Second Circuit emphatically did *not* hold that the conduct at issue in the Current Action is "identical" to the conduct in the 2005 Action. The court never once described Marcel's current claims as identical to or the same as the 2005 Action; it referred to them only as claims "for subsequent infringements" covering a different period of time. Pet.App.50.

That is why Marcel's refrain (at 3, 17, 37, 39) that Lucky "conceded" that this case "involves the same cause of action" as the 2005 Action is so galling: *Lucky lost* in *Marcel I*. To be sure, Lucky argued in *Marcel I* that the claims here and the counterclaims in the 2005 Action are the same. But it is always true in judicial estoppel cases that both parties switched positions. And yet only the party that tries to wriggle free from its victory is subject to judicial estoppel. *New Hampshire*, 532 U.S. at 749-51. There is nothing inequitable about that. The point of judicial estoppel is "to protect the integrity of the judicial process." *Id.* at 749. Allowing a party "to gain an advantage by litigation on one theory, and then seek an inconsistent advantage by pursuing an incompatible theory," is antithetical to that integrity. *Id.* By contrast, a losing

party's begrudging acceptance of the law of the case raises no such concerns. *Id.* at 750-51.<sup>5</sup>

Having prevailed in *Marcel I* by arguing that the claims in the Current Action are “separate and distinct” from its counterclaims in the 2005 Action, Marcel cannot now argue that “[t]he claims here and in the 2005 litigation are the same.” Resp.Br.39. Allowing it do so would give it “an unfair advantage” and “impose an unfair detriment on [Lucky].” *New Hampshire*, 532 U.S. at 751. After all, Lucky litigated *Marcel II* on the premise that it was stuck with *Marcel I* as the law of the case, and *Marcel II* in fact took *Marcel I* as a given. See Pet.App.7. The case for judicial estoppel is thus plain. The claims here are not the same as the counterclaims in the 2005 Action.

\* \* \*

The claims in the Current Action are based on distinct conduct from the conduct adjudicated infringing and enjoined in the 2005 Action. The two cases also cover distinct timeframes and marks. So as both judicial estoppel and simple reality confirm, the two cases do not involve the same cause of action.

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<sup>5</sup> The law-of-the-case doctrine instructs that “when a court decides upon a rule of law, that decision should continue to govern the same issues in subsequent stages in the same case.” *Pepper v. United States*, 562 U.S. 476, 506 (2011). This Court has admonished “courts of appeals” to “adher[e] strictly to principles of law of the case.” *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 819 (1988); see *Kansas v. Ventris*, 556 U.S. 586, 590 (2009) (this Court will “accept ... the law of the case” particularly where “judicial estoppel” points in the same direction).

## II. Affirming Would Require Abandoning Nearly 150 Years Of Settled Precedent.

In *Davis v. Brown*, 94 U.S. 423 (1877), this Court squarely held that *res judicata* does not bar defenses that “might have been ... litigated and determined” in an earlier case on “a different demand,”<sup>6</sup> but were not. *Id.* at 428. The decision below directly conflicts with *Davis*. Marcel’s attempts to evade that conclusion fail.

*Davis* was the second suit “between the same parties.” *Id.* The defendants sought to raise a “defence” that they claimed absolved them of liability. *Id.* at 424. The plaintiff, who had prevailed in the first suit, “contended” that “the judgment” in the first suit barred the defense because the defendants *could have* “pleaded and relied upon” it in the first suit, but chose not to. *Id.* at 428. The Court rejected the plaintiff’s position because it “confounded the operation of a judgment upon the demand involved in the action[] in which the judgment was rendered” (claim preclusion) “with its operation as an estoppel in another action between the parties upon a *different* demand” (issue preclusion). *Id.* (emphasis added). The former “operation” did not apply because the second suit involved “a different demand” from the first, and claim preclusion kicks in only when successive cases involve the same claim. *Id.* The latter “operat[ion]” did not apply either, because issue preclusion precludes litigation “only upon the matter[s] actually at issue and determined in the original action.” *Id.*

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<sup>6</sup> See Pet’rs.Br.18 n.6 (“demand,” “claim,” and “cause of action” mean the same thing in this context).



