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Appendix A

**UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT**

No. 17-0361

MARCEL FASHIONS GROUP, INC.,

Plaintiff-Appellant,

v.

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

Defendants-Appellees,

LIZ CLAIBORNE, INC., LBD ACQUISITION CO., LLC,

Defendants.

Appeal from the United States District Court for
the Southern District of New York.

No. 11-cv-05523, Laura Taylor Swain, Judge.

Dated: August 2, 2018

OPINION

JOHN M. WALKER, JR., Circuit Judge:

Plaintiff-Appellant Marcel Fashions Group, Inc. (“Marcel”) and Defendants-Appellees Lucky Brand Dungarees, Inc. and affiliates (“Lucky Brand”), competitors in the apparel industry, have been hotly contesting their respective rights as to certain

trademarks for nearly two decades. In this latest round, Marcel sues under the Lanham Act, alleging that Lucky Brand is infringing on Marcel's "Get Lucky" trademark through its use of "Lucky" on its merchandise, and that Lucky Brand does so in violation of an injunction entered in an earlier action between the parties. The district court dismissed the action, concluding that Marcel released its claims through a 2003 settlement agreement that resolved an earlier substantially similar litigation between the parties. We conclude that the district court did so in error because *res judicata* precludes Lucky Brand from raising its release defense in this action. To arrive at that result, we determine that under certain conditions parties may be barred by claim preclusion from litigating defenses that they could have asserted in an earlier action, and that the conditions in this case warrant application of that defense preclusion¹ principle. Consequently, we vacate the judgment entered by the district court and remand for further proceedings.

I.

In a previous opinion vacating the entry of summary judgment dismissing the claims in Marcel's initial complaint, we discussed in detail the claims at

¹ Throughout this opinion we use the term "defense preclusion" to refer to the preclusion of litigation defenses (such as those enumerated in Fed. R. Civ. P. 8(c)), a principle we view as consistent with claim preclusion. We do not use the term to refer to the use of preclusion of or by a party defendant, although a counterclaiming defendant may assert defense preclusion (as we use the term here) to preclude a plaintiff's defense to the counterclaim.

issue in this case, as well as the parties' relevant history of litigation. *Marcel Fashions Grp., Inc. v. Lucky Brand Dungarees, Inc.*, 779 F.3d 102, 105–07 (2d Cir. 2015) (“*Marcel I*”). We reiterate that discussion here to the extent necessary to frame the issues relevant to an assessment of Lucky Brand’s release defense.²

The 2001 Action. The settlement agreement through which Lucky Brand in this action asserts Marcel released its claims resolved a 2001 suit in which Marcel sued Lucky Brand for its alleged infringement of Marcel’s “Get Lucky” mark (the “2001 Action”). *See Marcel I*, 779 F.3d at 105. The agreement provided that, *inter alia*, Lucky Brand would “desist henceforth from use of ‘Get Lucky,’” and, pertinent to this appeal, Marcel agreed, through Section 8(e) of the agreement, to release certain claims it might have in the future arising out of its trademarks:

Marcel hereby forever and fully remises, releases, acquits, and discharges Defendants [Lucky Brand] . . . from any and all actions, causes of action, suits . . . or relief of any nature whatsoever, whether known or unknown, foreseen or unforeseen . . . that Marcel ever had, now has or hereafter can, shall or may have, by reason of or arising out

² These facts derive principally from the second amended complaint and we accept them as true. *See Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 572 (2007). Certain other facts derive from the records and decisions in the previous litigations between the parties, of which we may take judicial notice. *See Staehr v. Hartford Fin. Servs. Grp., Inc.*, 547 F.3d 406, 424 (2d Cir. 2008) [PWH, DAL, *McMahon*].

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of any matter, cause or event occurring on or prior to the date hereof, including, but not limited to . . . 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, trade names, brands, advertising slogans or tag lines owned, registered and/or used by Lucky Brand. . . as of the date of this Agreement. No claims of any kind are reserved.

App'x 85-86 (the "Release"). Marcel and Lucky Brand's views have been consistently at odds on the scope of the Release. Marcel contends that it only released claims as to *infringement* that occurred prior to the 2003 execution of the agreement. Lucky Brand, for its part, contends that the Release is far broader, releasing any claim Marcel may have in the future in relation to any *trademark registered* prior to the execution of the agreement. The distinction is vital. Because each of Marcel's claims in this action ultimately allege a misappropriation of a mark registered before 2003, the latter interpretation would bar Marcel's claims, but the former would not.

The 2005 Action. Due at least in part to the parties' conflicting views on the breadth of the Release, further litigation followed the parties' settlement of the 2001 Action. Specifically, in 2005, Lucky Brand sued Marcel over Marcel's issuance of a license for use of the "Get Lucky" mark and Marcel counterclaimed with infringement claims of its own while also contending that Lucky Brand's use of "Get

Lucky” violated the 2003 settlement agreement (the “2005 Action”). *See Marcel I*, 779 F.3d at 105-06.

Early in the 2005 Action, Lucky Brand tested its theory that the Release broadly barred Marcel’s infringement claims. Specifically, Lucky Brand argued that, because the marks at issue were registered prior to the settlement agreement, Marcel released any claim alleging infringement of those marks. Lucky Brand moved to dismiss on this theory, arguing that Marcel’s infringement counterclaims were barred by the terms of the Release. App’x 225-27. Marcel opposed the motion, arguing, as it does here, that the Release does not bar any claims as to infringing *uses* occurring after execution of the settlement agreement. *See* No. 05-cv-06757, Dkt. No. 49 at 8-9 (S.D.N.Y. Oct. 26, 2005). The district court denied the motion in relevant part, effectively concluding that it was premature to determine which claims in that action, if any, were subject to the Release. *See* App’x 257-58. The district court stated, however, that Lucky Brand was “free to raise the issue . . . again after the record is more fully developed, including further development of the nature and use of the post-2003 marks.” App’x 257-58. Heeding the district court’s instruction, Lucky Brand again raised the Release in its answer, asserting as an affirmative defense that the “Settlement Agreement bars [Marcel’s] Counterclaims.” No. 05-cv-06757, Dkt. No. 67 ¶ 100 (S.D.N.Y. Jan. 2, 2007).

Despite relying on the release argument as part of its motion to dismiss and in its answer, however, Lucky Brand never again asserted a release defense in the 2005 Action. It was not for want of opportunity.

The parties engaged in extensive summary judgment proceedings, substantial pre-trial motion practice, and a lengthy jury trial during which the release defense could have been asserted, but was not. And, without any argument to the jury by Lucky Brand that the Release barred Marcel's counterclaims as to infringement of its "Get Lucky" mark, the jury found in favor of Marcel on its counterclaim that Lucky Brand infringed that mark. *See Marcel I*, 779 F.3d at 106. The district court thereafter entered an injunction prohibiting Lucky Brand's use of the "Get Lucky" mark, and entered a declaration that the "Lucky Brand Parties infringed Marcel Fashion's GET LUCKY trademark . . . by using GET LUCKY, the LUCKY BRAND trademarks, and any other trademarks including the word 'Lucky' after May 2003." *Id.*

The Instant Action. Lucky Brand did not appeal the judgment in the 2005 Action, but the parties' dispute over use of the relevant marks continued. In 2011, relying on the broad language of the court's injunction in the 2005 Action, Marcel filed the instant suit, seeking relief for Lucky Brand's alleged continued use of the "Lucky Brand" mark following that injunction. *See id.* at 106-07. Consistent with its non-assertion of the Release before the jury in the 2005 Action, however, Lucky Brand did not assert a release defense in the early stages of the instant action. Lucky Brand did not plead the Release as an affirmative defense in its answer to the initial complaint. No. 11-cv-05523, Dkt. No. 38 (S.D.N.Y. June 29, 2011). Nor did Lucky Brand raise the Release as a basis for dismissal when it moved for summary

judgment. No. 11-cv-05523, Dkt. No. 65 (S.D.N.Y. Jan. 23, 2012).

Rather, Lucky Brand moved for summary judgment on the basis that Marcel's claims were precluded by *res judicata* (specifically, claim preclusion) in light of the final disposition in the 2005 Action. The district court agreed, but, in *Marcel I*, we reversed. Relying on *TechnoMarine SA v. Giftports, Inc.*, 758 F.3d 493 (2d Cir. 2014), we concluded that Marcel's claims were not barred by *res judicata* because Marcel alleged infringements that occurred subsequent to the judgment in the 2005 Action, claims which "could not possibly have been sued upon in the previous case." *Marcel I*, 779 F.3d at 108 (internal quotation marks omitted).

On remand, Marcel filed a second amended complaint. Armed with new counsel, Lucky Brand moved to dismiss, this time raising as its *only* argument that the Release bars Marcel's claims. The district court agreed and granted the motion, concluding that Marcel's claims "are plainly foreclosed by the Settlement Agreement" because each of the claims relates to trademarks that "were registered prior to the 2003 Settlement Agreement." App'x 247. Specifically, the district court concluded that "Section 8(e) . . . rests on the nature, not the timing, of the claim. . . . The release provision on which Lucky Brand's defense turns thus is not bound by temporal parameters." App'x 248. Consequently, the district court concluded that, because the settlement agreement released claims "in any way relating" to trademarks registered prior to the agreement, and the "Get Lucky" mark was registered prior to the

agreement, Marcel had released its claims as to the “Lucky Brand” mark. App’x 248-49.

In arriving at its conclusion, the district court rejected Marcel’s argument that Lucky Brand was precluded by *res judicata* from invoking the Release as a defense. Acknowledging that *res judicata* encompasses both issue and claim preclusion, the district court concluded that “[i]ssue preclusion does not apply, because the applicability of the Settlement Agreement’s release provision was not actually litigated and resolved in the 2005 Action,” and “[c]laim preclusion does not apply because Lucky Brand is not asserting a claim against Marcel.” App’x 249. Marcel appealed.

II.

“We review *de novo* a grant of a motion to dismiss pursuant to Rule 12(b)(6), accepting the complaint’s factual allegations as true and drawing all reasonable inferences in the plaintiff’s favor.” *Brown Media Corp. v. K&L Gates, LLP*, 854 F.3d 150, 156-57 (2d Cir. 2017) (internal quotation marks omitted); *see also Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009); *Twombly*, 550 U.S. at 570.

Marcel argues that the district court erred in concluding that the Release bars its claims, raising three principal contentions: (i) Lucky Brand is precluded by *res judicata* from asserting its release defense; (ii) Lucky Brand waived its release defense; and (iii) Marcel’s claims are not barred by the terms of the Release. We agree with Marcel that, on this record, *res judicata* bars Lucky Brand’s release defense, and we need not and do not address Marcel’s other contentions. Specifically, we conclude that the

doctrine of claim preclusion (or, more precisely, defense preclusion) may be applied in contexts such as this to bar the litigation of a party's defense and that the district court erred in holding to the contrary. We then conclude that this defense preclusion doctrine bars Lucky Brand from invoking its release defense in this action and thus vacate the dismissal of Marcel's claims and remand for further proceedings.

A.

In *Marcel I*, we identified the contours of *res judicata* (albeit in the context of the assertion of claims and not defenses), and discussed in detail the two doctrines that it encompasses: claim preclusion and issue preclusion. 779 F.3d at 107-08. At issue here is claim preclusion,³ a doctrine which, in the usual situation, bars a plaintiff from relitigating claims against a defendant that it lost in a previous action against the same defendant and claims that the plaintiff could have brought in that earlier action but did not. *See id.* Claim preclusion, applied in this manner, “serves the interest of society and litigants in assuring the finality of judgments, [and] also fosters judicial economy and protects the parties from vexatious and expensive litigation.” *Curtis v. Citibank, N.A.*, 226 F.3d 133, 138 (2d Cir. 2000). The doctrine ensures these efficiency aims by “achieving finality and preventing piecemeal and wasteful litigation.” *N. Assurance Co. of Am. v. Square D Co.*,

³ Lucky Brand can make no credible issue preclusion argument. Whether the Release bars Marcel's claims as to post-settlement agreement infringement was in no way “actually litigated and determined,” *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1303 (2015), in the 2005 Action.