*Davis* is on all fours with with this case. As in *Davis*, this case is “a subsequent action between the same parties upon a different demand” from the claims in the parties’ prior suit. *Id.* at 424; *see supra* Part I. As in *Davis*, the defendants here (Lucky) seek to raise a defense that “was in no way ‘actually litigated and determined’” in the parties’ prior suit. Pet.App.9 n.3. Also as in *Davis*, the plaintiff (Marcel) argues that *res judicata* bars the defense because it “could have been raised in the 2005 lawsuit.” Resp.Br.4, 14. *Davis* thus does not merely “shed[] light on the question here,” Resp.Br.48; it definitively resolves it. If *stare decisis* means anything, then this case and *Davis* must come out the same way.

Marcel’s only responses are to deny that *Davis* held what it held and to ask this Court to ignore or overrule it. Resp.Br.47-49. Both are baseless.

According to Marcel, “[t]he question at issue in *Davis* was whether the defendants had disclaimed indorser liability on ten promissory notes.” Resp.Br.47. That is incorrect. As *Davis* makes clear, the ultimate “question[] presented” in the case was whether “the judgment” in the first suit barred “the defendants [from] setting up” in the second suit “any defence” that they could have litigated in the first suit, but did not. 94 U.S. at 424-25; *see also id.* at 427-28 (“The next question for determination relates to the operation of the judgment recovered by the plaintiff against the defendants, as an estoppel against their setting up the defence founded upon the agreement.”).

Marcel next claims that “*Davis* stands only for the proposition that a suit on one negotiable instrument represents a different cause of action from a suit on a

different instrument.” Resp.Br.48. To be sure, *Davis* did hold that. 94 U.S. at 425-27. But that conclusion was antecedent to the ultimate holding in the case that the indorser-defendants were allowed to raise the agreement with the bank as a “defence” to liability *precisely because* the second suit was “upon a different demand” from the parties’ first suit. *Id.* at 428. Marcel simply ignores the second half of the opinion, which directly addresses the question presented here.

That leaves only Marcel’s fallback position (at 48-49) that the Court should just ignore *Davis*. This position is easily dismissed. Arguments to jettison settled precedent are always suspect. *Kimble v. Marvel Entm’t, LLC*, 135 S. Ct. 2401, 2409 (2015). This one is particularly feeble. Marcel does not address the stare decisis factors, *see Janus v. Am. Fed’n of State, Cty., & Mun. Emps., Council 31*, 138 S. Ct. 2448, 2479-86 (2018), or even squarely ask for *Davis* to be overruled, *see Bank of Am., N.A. v. Caulkett*, 135 S. Ct. 1995, 1999-2000 (2015). Nor does Marcel address the dozens of cases that reaffirmed *Davis*’ holding. *See* Pet’rs.Br.2-3, 19-21 (citing cases). Instead, Marcel sheepishly claims (at 48) that the Court need not worry about stare decisis because res judicata has “evolv[ed]” since *Davis* was decided.

In reality, *Davis* is perfectly consistent with “modern doctrine.” Resp.Br.49. *Davis*’ res judicata analysis (which Marcel ignores) begins by expounding the contours of claim preclusion—which it describes as “the operation of a judgment upon the demand involved in the action[] in which the judgment was rendered”—in terms that track modern caselaw. *Compare* 94 U.S. at 428 (“So far as the demand

involved in the action is concerned, the judgment has closed all controversy; its validity is no longer open to contestation, whatever might have been said or proved at the trial for or against it.”), *with, e.g., Taylor*, 553 U.S. at 892 (“Under the doctrine of claim preclusion, a final judgment forecloses ‘successive litigation of the very same claim, whether or not relitigation of the claim raises the same issues as the earlier suit.’” (quoting *New Hampshire*, 532 U.S. at 748)). *Davis* then distinguishes claim preclusion and issue preclusion, explaining that only the latter applies “in a subsequent action between the same parties upon a *different* demand.” 94 U.S. at 428 (emphasis added). That is also still the law. *See, e.g., Taylor*, 553 U.S. at 892 (“contrast[ing]” claim preclusion and issue preclusion, and explaining that *only the latter* applies “in the context of a *different* claim” (emphases added) (quoting *New Hampshire*, 532 U.S. at 748-49)); *see also Whole Woman’s Health*, 136 S. Ct. at 2305 (holding that “claim preclusion” did not apply because the claim was “not ‘the very same’” as in the parties’ prior suit). And so *Davis* holds that res judicata did not preclude the indorser-defendants from raising the agreement defense in the second suit, because (1) the second suit was “upon a different demand” from the parties’ prior suit (which meant claim preclusion was inapplicable), and (2) the defense was not “actually at issue and determined in the” prior suit (which meant issue preclusion was inapplicable). 94 U.S. at 428. Each step in that reasoning is clear, and each step tracks modern doctrine—which is why this Court has reaffirmed that rule many times and never once backtracked from it. *See* Pet’rs.Br.2-3, 19-21.

The holding of *Davis* thus controls here: Marcel's position is "clearly untenable." *Davis*, 94 U.S. at 429.

### **III. Marcel's Remaining Arguments Fail.**

#### **A. This Case is Not a Collateral Attack.**

Marcel tries to complicate matters by expounding principles not in dispute. For instance, Marcel argues (at 26) that "[d]efense preclusion generally bars a former defendant from converting a neglected defense into a claim." Lucky agrees. *See* Pet'rs.Br.28. But that principle has no application here; after all, *Lucky is not asserting any claims in this case*. Nor is Lucky seeking to undo the judgment Marcel won in the 2005 Action. The cases Marcel invokes on pages 28-29 are thus inapposite.

Take *Fox v. Maulding*, 112 F.3d 453 (10th Cir. 1997) (cited at 29), for example. After the Foxes defaulted on their mortgage, the bank (SNB) "instituted foreclosure proceedings against the Foxes' home." *Id.* at 456. The bank won. *Id.* The Foxes later filed "RICO and pendent state claims" against SNB and its officers. *Id.* at 458. Not only did the Foxes' claims "challenge the validity of the loan and mortgage at issue in the foreclosure action," the Foxes sought "recompense for 'the value of the[ ]... property'" the bank foreclosed on pursuant to the judgment in the prior suit. *Id.* The Tenth Circuit sensibly held the Foxes' suit precluded, because "successful prosecution of [the] claims" would have "rendered meaningless" "SNB's judgment in the foreclosure action" by effectively forcing it to pay back everything it obtained in the prior suit. *Id.* at 457-58.

*That* is what it means "to attack the judgment of the first action." Pet'rs.Br.28 (emphasis omitted)

(quoting *Nasalok Coating Corp. v. Nylok Corp.*, 522 F.3d 1320, 1328 (Fed. Cir. 2008); see Resp.Br.29. But that sort of collateral attack is not implicated here. Unlike in *Fox* or in *Stout v. Lye*, 103 U.S. 66 (1880) (cited at 27-28), Lucky is not trying “to set aside the” judgment Marcel obtained in the parties’ prior suit or “to reduce the” amount it had to pay pursuant to that prior judgment. Resp.Br.28. All Lucky is trying to do in this case is defend against *new claims* based on *new theories* that were *not* adjudged infringing in the prior suit.

Marcel is thus wrong to suggest (at 30-31) that allowing Lucky to raise its release defense here would “achieve the same practical result” as allowing Lucky to file a “lawsuit seeking a judicial declaration that the GET LUCKY trademark is not enforceable against it.” That hypothetical lawsuit could not be more similar to the Foxes’ suit. But it also could not be more different from this suit. Again, the conduct alleged to infringe Marcel’s rights here *is not the same as* the conduct adjudicated infringing in the 2005 Action. The specter of a hypothetical declaratory judgment action is thus a straw man here. The prior judgment will remain inviolate regardless of how this suit is resolved.