201 F.3d 84, 89 (2d Cir. 2000). Stated more broadly, claim preclusion ensures that “[w]hen a party is victorious, it [does] not have to defend that victory again.” *Id.*

A party seeking to invoke claim preclusion must generally make three showings: (i) an earlier action resulted in an adjudication on the merits; (ii) that earlier action involved the same counterparty or those in privity with them; and (iii) the claim sought to be precluded was raised, or could have been raised, in that earlier action. *See Monahan v. N.Y.C. Dep’t of Corr.*, 214 F.3d 275, 285 (2d Cir. 2000).

Relying on these elements and the policies supporting claim preclusion, Marcel argued to the district court that the principle of claim preclusion bars Lucky Brand from asserting its release defense in the instant action. The district court gave the argument short shrift. Rather than addressing the elements of claim preclusion, the district court dismissed Marcel’s argument for a threshold reason: the doctrine is simply not available here where Marcel seeks to preclude a defense, and not a “claim.” App’x 249. Although an understandable conclusion, given the predominant use of *res judicata* to preclude claims, we disagree with it, and conclude that the district court overlooked the principle that defenses are also subject to preclusion under *res judicata*.

B.

For the past quarter of a century, we have assumed that claim preclusion may bar a litigation defense but we have not had a case in which we have found a defense to be so precluded. Our most expansive decision on the issue is *Clarke v. Frank*, 960

F.2d 1146 (2d Cir. 1992), which addressed an action to enforce a judgment entered against the U.S. Postal Service in a proceeding at the Equal Employment Opportunity Commission (EEOC). The issue there was whether claim preclusion barred the Postal Service from raising a damages mitigation defense that it did not raise at the EEOC. We identified the governing principle as follows: “[c]laim preclusion prevents a party from litigating any issue *or defense* that could have been raised or decided in a previous suit, even if the issue *or defense* was not actually raised or decided.” *Clarke*, 960 F.2d at 1150 (emphases added); *see also Woods v. Dunlop Tire Corp.*, 972 F.2d 36, 38 (2d Cir. 1992). Although we ultimately concluded that the Post Office was not precluded from raising the mitigation defense, it was not because claim preclusion was not generally available to defenses, but because one of the elements of the doctrine went unsatisfied: the Postal Service could not have raised the mitigation defense during the EEOC proceedings. *See Clarke*, 960 F.2d at 1151.

Other courts in our circuit have relied on *Clarke* to subject litigation defenses to claim preclusion, *see, e.g., Beckford v. Citibank, N.A.*, 2000 WL 1585684, at *3-4 (S.D.N.Y. Oct. 24, 2000); *see also Atateks Foreign Trade Ltd. v. Dente*, 2017 WL 4221085, at *3-4 (S.D.N.Y. Sept. 22, 2017), but we have yet to further discuss the defense preclusion doctrine or frame its parameters. At the same time, we have never cast doubt on it.⁴

⁴ We are aware of no authority unequivocally prohibiting defenses from being subject to the principle of claim preclusion. Lucky Brand, in essence acknowledging this dearth of authority,

We are therefore called on for the first time to address whether a party can be barred by claim preclusion doctrine from prosecuting a litigation defense in a situation in which it is outcome-determinative. Although we are largely unbound by precedential authority, we are not without assistance. Specifically, we have guidance on this question from claim preclusion's sister *res judicata* component, issue preclusion.⁵

Issue preclusion was historically an exceedingly narrow doctrine, with two major limits to its reach: (i) it could only be applied by a defendant against a plaintiff to bar relitigation of an issue that had been actually litigated and lost by the plaintiff; and (ii) it could only be applied where the parties in the two actions were the same. *See Triplett v. Lowell*, 297 U.S. 638, 642-44 (1936); *Bigelow v. Old Dominion Copper Min. & Smelting Co.*, 225 U.S. 111, 127-28 (1912). The

depends almost entirely on language from a leading treatise, Br. of Appellees at 38, which indicates that “[i]t is generally assumed that the defendant may raise defenses in the second action that were not raised in the first, even though they were equally available and relevant in both actions.” Wright & Miller, 18 Fed. Prac. & Proc. Juris. § 4414 (3d ed. 2018) [hereinafter, “Wright & Miller”]. But, Wright & Miller speaks only of a “general rule” that departs from the standard we identified in *Clarke. Id.* Moreover, Wright & Miller acknowledges that, in certain circumstances, “[d]efendant preclusion should be seriously considered,” and that perhaps the “best rule” would at times allow for the preclusion of defenses that could have been previously asserted. *Id.*

⁵ *See Currier v. Virginia*, 138 S. Ct. 2144, 2156 (2018) (“Historically, both claim and issue preclusion have sought to promot[e] judicial economy by preventing needless litigation.” (internal quotation marks omitted)); *see also Transaero, Inc. v. La Fuerza Aerea Boliviana*, 162 F.3d 724, 731 (2d Cir. 1998).

Supreme Court abandoned the latter limitation, known as the “mutuality” principle, in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 328-30 (1971), but *Blonder-Tongue* expressly left open whether a plaintiff may invoke issue preclusion, *id.* at 329-30.

In *Parklane Hosiery Co. v. Shore*, 439 U.S. 322 (1979), the Court resolved that open question when it rejected any *per se* prohibition on a plaintiff’s use of issue preclusion. There, a class of shareholders of the Parklane Hosiery Company alleged that the company issued a materially misleading proxy statement. Trial on the shareholders’ claims followed a suit brought by the Securities and Exchange Commission against Parklane Hosiery, which had resulted in a ruling following a bench trial that the relevant proxy statement was in fact false and misleading. The shareholders thereafter sought a ruling that Parklane Hosiery was collaterally estopped by issue preclusion from arguing that the relevant proxy statement was not false or misleading. The district court rejected the argument, purportedly on the basis that allowing for issue preclusion in this instance—where the earlier action was a bench trial—would violate the company’s Seventh Amendment right to a jury trial. We reversed, 565 F.2d 815 (2d Cir. 1977), and the Supreme Court affirmed. The Court split its analysis in two parts, first addressing whether issue preclusion can be used offensively, and second, whether issue preclusion’s offensive use by the shareholders would run afoul of Parklane Hosiery’s Seventh Amendment rights. Its conclusion on whether issue preclusion can be used offensively is instructive here.

The Court noted at the outset that there generally “is no intrinsic difference between ‘offensive’ as distinct from ‘defensive’ issue preclusion” that would allow for preclusion in the latter but entirely forbid it in the former. *Parklane*, 439 U.S. at 331 n.16. It concluded that, at least under certain conditions, the doctrine of issue preclusion may be invoked by a plaintiff to estop a defendant from raising issues it lost in a previous proceeding. *See id.* at 329-33.

Although issue preclusion is different from claim preclusion in several important respects, we believe that an analysis similar to that of the Supreme Court’s in *Parklane* informs the assessment of defense preclusion. We do not think the principles animating the claim preclusion doctrine disappear when that which is sought to be precluded is a defense. Rather, we view the efficiency concerns as equally pressing when the matter subject to preclusion is a defense rather than a claim. The following efficiencies are readily apparent. *First*, defense preclusion incentivizes defendants to litigate all their relevant defenses in an initial action, thereby promoting judicial efficiency at least to the same extent as does precluding claims. *Second*, absent defense preclusion, plaintiffs might be hesitant to rely on judicial victories for fear that a hidden defense will later emerge to alter their judicially established rights. *Third*, and relatedly, defense preclusion prevents wasteful follow-on actions that would not have been filed had the defense been asserted (and maintained) at the first opportunity. As with the preclusion of claims, therefore, defense preclusion ensures that “[w]hen a party is victorious, it [does] not have to defend that victory again.” *N. Assurance*, 201 F.3d at 89.

The instant case is an apt example of the inefficiencies in prohibiting defense preclusion. It is Lucky Brand's contention that the Release bars any claim that Lucky Brand infringed on Marcel's "Get Lucky" mark, including those infringements that occurred after the parties executed their settlement agreement. Consequently, under Lucky Brand's theory, the Release bars all of Marcel's claims in the instant action. It follows, then, that had Lucky Brand litigated and prevailed on its release defense in the 2005 Action, in which Marcel sought relief for Lucky Brand's post-settlement agreement infringement of the "Get Lucky" mark, the instant action would have been avoided. This case therefore plainly demonstrates the inefficiencies that would have to be tolerated were we to prohibit defense preclusion. Assuming *arguendo* that Lucky Brand is correct in its interpretation of the Release (a question we do not reach), 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.

We acknowledge, however, that there exist distinctions between preclusion as a shield *by* defendants and as a sword *against* defendants. Referencing issue preclusion, the Supreme Court acknowledged as much in *Parklane*, leading it to conclude that "the[se] two situations should be treated differently." 439 U.S. at 329. The Court identified two reasons that offensive use of issue preclusion should be more circumscribed than its defensive counterpart.

See id. at 329-31. *First*, offensive issue preclusion does not promote judicial efficiency to the same extent as does defensive issue preclusion.⁶ *See id.* at 329-30. *Second*, in certain circumstances, the application of offensive preclusion might be unfair to defendants. *See id.* at 330-31 & n.14-15 (providing examples). Acknowledging these concerns, the *Parklane* Court resolved as follows:

We have concluded that the preferable approach for dealing with these problems in the federal courts is not to preclude the use of offensive collateral estoppel, but to grant trial courts broad discretion to determine when it should be applied. The general rule should be that in cases where a plaintiff could easily have joined in the earlier action or where, either for the reasons discussed above or for other reasons, the application of offensive estoppel would be unfair to a defendant, a trial judge should not allow the use of offensive collateral estoppel.

Id. at 331 (footnote omitted).

Parklane's assessment of offensive issue preclusion provides a helpful framework for resolving whether, and how, we should permit the use of claim preclusion principles to bar the litigation of defenses. We acknowledge that, as with offensive issue preclusion, certain applications of defense preclusion

⁶ The Court opined, for example, that offensive issue preclusion might cause *more* litigation because potential plaintiffs will have every incentive to “wait and see” how other plaintiffs fare against a defendant that that potential plaintiff wants to sue. *Parklane*, 439 U.S. at 330.

could be unfair to defendants. The Court's observations on this point in *Parklane* are enlightening:

If, for example, the defendant in the first action was forced to defend in an inconvenient forum and therefore was unable to engage in full scale discovery or call witnesses, application of offensive collateral estoppel may be unwarranted. Indeed, differences in available procedures may sometimes justify not allowing a prior judgment to have estoppel effect in a subsequent action even between the same parties, or where defensive estoppel is asserted against a plaintiff who has litigated and lost. The problem of unfairness is particularly acute in cases of offensive estoppel, however, because the defendant against whom estoppel is asserted typically will not have chosen the forum in the first action.

439 U.S. at 331 n.15.

Defense preclusion raises a number of similar concerns. It might be unfair to bar a defendant from raising a defense that it elected not to bring in an earlier action because that action was of a significantly smaller scope, or the defense was somehow tangential to the matter. Put differently, it would be unfair to preclude a defense that the defendant had little to no incentive to raise in the earlier action. Relatedly, because it is generally not a defendant's prerogative to be hauled into court, they should be given some room to make tactical choices to attempt to end the suit against them with as little cost

as possible without facing the unforeseen consequences of forever abandoning a defense. We also acknowledge that what constitutes a “defense” may not always be as clear as what constitutes a “claim,” and that a broad understanding of “defense” in this context risks eliding the distinction between claim and issue preclusion. Finally, the fairness of defense preclusion may depend on the nature of the action. For example, 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. *See Wright & Miller, supra* note 4, § 4414; *see also Clarke*, 960 F.2d at 1150-51. This is especially true here, where sophisticated parties, armed with able counsel, litigate claims and counterclaims for nearly two decades. In contrast, *pro se* civil defendants might not initially mount their best defense and we should be wary of compounding that misfortune in subsequent litigation on nearly identical issues as to which they manage to muster a superior defense.⁷

⁷ Although these concerns are significant, as in *Parklane*, they are insufficient to prohibit defense preclusion. For one, we already have rules, such as our compulsory counterclaim rules, that require defendants no matter how sophisticated to bring (or lose) certain affirmative claims irrespective of their strategic inclinations. *See* Fed. R. Civ. P. 13(a); *Critical-Vac Filtration Corp. v. Minuteman Int'l., Inc.*, 233 F.3d 697, 699 (2d Cir. 2000). Further, in part because claim preclusion (unlike issue preclusion) only applies where the previous action involved the same parties or those in privity with them, *see Marcel I*, 779 F.3d at 108, a defense preclusion issue will arise in a limited selection of cases. Specifically, where (i) the plaintiff is for some reason, as here, itself not precluded from bringing the second action against

The above examples, which are illustrative, and not exhaustive, demonstrate the wide array of fairness considerations potentially implicated by defense preclusion. Consistent with *Parklane*, however, we “conclud[e] that the preferable approach for dealing with these problems in the federal courts is not to preclude the use of [defense preclusion], but to grant trial courts broad discretion to determine when it should be applied.” 439 U.S. at 331. District court discretion should be bound by the twin concerns discussed above: judicial efficiency and fairness.

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, concludes that preclusion of the defense is appropriate because efficiency concerns outweigh any unfairness to the party whose defense would be precluded.⁸ *Cf. Ward v. Harte*, 794 F. Supp. 109, 118 (S.D.N.Y. 1992) (concluding “that the use of offensive collateral estoppel would not be unfair” where “the Court ha[d] before it the same parties who appeared” in a prior

the same party (or those in privity with it) even though the action surrounds related transactions or occurrences; and (ii) the defendant could have litigated that defense in the earlier action.

⁸ Although we generally consider an application of claim preclusion to be a legal question that we review *de novo*, see *Technomarine*, 758 F.3d at 498, this balancing element of the defense preclusion doctrine is best left to the discretion of the district court.

action, and the defendant “was represented at all times by counsel, which significantly mitigates, in the Court’s view, any possible unfairness towards him” and observing that, under these circumstances, *Parklane’s* fairness “concerns are somewhat lessened”).

C.

The above stated factors are easily met here. Lucky Brand does not (and cannot) dispute the first three, and it would have been an abuse of discretion for the district to have concluded anything other than that any unfairness to Lucky Brand is substantially outweighed by the efficiency concerns identified above. Our review of the record evinces no conceivable justification for Lucky Brand, a sophisticated party engaged in litigation pertaining to its ability to use some of its core trademarks, not to have fully litigated the release defense in the 2005 Action and Lucky Brand has not suggested one.⁹ It should be the rare case that application of defense preclusion will be unfair where not even a theoretical explanation for the omission of the defense in the earlier action is apparent. Lucky Brand cannot seriously contend that it viewed the release defense as a minor or tangential issue. To the contrary, despite its failure to reintroduce the Release as a defense in the 2005 Action, it initially viewed the Release as a complete defense when it moved to dismiss the counterclaims in that action, *see* No. 05-cv-06757, Dkt. No. 44 at 13-15 (S.D.N.Y. Oct. 6, 2005), before it decided to forego the

⁹ Rather, it seems to us that the only explanation is Lucky Brand’s retention of new counsel.

defense at summary judgment. This is the same position it takes as to the scope of the Release in this action. Relatedly, a release defense is a specifically identified affirmative defense in the federal rules, *see* Fed. R. Civ. P. 8(c)(1), obviating any concern that application of claim preclusion here elides the line between claim and issue preclusion. Finally, the nature of the instant suit makes this case particularly suitable for defense preclusion. Marcel styled its complaint as one that effectively sought to enforce the judgment entered in the 2005 Action. And, the judgment-enforcement context is especially deserving of a defense preclusion rule.¹⁰ Wright & Miller, *supra* note 3, § 4414 (the “simplest rule of all is that direct enforcement of a judgment cannot be resisted merely by raising defenses that might have been raised before the judgment was entered”). To conclude otherwise would allow judgment-debtors wide leeway to forgo payment while they assert previously unasserted

¹⁰ Lucky Brand contends it would be “grossly unfair” to bar its release defense pursuant to *res judicata* in light of our conclusion in *Marcel I* that Marcel’s claims are not barred by *res judicata*. Br. of Appellees 39-40. We disagree. Precluding Lucky Brand’s release defense leads to no disparity of treatment that is not accountable to application of the traditional elements of the preclusion doctrine. Marcel’s claims were not precluded in light of our conclusion that those claims “could not possibly have been sued upon in the previous case.” *Marcel I*, 779 F.3d at 108 (internal quotation marks omitted). In contrast, and as discussed, Lucky Brand could have fully litigated its release defense in the 2005 Action. Consequently, though our rulings, when read together, mean that Marcel’s claims are not barred by *res judicata* but that one of Lucky Brand’s defenses to those claims is so precluded, there is no unfairness in that. Both are traditional applications of claim preclusion principles.

defenses to successive judgment enforcement actions that they force their creditors to bring.

Though it will be the infrequent case that a defense will be precluded by the rule we describe, it is the proper resolution of the case before us. On remand, Lucky Brand is barred from asserting the Release as a defense to Marcel's infringement claims as set forth in the operative complaint.

III.

For the reasons stated above, we VACATE the judgment of the district court and REMAND for proceedings consistent with this opinion.

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Appendix B

**UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT**

No. 17-0361

MARCEL FASHIONS GROUP, INC.,

Plaintiff-Appellant,

v.

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

Defendants-Appellees,

LIZ CLAIBORNE, INC., LBD ACQUISITION CO., LLC,

Defendants.

Dated: September 19, 2018

ORDER

Appellees, Lucky Brand Dungarees, Incorporated, Lucky Brand Dungarees Stores, Incorporated, Leonard Green & Partners, L.P., Lucky Brand Dungarees, LLC, Lucky Brand Dungarees Stores, LLC, and Kate Spade & Co., filed a petition for panel rehearing, or, in the alternative, for rehearing *en banc*. The panel that determined the appeal has considered the request for panel rehearing, and the active

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members of the Court have considered the request for rehearing *en banc*.

IT IS HEREBY ORDERED that the petition is denied.

FOR THE COURT:

Catherine O'Hagan Wolfe, Clerk

[handwritten signature]

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Appendix C

**UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF NEW YORK**

No. 11 CV 5523-LTS

MARCEL FASHIONS GROUP, INC.,
Plaintiff,

v.

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

Dated: December 22, 2016

MEMORANDUM OPINION AND ORDER

This case is the latest round of litigation in a long-running trademark dispute between Plaintiff Marcel Fashions Group, Inc. (“Marcel”) and Defendants Lucky Brand Dungarees, Inc., Lucky Brand Dungarees Stores, Inc., Lucky Brand Dungarees, LLC, Lucky Brand Dungarees Stores, LLC, Kate Spade & Co., and Leonard Green & Partners, L.P. (collectively, “Defendants” or “Lucky Brand”). Marcel, the owner of the trademarked phrase GET LUCKY, and Lucky Brand, the owner of several trademarked phrases that contain the term “lucky” (including the trademarked phrase LUCKY BRAND), have each accused the other of trademark infringement in a series of lawsuits stretching back to 2001. The instant dispute follows a Final Order and Judgment of this Court entered in *Lucky Brand Dungarees, Inc. v. Ally Apparel*

Resources LLC, No. 05 CV 6757, on June 1, 2010, which resolved, after summary judgment determinations and a jury trial, a prior iteration of the trademark disputes between these parties (Marcel, a named defendant in that case and a party to the Final Order and Judgment, prevailed on certain of its counterclaims).

Less than a year after the Final Order and Judgment was entered, Marcel filed the instant suit, alleging continuing infringement by Lucky Brand in violation of the judgment. Currently before the Court is Lucky Brand's motion to dismiss the operative Second Amended Complaint (docket entry no. 137 ("SAC")) on the grounds that Marcel's claims are precluded by a 2003 settlement agreement between the parties. The Court has carefully considered the parties' submissions and, for the reasons that follow, the motion to dismiss is granted.

BACKGROUND

The Court assumes the parties' familiarity with the full history of this dispute; the following relevant facts, drawn from the SAC and the public record, are taken as true for the purposes of the instant motion practice.

In 2001, Marcel sued Lucky Brand in the Southern District of Florida, alleging that Lucky Brand's use of the phrase "Get Lucky" in advertising was infringing on Marcel's GET LUCKY trademark. (See Declaration of Dale M. Cendali ("Cendali Dec."), Ex. A ("Settlement Agreement"), at pp. 1-2.) The Florida litigation was resolved in 2003 when the

parties entered into the Settlement Agreement,¹ which included a release by Marcel of “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, trade names, brands, advertising slogans or tag lines owned, registered and/or used by Lucky Brand . . . as of the date of this Agreement.” (*Id.* at ¶ 8(e).) There is no dispute as to the universe of trademarks owned by Lucky Brand prior to the 2003 Settlement Agreement, which includes the mark LUCKY BRAND.² (SAC Ex. A (Final Order and Judgment), at Ex. 1.) The Settlement Agreement also provided that Lucky Brand would not use the phrase “Get Lucky” in the future. (Settlement Agreement ¶ 7.)

In 2005, Lucky Brand sued Marcel and Ally Apparel Resources LLC (“Ally”), among other defendants, alleging that Marcel’s license of the trademark GET LUCKY to Ally, and Ally’s use of GET LUCKY, infringed Lucky Brand’s trademarks, including LUCKY BRAND. (Final Order and

¹ Because the Settlement Agreement is explicitly referenced in the SAC, at ¶ 22 and ¶ 33, and in the Final Order and Judgment attached as an exhibit to the SAC, Ex. A at pp. 2-4 & ¶ 6, the Court considers it incorporated by reference into Plaintiff’s pleadings and appropriately considered as part of the instant motion practice. *See Cortec Indus., Inc. v. Sum Holding L.P.*, 949 F.2d 42, 48 (2d Cir. 1991).

² The Lucky Brand trademark registrations that are covered by the Settlement Agreement are Nos. 1,646,123; 1,739,962; 2,129,881; 2,158,107; 2,306,342; 2,330,052; 2,381,638; 2,383,437; 2,400,358; 2,469,997; and 2,686,829 (the “Pre- 2003 Marks”). (SAC Ex. A, at Ex. 1.)

Judgment, at 1.) Marcel counterclaimed, alleging that Lucky Brand was infringing on its GET LUCKY mark and had violated the 2003 Settlement Agreement by using the phrase “Get Lucky” on products and in advertising. (*Id.* at 2.) Lucky Brand moved to dismiss those counterclaims, asserting that the *res judicata* effect of the 2003 Settlement Agreement precluded Marcel’s allegations of infringement. *Lucky Brand Dungarees Inc. v. Ally Apparel Resources LLC*, No. 05 CV 6757, docket entry no. 64, Memorandum Opinion and Order, at p. 1 (Dec. 20, 2006) (the “2006 Opinion”).³ This Court denied Lucky Brand’s motion to dismiss without prejudice because Marcel’s counterclaims included allegations based on Lucky Brand marks registered after the 2003 Settlement Agreement was signed; under those circumstances, “the Court [could not] say 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 Florida litigation.” *Id.* at p. 3.

In late 2007, the Court denied a motion for summary judgment by Defendants, including Marcel, which involved a different aspect of the 2003 Settlement Agreement: a clause barring the litigation of claims arising on or before the date of the Settlement Agreement. *Lucky Brand Dungarees Inc. v. Ally Apparel Resources LLC*, No. 05 CV 6757, docket entry no. 148, Order (Nov. 16, 2007) (the “2007

³ The December 20, 2006 Memorandum Opinion and Order is published in incomplete form (omitting page 3 of the document, which sets forth the Court’s holdings as to Lucky Brand’s *res judicata* argument) at 2006 WL 3771005.

Order”). In the 2007 Order, the Court held that Lucky Brand’s claims in the 2005 litigation were not precluded because they were based on events arising at least a year after the 2003 Settlement Agreement had been concluded. *Id.* at pp. 1-2.

Lucky Brand did not renew its contention that Marcel’s counterclaims were precluded by paragraph 8(e) of the 2003 Settlement Agreement, and the case proceeded to a jury trial on, *inter alia*, Marcel’s counterclaim of infringement. (See Final Order and Judgment, p. 4; SAC ¶ 1.) The jury returned a verdict that included, *inter alia*, a finding of fact that Lucky Brand “infringed Marcel Fashion’s ‘Get Lucky’ mark by using ‘Get Lucky,’ the ‘Lucky Brand’ marks and any other marks including the word ‘Lucky’ after May 2003.” (SAC ¶ 22.) Following the jury verdict, the parties jointly drafted the Final Order and Judgment, which included the finding that “Lucky Brand Parties infringed Marcel Fashion’s GET LUCKY trademark . . . by using GET LUCKY, the LUCKY BRAND trademarks, and any other trademarks including the word ‘Lucky’ after May 2003.” (Final Order and Judgment, at ¶ 5.) The Final Order and Judgment was signed and entered by this Court on June 1, 2010. (No. 05 CV 6757, docket entry no. 248.)