Nor does it make a difference that the new rule the Second Circuit adopted is supposedly “flexible.” Resp.Br.44. The Current Action involves *different claims* than the 2005 Action, and even Marcel admits that “the preclusion of a defense requires ... an identity of the cause of action.” Resp.Br.21. Flexibility is thus not a virtue here, but rather code for a mutant form of preclusion. There is no flexibility to

hold that a never-before-resolved defense can be precluded in a second suit involving a different claim.

The so-called “rule of defense preclusion” that Marcel says (at 33) was “confirmed” in *Cromwell* (but which is actually just an ordinary incident of claim preclusion) is likewise not at issue in this case. To say that “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,” Resp.Br.34 (quoting *Cromwell*, 94 U.S. at 352) is just to say that claim preclusion has teeth. After all, claim preclusion could not “put[] an end to the cause of action,” *Comm’r v. Sunnen*, 333 U.S. 591, 597 (1948), unless it foreclosed “not only” relitigation of “every matter” (including every defense) “which was offered and received to sustain or defeat the claim,” *but also* litigation of every matter “which might have been offered for that purpose” in the parties’ first suit, but was not. *Cromwell*, 94 U.S. at 352. But Lucky is not trying to undo *either* “the validity of the” conclusion that its use of the GET LUCKY mark violated Marcel’s rights *or* “the amount” it was ordered to pay in damages. Lucky is simply try to defend against *new claims for new acts*.

Marcel’s discussion (at 34) of *Mercoïd Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661 (1944), is similarly off base. *Mercoïd* made plain that “[t]he case [was] governed by the principle that where the second cause of action between the parties is upon a different claim[,] the prior judgment is res judicata *not* as to issues which might have been tendered[,] but ‘*only as to those matters in issue or points controverted*’” in the

parties' prior suit. 320 U.S. at 671 (quoting *Cromwell*, 94 U.S. at 353). *That* (plus the fact that the counterclaim at issue there was not compulsory)<sup>7</sup> is why *Mercoid's* counterclaim "could proceed despite that it had not been raised in the first suit." Resp.Br.34. Marcel simply breezes past that point. But that principle—which supplied the rule of decision in *Davis*, see *supra* Part II—controls the outcome here.

**B. The Current Action is Not a Judgment-Enforcement Action.**

Marcel tries (at 31-32, 36-40) to liken this case to a judgment-enforcement action. That effort fails. To be sure, when a previously-losing defendant "induces the original plaintiff to sue again" by engaging in "conduct" that is "identical" to the conduct underlying the judgment for the plaintiff, the defendant cannot "raise [a] previously neglected defense" in the ensuing action to enforce the plaintiff's judgment. Resp.Br.32; see Pet'rs.Br.28-31. But, as discussed above extensively, see *supra* Part I.A, the claims here are not "identical" to the counterclaims in the 2005 Action.

Marcel's claims in this case require establishing that Lucky's "use of the LUCKY BRAND Marks" in conjunction with "other" marks that are *not* GET LUCKY constitutes infringement of Marcel's GET LUCKY mark. JA69 ¶¶53-55, JA70 ¶¶59-62. And we know to a certainty that the judgment in the 2005

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<sup>7</sup> Marcel concedes (at 49-50) that precluding defenses in a suit involving different claims from the parties' prior suit would trammel the Federal Rules. Yet precluding defenses involving different claims from the parties' prior suit is exactly what the Second Circuit did here. That is yet another reason the decision below is wrong. See Pet'rs.Br.35-40.

Action does not cover that conduct. As noted, *see supra* pp.7-8, in affirming the denial of Marcel’s contempt motion, the Second Circuit rejected the argument “that the verdict and judgment in the 2005 Action must be taken as establishing that [Lucky’s] use of the ‘Lucky Brand’ marks constituted an infringement of the ‘Get Lucky’ mark,” calling it “not persuasive.” Pet.App.55. That rejection was clearly correct. After all, Marcel’s counterclaims in the 2005 Action *all* depended on Lucky’s use of GET LUCKY, but *no claims* in the Current Action do. *See supra* Part I.A. This case simply does not involve “conduct” that is “identical” to the conduct underlying the judgment in the 2005 Action. *Contra* Resp.Br.38.