On April 29, 2011, Marcel filed its original complaint in this action,⁴ alleging that Lucky Brand “continued to willfully, and with full knowledge of [Marcel’s] rights, infringe [Marcel’s] GET LUCKY mark by using the Lucky Brand marks in the identical

⁴ This action was initially filed in the Southern District of Florida; Lucky Brand successfully moved to change venue to this Court. (Docket entry no. 44.)

manner and form and on the same goods for which they were found liable for infringement” in the Final Order and Judgment. (Docket entry no. 1 (Complaint), at ¶ 15.) Lucky Brand moved for summary judgment; this Court granted the motion, holding that the Final Order and Judgment precluded this action. *Marcel Fashions Grp., Inc. v. Lucky Brand Dungarees, Inc.*, No. 11 CV 5523, 2012 WL 4450992, at *5 (S.D.N.Y. Sept. 25, 2012). The Second Circuit reversed, concluding that the Final Order and Judgment did not bar Marcel from bringing this action because it concerns alleged “infringements that occurred subsequent to the earlier judgment.” *Marcel Fashions Grp., Inc. v. Lucky Brand Dungarees, Inc.*, 779 F.3d 102 (2d Cir. 2015).

The Second Circuit also discussed the construction of the jury’s finding of fact with respect to infringement, noting that the question to which the jury responded in the affirmative “was worded in the conjunctive (*and*) rather than the disjunctive (*or*) . . . [but] did not necessarily mean that Lucky Brand’s infringement of Marcel’s ‘Get Lucky’ mark had been manifested not only by using ‘Get Lucky,’ but also by using the ‘Lucky Brand’ marks . . .” *Id.* at 112. Observing that the phrasing of the verdict form had required the jury to answer yes to the compound infringement question even if the only infringement was the use of the GET LUCKY Mark, the Second Circuit concluded that “it is conceivable that the jury’s answer . . . represented a finding that Lucky Brand’s use of the ‘Lucky Brand’ marks constituted an infringement,” but “the jury’s verdict and the Court’s Final Order and Judgment did not

require . . . forbidding Lucky Brand’s use of the ‘Lucky Brand’ marks.” *Id.*

After entry of the Second Circuit’s mandate (docket entry no. 93), Marcel moved for and received leave to amend its complaint, filing the SAC on October 22, 2015. The SAC claims infringement of the GET LUCKY mark by Lucky Brand’s use of “the very same trademarks that were originally attached to the Final Order and Judgment at the close of the 2005 Action as Exhibits to such Judgment, as well as Defendants’ use of other, equally offensive and similarly infringing derivatives, variations, and colorable imitations thereof (. . . collectively referred to as the ‘Lucky Brand Marks.’)” (SAC ¶ 1.⁵) The SAC does not claim that Lucky Brand is using the GET LUCKY mark, but rather that Lucky Brand’s continued use of the Lucky Brand Marks infringes rights established by the Final Order and Judgment, in that Lucky Brand has continued to use “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.” (SAC ¶ 24.)

Lucky Brand timely filed the instant motion to dismiss, asserting that the 2003 Settlement Agreement bars Marcel from maintaining the instant action. (Docket entry no. 156.)

⁵ Twelve Lucky Brand trademark registrations are appended to the Final Order and Judgment, documenting the marks that *Lucky Brand* had contended that *Marcel* was infringing by using “Get Lucky.” (Final Order and Judgment, at p. 4.)

DISCUSSION

To survive a motion to dismiss, a complaint must plead “enough facts to state a claim to relief that is plausible on its face.” *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 570 (2007). This requirement is satisfied when the factual content in the complaint “allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (citing *Twombly*, 550 U.S. 544, 556 (2007)). A complaint that contains only “naked assertions” or “a formulaic recitation of the elements of a cause of action” does not suffice. *Twombly*, 550 U.S. at 555, 557. The Court accepts as true the non-conclusory factual allegations in the complaint and draws all inferences in the Plaintiff’s favor. *Roth v. Jennings*, 489 F.3d 499, 501 (2d Cir. 2007).

Marcel’s claims in the SAC rest on Lucky Brand’s continued use of the twelve Lucky Brand Marks, all but one of which (Mark No. 3,107,591 (the “-591 Mark”)) were registered prior to the 2003 Settlement Agreement, and other unspecified marks. The -591 Mark is a stylized combination of two of the pre-2003 marks, namely Mark No. 2,400,358 (a four-leaf clover) and Mark No. 2,686,829 (the word mark LUCKY BRAND DUNGAREES). Marcel’s claims based on Lucky Brand’s use of the eleven pre-2003 marks (*i.e.*, the Lucky Brand Marks other than the -591 Mark) are plainly foreclosed by the Settlement Agreement, in which Marcel released “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 . . . registered

and/or used by Lucky Brand . . . as of the date of this Agreement.” (Settlement Agreement, ¶ 8(e).) Lucky Brand’s use of the -591 Mark is also precluded by the terms of the Settlement Agreement, because the -591 Mark is plainly a combination of two marks covered by the Settlement Agreement, and Marcel’s agreement to release claims “arising out of or in any way relating to” the pre-2003 marks covered by the Settlement Agreement logically extends to combinations of those marks, like the -591 Mark. Reading the Settlement Agreement to exclude combinations like the -591 Mark would effectively read the “in any way relating to” language out of the Settlement Agreement.

Marcel argues that Lucky Brand’s reliance on the Settlement Agreement is barred by the *res judicata* or collateral estoppel effect of this Court’s decisions during the 2005 Litigation and the Final Order and Judgment. These arguments fail for several reasons.

The doctrine of *res judicata*, or claim preclusion, applies where “(1) the previous action involved an adjudication on the merits; (2) the previous action involved the [plaintiff] or those in privity with [him]; (3) the claims asserted in the subsequent action were, or could have been raised, in the prior action.” *Monahan v. New York City Dep’t of Corr.*, 214 F.3d 275, 285 (2d Cir. 2000). Collateral estoppel, or issue preclusion, also operates to bar relitigation of issues that have been determined in a prior action, “if the issue in the second action is identical to an issue which was raised, necessarily decided and material in the first action, and the plaintiff had a full and fair opportunity to litigate the issue in an earlier action.”

LaFleur v. Whitman, 300 F.3d 256, 271 (2d Cir. 2002) (internal quotation marks and citations omitted).

Marcel's reliance on the Court's 2007 Order denying a summary judgment motion based on the post-Settlement Agreement accrual of claims is misplaced. That decision construed a provision of the Settlement Agreement that barred claims "by reason of or arising out of any matter, cause or event occurring on or prior to the date" the Settlement Agreement was signed. (Settlement Agreement ¶ 9.) That provision, whose parameters were plainly set by the timing of events underlying the claims, is entirely different from the one on which Lucky Brand relies here. Section 8(e) of the Settlement Agreement, which Lucky Brand invoked in its motion to dismiss, rests on the nature, not the timing, of the claim. It precludes litigation of 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 . . . owned, registered and/or used by Lucky Brand . . . as of the date of this [2003] agreement," and further provides that "[n]o claims of any kind are reserved." The release provision on which Lucky Brand's defense turns thus is not bound by temporal parameters, and the Court's 2007 Order does not preclude its application.

The 2006 Opinion, in which the Court *did* address Section 8(e), was not a final determination of the parties' rights thereunder, and thus is not preclusive of Lucky Brand's defense. *See Taylor v. Sturgell*, 553 U.S. 880, 892 (2008) (issue preclusion applies where "an issue of fact or law [was] actually litigated and resolved in a valid court determination essential to the

prior judgment”). The 2006 Opinion explicitly preserved Lucky Brand’s right to assert *res judicata* based on Section 8(e) in the future, and therefore did not have preclusive effect.

Finally, Marcel argues that the Final Order and Judgment is *res judicata* as to Lucky Brand’s liability for the conduct alleged in the SAC, and precludes reliance on the earlier Settlement Agreement. Marcel relies on the finding in the Final Order and Judgment, copied verbatim from the jury’s verdict, that Lucky Brand had infringed the GET LUCKY mark “by using GET LUCKY, the LUCKY BRAND trademarks, and any other trademarks including the word ‘Lucky’ after May 2003.” (Final Order and Judgment, at ¶ 5.)

Marcel’s argument “depends on the formulation of a question on the Verdict Form submitted to the jury in the 2005 Action, which the court later replicated in formulating its Final Order and Judgment.” *Marcel Fashions Grp., Inc.*, 779 F.3d at 111. As the Second Circuit noted, the jury’s verdict “did not necessarily mean” that each of the LUCKY BRAND Marks infringed Marcel’s GET LUCKY mark. *Id.* at 112.

The Final Order and Judgment is not preclusive of Lucky Brand’s defense based on the Settlement Agreement. Issue preclusion does not apply, because the applicability of the Settlement Agreement’s release provision was not actually litigated and resolved in the 2005 Action. Claim preclusion does not apply because Lucky Brand is not asserting a claim against Marcel. Rather, Lucky Brand argues that Marcel has released the claim it is asserting here, insofar as it is based on pre-2003 marks and combinations or derivatives thereof, which are plainly

covered by the Settlement Agreement's release provision. Lucky Brand's failure to press this defense in the 2005 litigation does not vitiate it here, as the Settlement Agreement contains an explicit non-waiver provision. (Settlement Agreement ¶ 23 (“[T]he waiver by any party of any breach of any provision of this Agreement shall not be construed to be a waiver of such party of any succeeding breach of such provision or a waiver by such party of any breach of any other provision.”).)

Marcel's argument that the Settlement Agreement was abrogated by Lucky Brand's breach of the covenant not to use the GET LUCKY mark is also unavailing. The Settlement Agreement provides that it is to be construed under Florida law. (Settlement Agreement ¶ 23.) It is black letter law that the breach of a contract does not automatically rescind the contract, but rather permits the non-breaching party to either seek to rescind the contract or obtain damages based on the breach. *Hyman v. Cohen*, 73 So. 2d 393, 397 (Fla. Sup. Ct. 1954) (en banc). “Under Florida law rescission is a harsh remedy which lies within the sound discretion of the court and is not available as a matter of right.” *Gov't of Aruba v. Sanchez*, 216 F. Supp. 2d 1320, 1365 (S.D. Fla. 2002). Florida courts have required a showing of “fraud, mistake, undue influence, multiplicity of suits, cloud on title, trust, or some other independent ground for equitable interference” before rescission may be granted. *AVVA-BC, LLC v. Amiel*, 25 So. 3d 7, 11 (Fla. Dist. Ct. App. 3d Dist. 2009). There is no evidence of any such equitable basis for rescission of the Settlement Agreement here, nor has Marcel ever even made an application for rescission of the Settlement

Agreement. In any event, the party seeking rescission must demonstrate that it promptly and consistently disavowed the contract. *Id.* Marcel has not done so; indeed, Marcel affirmatively argues for the continued enforceability of certain provisions of the Settlement Agreement. (Docket entry no. 160 (Pl.'s Mem. of Law in Opposition), p. 6.) Under these circumstances, there is no basis under Florida law to conclude that the Settlement Agreement has been abrogated or rescinded.

Because the plain terms of the Settlement Agreement bar all of Marcel's claims relating to the pre-2003 marks covered by the Settlement Agreement, the SAC fails to state a claim as to any of those marks. The SAC's allegations relating to unspecified and unidentified Lucky Brand marks that are "equally offensive and similarly infringing derivatives, variations, and colorable imitations" are not pled with sufficient specificity to be plausible. *Twombly*, 550 U.S. at 555, 570. Accordingly, the SAC is dismissed.

CONCLUSION

For the foregoing reasons, Defendants' motion to dismiss the SAC is granted. Plaintiffs may move for permission to file a Third Amended Complaint by **January 9, 2017**, which motion must comply with the relevant federal and local rules and be accompanied by (1) a proposed Third Amended Complaint, and (2) a blackline of the proposed Third Amended Complaint showing the changes made from the Second Amended Complaint. If no timely motion is filed, or if the motion is denied, the dismissal of the Second Amended Complaint will be with prejudice and judgment will be

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entered in Defendants' favor without further advance notice.

This Memorandum Opinion and Order resolves docket entry no. 156.

SO ORDERED.

Dated: New York, New York

December 22, 2016

/s/ Laura Taylor Swain
LAURA TAYLOR SWAIN
United States District Judge

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Appendix D

**UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT**

No. 12-4341

MARCEL FASHIONS GROUP, INC.,

Plaintiff-Appellant,

v.

LUCKY BRAND DUNGAREES, INC., LIZ CLAIBORNE, INC.,
LUCKY BRAND DUNGAREES STORES, INC.,

*Defendant-Appellees.**

Dated: February 25, 2015

OPINION

LEVAL, *Circuit Judge*:

Plaintiff Marcel Fashions Group, Inc. (“Marcel” or “Plaintiff”) appeals from the judgment of the United States District Court for the Southern District of New York (Swain, *J.*) in favor of Defendants Lucky Brand Dungarees, Inc., Liz Claiborne, Inc., and Lucky Brand Dungarees Stores, Inc. (collectively, “Lucky Brand” or “Defendants”). Marcel’s suit sought damages and injunctive relief based on claims of trademark infringement, false designation of origin, and unfair competition under 15 U.S.C. §§ 1114, 1116, and 1125,

* The Clerk of Court is respectfully directed to amend the official caption in this case to conform with the caption above.

as well as common law trademark infringement and unfair competition under Fla. Stat. § 495.151. The court granted Lucky Brand's motion for summary judgment and denied leave to replead on the ground that the action was barred by *res judicata*.

We conclude that a prior judgment in Plaintiff's favor awarding damages and an injunction did not bar Plaintiff from instituting a second suit seeking relief for alleged further infringements that occurred subsequent to the earlier judgment. We therefore vacate the grant of summary judgment and the denial of leave to amend the complaint. The district court also denied Marcel's motion to hold Defendants in contempt for violation of an injunction in the prior litigation. We affirm this ruling as Marcel did not show that Defendants' conduct violated the terms of the injunction.

BACKGROUND

I. Parties

Marcel, a Florida corporation, received a federal trademark registration in 1986 for "Get Lucky."¹ Marcel has since sold jeans under that mark. In 1990, Defendant Lucky Brand Dungarees, Inc., a Delaware corporation, began selling jeans and other casual apparel under the mark "Lucky Brand" and other marks that include the word "Lucky." It has sold this merchandise in major department stores and, as of January 2012, had more than 180 retail stores in the United States, with sales of nearly \$400 million in

¹ Although twice cancelled and reinstated, the registration appears to have been in force in the relevant periods of this litigation.

2011. It owns registered trademarks, including “Lucky Brand” and “Lucky Brand Dungarees.” Defendant Liz Claiborne, also a Delaware corporation, is the parent corporation of Lucky Brand Dungarees, Inc.

II. Prior Litigation

A. 2001 Action and Settlement

In September 2001, Marcel filed suit alleging unfair competition and trademark infringement against the Lucky Brand Defendants and others (the “2001 Action”). In May 2003, the parties settled the 2001 Action pursuant to a Release and Settlement Agreement, which provided that the Lucky Brand Defendants “shall desist henceforth from use of ‘Get Lucky’ as a trademark,” while acknowledging the Defendants’ “rights to use, license and/or register the trademark LUCKY BRAND and/or any other trademarks . . . registered and/or used by Lucky Brand . . .” Joint App’x (“JA”) at 207-08.

B. 2005 Action

In 2004, Ally Apparel Resources LLC and/or Key Apparel Resources, Ltd. (collectively, “Ally”) launched a “Get Lucky” line of jeanswear and sportswear based on a license it received from Marcel. On July 27, 2005, Lucky Brand filed an action (the “2005 Action”) in the Southern District of New York (Swain, *J.*) against Ally, Marcel, and Ezra Mizrachi (the president of Marcel) (collectively the “2005 Marcel Parties”), alleging that they had engaged in unfair business practices and that the “Get Lucky” line infringed on Lucky Brand’s trademarks.

The 2005 Marcel Parties counterclaimed against Lucky Brand’s use of the “Get Lucky” mark, asserting

infringement and breach of the 2003 Settlement Agreement, and seeking to enjoin Lucky Brand from using the “Get Lucky” trademark or any other similar trademark. Notwithstanding Marcel’s acknowledgment of Lucky Brand’s right to use the “Lucky Brand” marks in the parties’ settlement of the 2001 Action, Marcel’s counterclaims sought to enjoin Lucky Brand’s use of “Lucky Brand” or “Lucky,” as confusingly similar to “Get Lucky.” *See* JA at 283.

On April 22, 2009, as a sanction for misconduct in discovery, the district court enjoined Lucky Brand from using Marcel’s “Get Lucky” trademark (the “2009 Injunction”). In anticipation of a jury trial to resolve the remaining claims and counterclaims, the parties filed a Second Amended Joint Pre-Trial Statement, which identified the remaining issues to be resolved at trial. Marcel identified as a remaining issue, “[w]hether Marcel is entitled to an injunction against Lucky Brand enjoining Lucky Brand from selling merchandise using GET LUCKY, LUCKY, LUCKY BRAND or any other mark incorporating Lucky.” JA at 296.

At the conclusion of trial, the jury answered in the affirmative to Question 8 of the Verdict Form, which asked whether Lucky Brand “infringed Marcel Fashion’s ‘Get Lucky’ mark by using ‘Get Lucky,’ the ‘Lucky Brand’ marks and any other marks including the word ‘Lucky’ after May 2003.” JA at 355. For this infringement, the jury awarded the 2005 Marcel Parties compensatory and punitive damages.

Following the verdict, the parties negotiated and jointly drafted a Final Order and Judgment at the request of the district court. On May 13, 2010,

Marcel's counsel sent an email to Lucky Brand's counsel attaching a draft, which proposed inclusion of a paragraph stating, "Lucky Brand Dungarees, Inc. and Liz Claiborne, Inc. . . . are permanently enjoined from further use of GET LUCKY, the LUCKY BRAND trademarks and any other trademarks using the word 'Lucky.'" JA at 366. Lucky Brand refused to agree to the inclusion of this paragraph in the judgment. Marcel's counsel removed the paragraph and resubmitted the proposed order, without that paragraph. On May 28, 2010, the district court adopted the proposed judgment (the "2010 Final Order and Judgment"). The Final Order and Judgment includes the substance of the 2009 Injunction, prohibiting Lucky Brand from using the "Get Lucky" mark, as well as the language of Question 8 of the Verdict Form, stating that the "Lucky Brand Parties infringed Marcel Fashion's GET LUCKY trademark . . . by using GET LUCKY, the LUCKY BRAND trademarks, and any other trademarks including the word 'Lucky' after May 2003." JA at 26-27.

III. The Instant [2011] Action

On April 29, 2011, Marcel initiated the instant action by filing a complaint in the United States District Court for the Southern District of Florida seeking damages and injunctive relief prohibiting Lucky Brand from using the "Lucky Brand" trademarks (the "Instant Action"). The complaint alleges, *inter alia*, that Lucky Brand infringed Marcel's "Get Lucky" trademark "by using the Lucky Brand marks in the identical manner and form and on the same goods for which they were found liable for

infringement [in the 2005 Action].” JA at 15. The complaint asserts causes of action for federal trademark infringement and false designation of origin, federal unfair competition law, and state common law trademark infringement. Lucky Brand moved to transfer the action to the Southern District of New York, where the 2005 Action was heard. The motion was granted, and the action was thereafter heard in the Southern District of New York before the judge who had heard the 2005 Action.

Lucky Brand moved for summary judgment. Among its asserted grounds were that: (1) Marcel’s claims were precluded by the judgment in the 2005 Action; and (2) Marcel waived its right to seek injunctive relief against Defendants’ use of “Lucky Brand” and damages for such use by failing to seek such relief in the 2005 Action.

On September 25, 2012, the district court granted Lucky Brand’s motion for summary judgment, holding that Marcel’s claims in the instant action were precluded by *res judicata* because they were essentially the same claims as the 2005 Action, for which the court had made a final disposition. *See Marcel Fashions Grp., Inc. v. Lucky Brand Dungarees, Inc.*, No. 11 Civ. 5523(LTS), 2012 WL 4450992, at *4-6 (S.D.N.Y. Sept. 25, 2012). The district court reasoned that Marcel could have, and indeed did, seek injunctive relief directed against use of the “Lucky Brand” marks in the 2005 Action, but then abandoned any such demand. Furthermore, Marcel had been awarded damages for use of the marks “after May 2003,” which led the court to conclude that Marcel had already been compensated for any future infringing

use of its marks. *Id.* at *5. The district court also denied Marcel’s motion for leave to file an amended complaint as futile in light of the court’s determination that the suit was barred by *res judicata*. *Id.* at *7.

On January 24, 2012, Marcel had moved to hold Lucky Brand in contempt for violating the injunction issued in the 2005 Action by continuing to use the “Lucky Brand” marks. The district court denied Marcel’s motion on the ground that the injunction enjoined Lucky Brand “from using only reproductions, counterfeits and imitations of the GET LUCKY mark, and d[id] not prohibit use of the other Lucky Brand marks or the word Lucky.” *Id.*

DISCUSSION

On appeal, Marcel contends that the district court erred: (1) in awarding summary judgment to Lucky Brand; (ii) in denying Marcel’s motion for leave to file an amended complaint; and (iii) in denying Marcel’s motion to hold the Defendants in contempt for violating the terms of the injunction in the 2005 Action.

I. Summary Judgment²

The district court granted summary judgment in favor of the Defendants, ruling that the suit was

² We review a district court’s grant of summary judgment *de novo*, “viewing the record in the light most favorable to the non-moving party.” *Dillon v. Morano*, 497 F.3d 247, 251 (2d Cir. 2007). “Summary judgment may be granted only if ‘there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.’” *Tepperwien v. Entergy Nuclear Operations, Inc.*, 663 F.3d 556, 567 (2d Cir. 2011) (quoting Fed. R. Civ. P. 56(a)). A district court’s application of *res judicata* is

precluded by *res judicata*. Marcel contends this was error. We agree. Winning a judgment based on the defendant's violation of the plaintiff's rights does not deprive the plaintiff of the right to sue the same defendant again for the defendant's further subsequent similar violations. Our court's persuasively reasoned recent opinion in *TechnoMarine SA v. Giftports, Inc.* rejected the very arguments on which the district court relied. 758 F.3d 493, 500, 502 (2d Cir. 2014).

The term *res judicata*, which means essentially that the matter in controversy has already been adjudicated,³ encompasses two significantly different doctrines: claim preclusion and issue preclusion. See *Taylor v. Sturgell*, 553 U.S. 880, 892 (2008). Under *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." *Id.* (internal quotation mark omitted). The doctrine precludes not only litigation of claims raised and adjudicated in a prior litigation between the parties (and their privies), but also of claims that might have been raised in the prior litigation but were not. See *St. Pierre v. Dyer*, 208 F.3d 394, 399 (2d Cir. 2000). The doctrine of *issue preclusion*, in contrast, "bars successive litigation of an issue of fact or law actually litigated and resolved in a valid court determination essential to the prior judgment, even if the issue recurs in the context of a

also subject to *de novo* review. *TechnoMarine SA v. Giftports, Inc.*, 758 F.3d 493, 498 (2d Cir. 2014).

³ See Black's Law Dictionary (10th ed. 2014) (translating *res judicata* as "a thing adjudicated").

different claim.” *Taylor*, 553 U.S. at 892. (internal quotation marks omitted). The district court’s ruling that Marcel’s suit was barred by *res judicata* in view of the 2005 Action was based on claim preclusion—not issue preclusion.

Preclusion of a claim under this doctrine requires a showing that “(1) the previous action involved an adjudication on the merits; (2) the previous action involved the [same adverse parties] or those in privity with them; and (3) the claims asserted in the subsequent action were, or could have been, raised in the prior action.” *TechnoMarine*, 758 F.3d at 499 (alteration omitted). There is no doubt that the first two elements are present here. The 2005 Action was between the same two parties as the instant suit, and that case was adjudicated on the merits. The parties contest only the third element, which asks whether the claims asserted by Marcel in the current action “were, or could have been, raised in the prior action.” *Id.* Our ruling in *TechnoMarine* conclusively answers that question in the negative.