That is why *City of Beloit v. Morgan*, 74 U.S. (7 Wall.) 619 (1868), is inapposite. In the first *City of Beloit* suit, the court held that the defendant (the town) had to pay the plaintiff (Morgan) for certain bonds the town had issued. *Id.* at 621. Naturally, the only bonds Morgan sued upon in that first suit were those that had come due. But Morgan owned other bonds “of the same issue,” and when those later came due, he “instituted” new “suits” to recover on them. *Id.* The town responded by filing a “bill ... to enjoin [him] from [so] proceeding.” *Id.* In support of its bill, the town raised “[n]umerous objections ... to the validity of the bonds.” *Id.* The problem for the City was that “[t]he judgment” in the parties’ first suit “established conclusively the original validity of the securities described in the bill, and the liability of the town to pay them.” *Id.* at 623. Put another way, even though the bonds in the second suit were nominally different from the bonds in the first suit (“the *res* of that case”) because they came due at different times, the claims



to recover on them were identical. *Id.* at 622. Or, to use Marcel’s language, the “facts, evidence, and legal rights ... at issue in the two lawsuits” were “the same.” Resp.Br.33. *City of Beloit* accordingly held that the town could not raise any “objections” to its obligation to pay on the bonds, 74 U.S. at 621, because allowing it to do so would undermine Morgan’s established rights. See *Tioga R.R. v. Blossburg & Corning R.R. Co.*, 87 U.S. 137, 142-43 & n.4 (1873) (citing *City of Beloit*).

But that holding has no application here. Unlike in *City of Beloit*, the “facts, evidence, and legal rights” here *are not the same as* in the 2005 Action. See *supra* Part I.A. As such, the rule of decision applied in *Davis* and reaffirmed many times over controls.

### **C. Reversing Will Cause No Unfairness, but Affirming Will.**

Finally, Marcel contends that it would be unfair to allow Lucky to raise the release defense now because Marcel “would have arranged its business affairs differently” had the defense “been asserted successfully in the first action.” Resp.Br.35. That is not just speculative, it is nonsensical. Had the defense “been asserted successfully in the first action,” Marcel *would have lost* at least some counterclaims. Allowing “Lucky to raise [the] defense in this subsequent suit” thus would not “perversely reward Lucky” at all. *Contra* Resp.Br.22. By contrast, *not* allowing Lucky to raise the defense would perversely reward *Marcel*. Lucky would be deprived not just of the benefit of its bargain from the May 2003 Settlement Agreement, but—more fundamentally—of the ability to defend

against entirely new claims that are premised on conduct that has never been adjudicated infringing.

That is why Marcel's fleeting due process arguments (at 51-52) miss the mark. Lucky has had no "opportunity to litigate" *the claims* that are "at issue" in the Current Action. *Contra* Resp.Br.51. Marcel admits that its counterclaims in the 2005 Action depended on "Lucky's continued use of the 'get lucky' slogan alongside its other marks." Resp.Br.52. But, as noted, *see supra* Part.I.A, use of GET LUCKY *is not alleged in the Current Action*; Marcel's current theory of liability is that Lucky has infringed Marcel's trademark rights by using the 'Lucky Brand' trademarks" in conjunction with "other marks" that are *not* GET LUCKY. JA69 ¶¶53-55, JA70 ¶¶59-62. So even putting to the side the fact that the allegedly-infringing acts took place at a different time than the acts previously adjudicated infringing (and thus under different real-world conditions that might affect confusion), the actual conduct alleged to be infringing here is different in kind. In that context, not allowing Lucky to raise a defense because of a prior judgment *on different claims* would not just be unfair; it would contravene basic norms of due process.

**CONCLUSION**

For the foregoing reasons, this Court should reverse.

Respectfully submitted,

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