In *TechnoMarine*, our court confronted similar factual circumstances and rejected the arguments Lucky Brand raises in the instant case. TechnoMarine, a designer, manufacturer and distributor of watches had previously sued Giftports (the defendant in the new action), alleging infringement of TechnoMarine’s trademarks. *Id.* at 497. The prior suit had resulted in a settlement, which we noted was deemed an adjudication for purposes of the claim preclusion doctrine. *Id.* at 499 n.4. Subsequently, TechnoMarine brought the action that was the subject of the appeal, alleging that Giftports

had committed new, “additional instances of the same type of [infringing] conduct alleged in the [prior] litigation.” *Id.* at 498. The district court had dismissed the new complaint, ruling that the new claims were precluded by the earlier suit. *Id.* We explained that this was error. 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.” *Id.* (quoting *Lawlor v. Nat’l Screen Serv. Corp.*, 349 U.S. 322, 327-28 (1955)). We made clear it would be anomalous and unacceptable if “[t]he earlier judgment against the defendant—determining that it violated plaintiff’s trademark rights from 2010 to 2012—would in effect immunize the defendant against all suits concerning [subsequent] infringements of the same trademark,” leaving the defendant free, by virtue of having once been found liable for infringement, to infringe thereafter in perpetuity. *Id.* at 503.⁴

⁴ Our ruling in *TechnoMarine* made clear that the crucial date for distinguishing between additional infringements that were barred by the prior suit and those that were not barred is the date of the prior effective complaint—not the date of the prior judgment. *See id.* at 504-05. While a plaintiff may seek to amend a complaint during the course of a litigation to encompass new infringements that occurred since the filing of the original complaint, the plaintiff is not compelled to do so on pain of forfeiting the ability to sue subsequently for the post-complaint infringements.

Lucky Brand primarily argues in defense of the district court's ruling that Marcel's claims are barred on two grounds: (1) Marcel was already compensated for the subsequent infringements alleged in this complaint because the jury in the 2005 Action awarded Marcel damages for infringements "after May 2003" (the date of the settlement of the 2001 Action), and Marcel did not reserve the right "to seek further damages for prospective [trademark infringement]," *Marcel*, 2012 WL 4450992, at *5; and (2) Marcel's claims are barred because in the 2005 Action it abandoned its claim for an injunction explicitly barring Lucky Brand from using the "Lucky Brand" marks.

As for the first argument, because Marcel in the 2005 Action sought (and won) damages for Lucky Brand's infringements that occurred "after May 2003" but prior to Marcel's complaint, it makes no sense to construe the jury verdict (and the court's judgment) as awarding damages for infringements that had not yet occurred and might never occur. Marcel could not lawfully have been awarded such damages; it had shown no entitlement to such damages, having made no showing that Lucky Brand would infringe its "Get Lucky" mark in the future. The purpose of specifying infringements "after May 2003" was to make clear that Marcel was neither seeking nor entitled to damages for infringements that occurred prior to the date of the settlement of the 2001 Action, as the settlement agreement specified that it extinguished claims for any infringements that occurred prior to its

date.⁵ It would make no conceivable sense to construe the lump-sum judgment in Marcel’s favor for Lucky Brand’s prior infringements of Marcel’s “Get Lucky” mark as effective authorization to Lucky Brand to infringe “Get Lucky” at will and without compensation forever into the future.⁶ And, as for the fact that Marcel did not reserve the right to seek further damages for prospective trademark infringements, *TechnoMarine* made clear there was no need for Marcel to do so, as a suit claiming damages for prior infringements does not bar a subsequent suit for damages for subsequent infringements. See *TechnoMarine*, 758 F.3d at 503-04. As for the second reason cited by the district court, and relied upon by Lucky Brand—that Marcel in the 2005 Action did not pursue its demand for an injunction explicitly prohibiting use of the “Lucky Brand” marks—*TechnoMarine* convincingly rejected the illogical proposition that a winning plaintiff’s failure to seek or obtain an injunction immunizes the losing defendant from liability for future infringements.⁷ We pointed

⁵ In pertinent part, the settlement agreement provided that “Marcel . . . discharges [Lucky Brand] from any and all actions, . . . or other liability or relief of any nature whatsoever . . . 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: (a) any and all claims or defenses of any nature arising out of or in any way relating to Marcel’s rights in the trademark GET LUCKY; . . .” JA at 207-08.

⁶ The lump-sum judgment was not a recognition of Marcel’s entitlement to royalty compensation for Lucky Brand’s future use of its mark.

⁷ Lucky Brand’s citation of dicta in our decision in *Jim Beam Brands Co. v. Beamish & Crawford Ltd.*, 937 F.2d 729 (2d Cir.

out that courts “may deny requests for injunctive relief . . . for various reasons unrelated to the validity of the plaintiff’s claim” for damages, *id.* at 504; for example, an injunction may be denied “when remedies available at law, such as monetary damages, are adequate to compensate for the injury. . . . [or] when there is little evidence of likelihood of future violations,” *id.* A plaintiff’s entitlement to an injunction is more clearly established where the defendant has persisted in the infringing conduct in spite of a prior damages award. The plaintiff may plausibly deem it both strategically and economically

1991), is unpersuasive. Apart from the fact that the sentence Lucky Brand relies on comments on what the judgment would be if the facts were otherwise, Lucky Brand reads far more into it than the words can reasonably bear. The point of the ruling in the plaintiff’s favor was that, because “an injunction against trademark infringement was not available” to the plaintiff in its prior suit before the Trademark Trial and Appeal Board seeking cancellation of the defendant’s registration, “obviously res judicata would not apply” to preclude the plaintiff’s subsequent suit to enjoin the defendant from infringement. *Id.* at 736. The court’s addition that “if such relief was available in those proceedings, that availability would preclude the present pursuit of such a claim,” *id.*, depended on the relationship between the two particular claims, and cannot be reasonably read to have established a categorical rule that a trademark owner’s suit for damages for one infringement, without simultaneously seeking an injunction, will forever bar the trademark owner from seeking an injunction based on further future infringements, much less from suing for damages based on the future infringements. A plaintiff’s failure to seek an injunction in a first suit for infringement is not tantamount to an authorization to the defendant to use the plaintiff’s mark at will in the future. See *TechnoMarine*, 758 F.3d at 504.

preferable to advance only claims it is confident of winning.⁸

For all the reasons explained in *TechnoMarine*, we conclude that the district court erred in ruling that Marcel's present suit is precluded by its having previously sued Lucky Brand for earlier infringements of its "Get Lucky" mark in the 2005 Action. We therefore vacate the grant of summary judgment in favor of Lucky Brand and remand for further proceedings.

II. Leave to Amend

Marcel also appeals from the district court's denial of its motion for leave to file an amended complaint. Rule 15(a) requires that a "court should freely give leave [to amend] when justice so requires." Fed. R. Civ. P. 15(a). "Leave to amend may properly be denied if the amendment would be futile." *Grullon v. City of New Haven*, 720 F.3d 133, 140 (2d Cir. 2013) (internal quotation marks and alteration omitted). The district court denied leave to amend on the sole ground that amendment would be futile because the suit was barred by *res judicata*. As we have explained above, that ruling was erroneous. We accordingly vacate the ruling and remand for the district court to reconsider.⁹

⁸ It is by no means clear that a plaintiff, whose interests would be better served by receiving damages for the defendant's future infringements than by obtaining an injunction that the defendant would obey, is compelled to seek a remedy that is not to its advantage, on pain of losing entitlement to protect its rights from future violations.

⁹ In *TechnoMarine*, we affirmed the district court's denial of leave to amend, notwithstanding that the district court's denial

III. Motion for Contempt

Finally, Marcel contends we should overturn the district court's denial of its motion to hold Lucky Brand in contempt for violating the injunction issued in the 2005 Action by its subsequent use of the "Lucky Brand" marks. We review a district court's denial of a motion for contempt for abuse of discretion. *Dunn v. N.Y. State Dep't of Labor*, 47 F.3d 485, 490 (2d Cir. 1995). To establish contempt for failure to obey a court order, the movant must show that "(1) the order the [alleged] contemnor failed to comply with is clear and unambiguous, (2) the proof of noncompliance is clear and convincing, and (3) the [alleged] contemnor has not diligently attempted to comply in a reasonable manner." *Perez v. Danbury Hosp.*, 347 F.3d 419, 423-24 (2d Cir. 2003).

Marcel's claim fails at the first step. The injunction issued in the 2005 Action did not clearly forbid Lucky Brand from using the "Lucky Brand" marks. Indeed, on its face, the injunction said nothing about Lucky Brand's use of the "Lucky Brand" marks. It enjoined Lucky Brand only from using Marcel's "Get Lucky" mark, or colorable imitations thereof. The district court said that "if the April 22, 2009, Injunction had been meant to cover all the Lucky Brand marks, it would have specifically identified those other marks." *Marcel*, 2012 WL 4450992, at *5.

was for the invalid reason that the action was precluded. We so ruled, in part, because the plaintiff had not advised the court of the nature of the amendments it proposed. *See TechnoMarine*, 758 F.3d at 506. That ruling has no bearing on this case, as Marcel did advise the court of how it proposed to amend its complaint.

We find no error, much less abuse of discretion, in the district court's denial of the contempt motion. Marcel's attempt to construe the injunction, which explicitly prohibited Lucky Brand from using "Get Lucky," as also prohibiting Lucky Brand from using the "Lucky Brand" marks, fails.

Although acknowledging, as it must, that the 2009 Injunction included no language prohibiting Lucky Brand from using the "Lucky Brand" marks, Marcel argues that the injunction, when construed in light of the jury verdict and the Final Order and Judgment of the 2005 Action, should be construed as prohibiting Lucky Brand from further use of the "Lucky Brand" marks. Its argument depends on the formulation of a question on the Verdict Form submitted to the jury in the 2005 Action, which the court later replicated in formulating its Final Order and Judgment. Question 8 of the Verdict Form asked the jury whether Marcel had proved its claim that Lucky Brand infringed Marcel's "Get Lucky" mark. Because Marcel was contending not only that Lucky Brand improperly employed "Get Lucky," but that its use of "Lucky Brand" and of any other marks containing the word "Lucky" also constituted infringement of "Get Lucky," Question 8 asked the jury:

Ha[s Marcel] proven . . . that [Lucky Brand] infringed Marcel Fashion's "Get Lucky" mark by using "Get Lucky," the "Lucky Brand" marks and any other marks including the word "Lucky" after May 2003?

JA at 355.

The jury placed an X on the line labeled “Yes” (and in response to subsequent questions on the form, specified the damages to be awarded against Lucky Brand by reason of its infringement of Marcel’s “Get Lucky” mark). In formulating its Final Order and Judgment awarding damages against Lucky Brand for infringement of Marcel’s “Get Lucky” mark, the court copied its formulation of Question 8 from the Verdict Form. *See* JA at 26-27.

On this basis, Marcel argues that the verdict and judgment in the 2005 Action must be taken as establishing that Lucky Brand’s use of the “Lucky Brand” marks constituted an infringement of the “Get Lucky” mark, so that the injunction prohibiting Lucky Brand from infringing the “Get Lucky” mark must be taken as an order prohibiting the use of the “Lucky Brand” marks. The contention is perhaps clever, but not persuasive.

Question 8 was the only place on the Verdict Form for the jury to signify a finding that Lucky Brand had infringed the “Get Lucky” mark. Regardless of whether the jury found that the “Get Lucky” mark was infringed by virtue of Lucky Brand’s use of “Get Lucky,” or by its use of the “Lucky Brand” marks or other marks containing the word “Lucky” as colorable imitations of “Get Lucky,” or all three, the only way offered by the Verdict Form for the jury to record the verdict in Marcel’s favor was by checking “Yes” in answer to Question 8. Notwithstanding that the question was worded in the conjunctive (*and*) rather than the disjunctive (*or*) with respect to the various ways in which Lucky Brand might have infringed the “Get Lucky” mark, the jury’s finding did not

necessarily mean that Lucky Brand's infringement of Marcel's "Get Lucky" mark had been manifested not only by using "Get Lucky," but also by using the "Lucky Brand" marks and other marks including the word "Lucky." The jury was of course free to find infringement of Marcel's "Get Lucky" mark based solely on Lucky Brand's use of "Get Lucky." Interpreting the jury's answer to Question 8 as necessarily meaning that the jury found that Lucky Brand's use of the "Lucky Brand" marks constituted infringement of "Get Lucky" would be sheer speculation. The district judge in the present case is the same judge that presided over the 2005 action. The fact that the judge who issued the injunction construed the injunction as not prohibiting Lucky Brand from using the "Lucky Brand" marks strongly supports the proposition that, notwithstanding the ambiguity that resulted from the use of the conjunctive, rather than the disjunctive, in Question 8 (which was then copied into the judgment), the jury's verdict and the court's Final Order and Judgment did not require construing the injunction as forbidding Lucky Brand's use of the "Lucky Brand" marks.

In short, while it is conceivable that the jury's answer to Question 8 in the 2005 Action represented a finding that Lucky Brand's use of the "Lucky Brand" marks constituted an infringement of Marcel's "Get Lucky" mark, and that the court's wording of the Final Order and Judgment in that action constituted a judgment to that same effect, we cannot say it was an abuse of discretion for the district court to deny Marcel's motion to hold Lucky Brand in contempt for its use of the "Lucky Brand" marks.

CONCLUSION¹⁰

For the foregoing reasons, the district court's grant of summary judgment for Lucky Brand and denial of Marcel's motion for leave to file an amended complaint are hereby VACATED and the case is REMANDED for further proceedings consistent with this opinion. The denial of Marcel's motion for contempt is hereby AFFIRMED.

Catherine O'Hagan Wolfe, Clerk
United States Court of Appeals,
Second Circuit
[handwritten signature]

¹⁰ We have considered the parties' remaining arguments, and find them to be without merit.

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Appendix E

**UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF NEW YORK**

No. 11 CV 5523-LTS

MARCEL FASHIONS GROUP, INC.,
Plaintiff,

v.

LUCKY BRAND DUNGAREES, INC., LIZ CLAIBORNE, INC.,
and LUCKY BRAND DUNGAREES STORES, INC.,
Defendants.

Dated: September 25, 2012

MEMORANDUM OPINION AND ORDER

Plaintiff Marcel Fashions Group, Inc. (“Plaintiff” or “Marcel”) commenced this trademark infringement action in the Southern District of Florida, seeking damages and injunctive relief based on allegations that Defendants Lucky Brand Dungarees, Inc., Liz Claiborne, Inc., and Lucky Brand Dungarees Stores, Inc. (collectively “Defendants” or “Lucky Brand”) use Lucky Brand marks that infringe Plaintiff’s “GET LUCKY” mark. Defendants moved to change venue and, on August 9, 2011, the case was transferred to this Court, which has jurisdiction of the action pursuant to 28 U.S.C. §§ 1331, 1338, and 1367. Three motions are now before the Court: 1) Defendants’ motion for summary judgment; 2) Plaintiff’s motion for leave to file an amended complaint; and

3) Plaintiff's motion for sanctions against Defendants for contempt. The Court has reviewed carefully all of the parties' submissions and, for the following reasons, Defendants' motion for summary judgment is granted, and Plaintiff's motions for leave to file an amended complaint and for sanctions are denied.

BACKGROUND

The following facts are undisputed unless otherwise indicated. Lucky Brand is a clothing designer that has been selling vintage-inspired jeans and casual lifestyle apparel for over twenty years. (Defendants' Rule 56.1 Statement ¶ 1¹.) Lucky Brand is the owner of numerous trademarks registered with the USPTO, including "Lucky Brand," a Clover Design Mark, and "Lucky Brand Dungarees of America" (and associated design). (*Id.* ¶ 4.) Marcel is a Florida-based corporation that owns the trademark GET LUCKY. (Compl. ¶¶ 5, 13.)

The 2001 Action

On September 9, 2001, Marcel filed a lawsuit against Lucky Brand and Federated Department Stores in the United States District Court for the Southern District of Florida, asserting claims for federal and common law trademark infringement and unfair competition, based on Lucky Brand's use of the "GET LUCKY" mark. (Defendants' Rule 56.1 Statement ¶ 12.) Marcel later filed another action

¹ References to the parties' Rule 56.1 Statements incorporate the underlying evidence. Facts characterized as undisputed are acknowledged as such by the parties, based on evidence as to which there is no nonconclusory contradictory evidentiary proffer, or on court records.

against Liz Claiborne in the same court with similar allegations. (*Id.* ¶ 13.) The two actions were consolidated under the caption *Marcel Fashion Group, Inc. v. Lucky Brand Dungarees, Inc., and Federated Department Stores, Inc.*, Case No. 01-7495-Civ-Dimitrouleas (S.D.Fla.) (the “2001 Action”). (*Id.*; see also Declaration of Darren W. Johnson (hereinafter “Johnson Decl.”) Exh. 3.) In May 2003, the parties settled the 2001 Action pursuant to a Release and Settlement Agreement. (Defendants’ Rule 56.1 Statement ¶ 14; Johnson Decl., Exh. 6.) The Agreement provided that Defendants would desist “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 jeans, shirts, t-shirts, shorts, tops, bottoms, pantsuits and fragrances.” (Johnson Decl., Exh. 6 ¶ 7.) The Agreement also acknowledged “Lucky Brand’s rights 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 [the] Agreement.” (*Id.* ¶ 8.)

The 2005 Action

In 2004, Marcel granted a license to Ally Apparel Resources LLC and/or Key Apparel Resources, Ltd. (collectively, “Ally”), and Ally launched a “Get Lucky” line of jeanswear that competed with Lucky Brand’s clothing collections. In 2005, Lucky Brand filed an action in this Court, alleging that Ally’s “Get Lucky” products infringed the Lucky Brand trademarks. (*Lucky Brand Dungarees, Inc. et al. v. Ally Apparel*

Resources et al., 05 cv 6757 (hereinafter “2005 Action”), Complaint ¶¶ 47, 58-60.) Marcel and Ally asserted counterclaims against Lucky Brand, alleging that Marcel was the senior user of the “GET LUCKY” mark, and that Lucky Brand’s use of “GET LUCKY” and the other Lucky Brand marks infringed Marcel’s trademark rights and breached the 2003 Release and Settlement Agreement. (Marcel’s Counterclaims, September 13, 2005, 05 cv 6757, ECF No. 40.) Marcel and Ally sought a permanent injunction prohibiting Lucky Brand “[f]rom using the accused trademark ‘GET LUCKY’ or any other designation, service mark, or trademark similar to counter-plaintiffs’ GET LUCKY trademark complained of herein, including the confusingly similar use of ‘Lucky Brand’ or ‘Lucky,’ in any way, including, in connection with clothing, jeans, or any similar goods which are likely to cause confusion.” (*Id.* at p. 42.)²

On April 22, 2009, this Court entered an order granting Marcel partial summary judgment as to certain of its counterclaims, and issued a permanent injunction (the “April 22, 2009, Injunction”) which prohibited Lucky Brand “from using in commerce any reproduction, counterfeit, copy or any colorable

² At several points over the course of their lengthy litigation, the parties have changed the terms they use to describe the various marks at issue. In particular, while Plaintiff, in earlier litigation, distinguished between the GET LUCKY mark and other Lucky Brand marks, in this motion practice Plaintiff often confusingly refers to *all* the marks as the GET LUCKY marks. For purposes of this motion, the Court will use the term “GET LUCKY” to refer only to the GET LUCKY mark, and will use the term “Lucky Brand marks” to refer to all other marks, including any use of the word Lucky.

imitation of Marcel Fashions' GET LUCKY trademark on or in connection with men's and women's apparel, fragrances, and accessories." (April 22, 2009 Injunction, 05 cv 6757, ECF No. 183.) In May 2009, the parties filed a Second Amended Joint Pre-Trial Statement in anticipation of trial of the remaining unresolved issues in the case. As part of this statement, Marcel identified the question of "Whether Marcel is entitled to an injunction against Lucky Brand enjoining Lucky Brand from selling merchandise using GET LUCKY, LUCKY, LUCKY BRAND or any other mark incorporating Lucky," as an issue yet to be decided. (Amended Pretrial Statement, April 28, 2009, 05 cv 6757, ECF No. 186 ¶ 31.) The parties' remaining claims were tried before this Court and a jury, beginning in April 2010. After the jury rendered its verdict (which included findings that Lucky Brand had infringed the Lucky Brand marks, and actual and punitive damages determinations), the parties negotiated and drafted jointly a Final Order and Judgment, which incorporated by reference the Court's prior rulings as well as the jury's verdict, providing, in relevant part that:

Ally's use of GET LUCKY as licensed from Marcel Fashions constituted willful infringement of Lucky Brand's trademarks, but Marcel established its prior ownership, registration and use of GET LUCKY which provides a complete defense to all claims of infringement and establishes priority over Lucky Brand Parties' trademarks.

Lucky Brand infringed Marcel Fashion's GET LUCKY trademark by using GET LUCKY, the LUCKY BRAND trademarks, and any other trademarks including the word "Lucky" after May 2003.

For Lucky Brand's infringement of Marcel Fashion's GET LUCKY trademark on men's and women's t-shirts and on women's long sleeved shirts, and for their breach of the settlement agreement by using GET LUCKY in connection with fragrance advertising, Marcel Fashion is awarded \$10,000 in compensatory damages, and \$140,000 in punitive damages.

For Lucky Brand's infringement of Marcel Fashion's GET LUCKY trademark by their use of GET LUCKY, the LUCKY BRAND trademarks and any other marks including the word "Lucky" after May 2003, Marcel Fashion is awarded \$10,000 in compensatory damages, and \$140,000 in punitive damages.

The parties have jointly drafted this order and agree to waive any and all rights pursuant to Federal Rules of Civil Procedure 59 and 60. The parties further agree to waive any and all rights to appeal this order.

(Final Order and Judgment, June 1, 2010, 05 cv 6757, ECF No. 248.) While the Final Order and Judgment incorporates by reference the Court's April 22, 2009, Injunction concerning the GET LUCKY mark, it contains no other provision for injunctive relief.

The Instant Action

On April 29, 2011, Marcel filed this action in the Southern District of Florida, seeking injunctive relief based on Defendants' continued use of the Lucky Brand marks. In its complaint ("Complaint"), Marcel conceded that the action was based on Defendants' continued use of "the Lucky Brand marks in the identical manner and form and on the same goods for which [Defendants] were found liable for infringement [in the 2005 Action]." (Compl. ¶¶ 15-16, 26-28, 33-40.) On May 4, 2011, Marcel filed a motion for a permanent injunction in the Florida district court, seeking an order that Defendants be enjoined from "using, displaying, advertising, or selling their goods under, or from otherwise doing business under the 'Lucky Brand' trademarks and any other mark including the word 'Lucky' and any confusingly similar alternative or variation thereof." (Motion for Permanent Injunction, May 4, 2011, ECF No. 5 at p. 13.) In its brief in support of that motion, Marcel asserted that Defendants' use of the Lucky Brand marks had been "wholly consistent with their use prior to the entry of the Final Order and Judgment" and acknowledged that "this case is not a new claim . . . but rather is based on the judicial finding that the marks used on the same goods in the identical manner has continued despite the entry of the Final Order and Judgment." (*Id.* at pp. 10-11.)

On May 27, 2011, Defendants moved to transfer the action to this Court. (Motion to Change Venue, May 27, 2011, ECF No. 24.) In its opposition to the motion to transfer venue, Marcel admitted that "[t]here is an injunction against Defendants using the

GET LUCKY mark,” and stated that “Plaintiff now seeks an injunction against Defendants using the LUCKY BRAND marks since Defendants have continued to use the infringing marks . . . after entry of the Final Order and Judgment.” (Response to Motion to Change Venue, June 6, 2011, ECF No. 33 at p. 2.) Marcel continued:

The Final Order and Judgment is clear on its face. While the Final Order and Judgment contains an injunctive provision against Defendants’ using Marcel’s GET LUCKY trademark, it does not contain specific injunctive language against Defendants using its LUCKY BRAND marks and any mark including the word Lucky.

If the Final Order and Judgment did contain that specific language, then this would be an action for contempt. Instead, this is an action for injunctive relief and for damages and is filed to prevent Defendants from continuing its [sic] acts of infringement after Judge and jury have determined their use to be infringing.

(*Id.*) Judge William J. Zloch referred the motion to transfer venue to Magistrate Judge Robin Rosenbaum, who recommended that the court grant the motion and transfer the action to this district. Judge Rosenbaum noted that “[a]t its core, Marcel’s current action asserts the same infringement claims that Marcel litigated for five years and eventually prevailed on before the New York federal court. The only real difference is that Marcel now seeks an equitable remedy that it was not awarded—and

arguably waived—despite having ample opportunity and incentive to pursue that remedy.” (Report and Recommendation, July 19, 2011, ECF No. 40 at p. 16.) Judge Zloch adopted Judge Rosenbaum’s report and recommendation, granted Defendants’ motion to transfer, and the action was transferred to this Court on August 9, 2011. (Transfer Order, August 8, 2011, ECF No. 44.)

Marcel filed a motion for leave to amend its complaint. Defendants thereafter moved for summary judgment and, on the following day, Plaintiff moved for sanctions against Defendants for contempt of the Final Order and Judgment in the 2005 Action.

DISCUSSION

Defendants’ Motion for Summary Judgment

“Under the doctrine of *res judicata*, or claim preclusion, [a] final adjudication on the merits of an action precludes the parties or their privies from relitigating issues that were or could have been raised in that action.” *Bank of India v. Trendi Sportswear, Inc.*, 239 F.3d 428, 439 (2d Cir. 2000) (internal quotations omitted). When determining whether a suit is barred by *res judicata*, the court must determine whether “the second suit involves the same ‘claim’—or ‘nucleus of operative fact’—as the first suit.” *Waldman v. Village of Kiryas Joel*, 207 F.3d 105, 108 (2d Cir. 2000). *Res judicata* “will not bar a suit based upon legally significant acts occurring after the filing of a prior suit that was itself based upon earlier acts.” *Id.* at 113. However, the doctrine of *res judicata* will bar claims based upon acts that post-date the first action, if those new claims are “nothing more than additional instances of what was previously asserted”

and the second action is based “principally upon the common nucleus of operative facts shared with [the first].” *Id.*

The principles of *res judicata* apply to bar the current suit. The Final Order and Judgment was a final adjudication on the merits of the 2005 Action, which involved the same claims, trademarks and parties as the instant action. Marcel’s own assertions in its pleadings and motion papers confirm this:

“Defendants have continued to willfully . . . infringe Plaintiff’s GET LUCKY mark by using the Lucky Brand marks in the identical manner and form and on the same goods for which they were found liable for infringement [in the 2005 Action].” (Compl. ¶ 15.)

“This matter has already been determined by the Southern District of New York.” (Compl. ¶ 39.)

Defendants’ “use of [the Lucky Brand] marks has been continuous, unabated, and wholly consistent with their use prior to the entry of the Final Order and Judgment” (Motion for Permanent Injunction, May 4, 2011, ECF No.5 at p. 10.)

“This case is not a new claim . . . but rather is based on the judicial finding that the marks used on the same goods in the identical manner has continued despite the entry of the Final Order and Judgment.” (*Id.* at pp. 10-11.)

These admissions, and the Complaint as a whole, make clear that Marcel's purported new allegations are "nothing more than additional instances of what was previously asserted [in the 2005 Action]" and that the instant action is based "principally upon the common nucleus of operative facts shared with [the 2005 Action]." *Waldman*, 207 F.3d at 113. Here, Marcel merely seeks broad injunctive relief prohibiting Lucky Brand from using the same trademarks that were the subject of the 2005 Action, and further damages for use of those marks. Marcel could have, and indeed did, seek such injunctive relief in the 2005 Action. Its negotiated final order did not, however, provide for such relief, and it provided for a single monetary award for use of the marks "after May 2003," without any reservation of rights to seek further damages for prospective use. A successive suit seeking a different remedy for the same conduct—like the instant action—is clearly barred by the doctrine of *res judicata*. See, e.g., *Jim Beam Brands Co. v. Beamish & Crawford Ltd.*, 937 F.2d 729, 736 (2d Cir. 1991) ("Res judicata . . . prevents the subsequent litigation by either party of any ground of recovery that was available in the prior action, whether or not it was actually litigated or determined" and noting that, accordingly, "if [injunctive relief] was available to [a party in the prior proceeding], that availability would preclude the [party's] present pursuit of such a claim").

Plaintiff does not address the merits of Defendants' *res judicata* analysis, choosing rather to base its opposition to Defendants' motion for summary judgment almost entirely on a new contention—that the April 22, 2009, Injunction and, consequently, the

Final Order and Judgment, actually *did* enjoin Defendants from using, not only the GET LUCKY mark, but also the other Lucky Brand marks, including the word Lucky. This argument has no support in the record or in the plain language of the April 22, 2009, Injunction. The injunction was issued in the context of Marcel's motion for sanctions against Lucky Brand for various discovery violations. Magistrate Judge Dolinger issued a Memorandum and Order finding that Lucky Brand had engaged in numerous discovery violations, and that, as a consequence of Lucky Brand's wrongful conduct, Marcel was entitled to a preclusive judicial finding that, as a matter of law, Lucky Brand infringed the GET LUCKY mark and breached the parties' earlier settlement agreement. This Court subsequently entered an order on April 22, 2009, granting Marcel partial summary judgment and a permanent injunction. All of the Lucky Brand marks—not just the GET LUCKY mark—were at issue when this Court issued the April 22, 2009, Injunction. (*See, e.g.*, Marcel's Counterclaims in 2005 Action, 5 cv 6757, Sep. 13, 2005, ECF No. 40 at p. 42 (expressly requesting that Defendants be permanently enjoined from using the 'GET LUCKY' trademark "or any trademark confusingly similar to the GET LUCKY trademark including 'Lucky Brand' or 'Lucky'").) Accordingly, if the April 22, 2009, Injunction had been meant to cover all the Lucky Brand marks, it would have specifically identified those other marks. (*See* 5 cv 6757, April 22, 2009, ECF No. 183 (enjoining Defendants from using "any reproduction, counterfeit, copy or any colorable imitation of [only] Marcel Fashions' GET LUCKY trademark").)

Additionally, Marcel itself has repeatedly admitted that the April 22, 2009, Injunction does not apply to the Lucky Brand marks. For example, in the parties' Second Amended Joint Pre-Trial Statement, filed after the injunction was issued, Marcel specifically identified the question of whether it was entitled to a permanent injunction against *all* of the Lucky Brand marks as a legal issue to be decided by the Court. (*See* Amended Pretrial Statement, 05 cv 6757, April 29, 2009, ECF No. 186 at 31.) Similarly, in its response to Defendants' motion to transfer this case to this district, Marcel admitted that "while the Final Order and Judgment contains an injunctive provision against Defendants' using Marcel's GET LUCKY trademark, it does not contain specific injunctive language against Defendants using its LUCKY BRAND marks and any mark including the word Lucky." (Response to Motion to Change Venue, June 6, 2011, ECF No. 33 at p. 2.)³

While Plaintiff relies heavily on *GMA Accessories, Inc. v. Eminent, Inc.*, No. 07 Civ. 3219(LTS)(DF), 2008 WL 2355826 (S.D.N.Y. May 29, 2008), that decision is inapposite. The injunction in that case was the product of an accepted Rule 68 offer of judgment, and prohibited the defendant from "using the mark CHARLOTTE or any marks similar to or substantially indistinguishable therefrom, including the mark

³ There are numerous other examples in the record of Marcel's acknowledgment of the limited scope of the April 22, 2009, Injunction, notably Marcel's decision to initially file this suit as a trademark infringement action in the Southern District of Florida, rather than as an action for contempt before this Court. (*See, e.g.*, Response to Motion to Transfer, June 6, 2011, ECF No. 33 at pp. 2-3.)

CHARLOTTE SOLNICKI.” *Id.*, at *1. Shortly after the injunction was entered, however, the parties began to dispute whether the injunction was broad enough to cover the mark “CHARLOTTE RONSON.” Defendant moved under Fed. R. Civ. P. 60 to withdraw, vacate or modify its offer of judgment, arguing that its proposed injunction was meant only to cover the specific marks “CHARLOTTE” and “CHARLOTTE SOLNICKI.” This Court denied the motion, finding that the language of Defendant’s Rule 68 offer was broader than the interpretation advanced by the Defendant in the Rule 60 motion practice. When the Defendant thereafter sold goods under the mark “CHARLOTTE RONSON,” Plaintiff moved for civil contempt sanctions, and Magistrate Judge Debra Freeman recommended that Defendant be held in civil contempt.⁴ There are several crucial differences between *GMA* and the instant case. Notably, the defendant in *GMA* had continued to use the “CHARLOTTE RONSON” mark even after the Court clarified that the injunction covered “two-word marks that were ‘similar to’ the ‘CHARLOTTE’ mark” and plainly suggested that the “CHARLOTTE RONSON” mark “likely fell within the injunction’s proscriptions.” *Id.*, at *9. Additionally, unlike the plaintiff in *GMA*, Marcel has repeatedly admitted that the April 22, 2009, Injunction does not apply to any marks beyond GET LUCKY and, unlike the injunction in *GMA*, which was drafted solely by the defendant as a Rule 68 Offer of Judgment (*id.*, at *1), the injunction at issue here was jointly submitted by both Marcel and Lucky Brand.

⁴ The Report and Recommendation was never adopted by this Court.

Marcel's final arguments—that *Defendants* bore the burden of drafting the April 22, 2009, Injunction and Final Order and Judgment to specify that any injunctive relief applied only to the GET LUCKY mark, and that the Court's finding that Lucky Brand infringed Marcel's trademarks automatically means that Lucky Brand is enjoined from further use of those trademarks- are similarly unavailing. *See, e.g., Hart v. Hart*, No. 18 MS 0302, 2007 WL 187690 (S.D.N.Y. Jan. 22, 2007) (party seeking the injunction bears the burden of establishing that it is justified); *eBay Inc v. MercExchange, L.L.C.*, 547 U.S. 388, 392 (2006) (an injunction does not automatically follow a determination of infringement); *Jim Beam Brands*, 937 F.2d at 737 (same).

Plaintiff's Motion for Leave to File an Amended Complaint

“Leave to amend a pleading should be freely granted when justice so requires.” *Duling v. Gristede's Operating Corp.*, 265 F.R.D. 91, 96 (S.D.N.Y. 2010). However, the court may deny leave to amend, if the amendment “(1) has been delayed unduly, (2) is sought for dilatory purposes or is made in bad faith, (3) [would prejudice] the opposing party . . . or (4) would be futile.”⁵ *Id.* (alteration in original). The trial court has broad discretion to decide a motion to amend. *Id.*

Here, the Court has reviewed Marcel's Proposed Amended Complaint (“PAC”), which proposes the following alterations to the original Complaint: the addition of three individual defendants; conclusory

⁵ A “proposed amendment is considered futile when it fails to state a claim.” *Duling*, 265 F.R.D. at 103.

allegations as to Defendants' "new and continued" use of the Lucky Brand trademarks; conclusory allegations as to Defendants' purchase of search engine keywords involving the Lucky Brand trademarks; allegations that certain of Defendants' registered marks are fraudulent; and allegations that Defendants should be held in contempt for violating the Final Order and Judgment from the 2005 Action. For substantially the reasons outlined in Section IV(A) of Defendants Memorandum of Law in Opposition to Plaintiff's Motion for Leave to Amend, the Court finds that the PAC fails to allege any "new" facts sufficient to defeat the application of *res judicata*.⁶ Accordingly, in light of the Court's determination that Defendants are entitled to summary judgment on the basis of *res judicata*, Plaintiff's motion for leave to amend is denied as futile.

Plaintiff's Motion for Sanctions Against Defendants for Contempt

Plaintiff seeks an order finding Defendants in contempt for their alleged violations of the April 22, 2009, Injunction and the Final Order and Judgment, based on their continued use of the Lucky Brand marks. As explained above, the April 22, 2009, Injunction and the Final Order and Judgment enjoin Defendants from using only reproductions, counterfeits and imitations of the GET LUCKY mark, and do not prohibit use of the other Lucky Brand

⁶ In fact, Marcel concedes that "the proposed amended complaint alone does not defeat Defendants' Motion [for Summary Judgment]." (Opp. to Motion for Summary Judgment p. 10.)

marks or the word Lucky.⁷ Accordingly, Plaintiff's motion for sanctions is denied.

CONCLUSION

For the foregoing reasons, Defendants' Motion for Summary Judgment is granted, and Plaintiff's Motions for Leave to File an Amended Complaint and for Sanctions Against Defendants for Contempt are denied. This Memorandum Opinion and Order resolves docket entry nos. 61, 64, and 72. The Clerk of Court is respectfully requested to enter judgment for Defendants and close this case.

SO ORDERED.

Dated: New York, New York

September 25, 2012

[handwritten signature]

LAURA TAYLOR SWAIN
United States District Judge

⁷ Plaintiff does not allege that Defendants have resumed use of the GET LUCKY mark.