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Supreme Court Casts Doubt On “Defense Preclusion”

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In a case brought under federal trademark law, the Supreme Court held 9-0 that preclusion does not bar a defendant from raising new defenses in response to new claims.

Background:
The doctrine of claim preclusion prevents parties from raising an issue that could have been raised in a prior action between the parties. Claim preclusion typically applies to offensive accusations, and applies only when the later action advances the same claim as the earlier action. This case concerned whether claim preclusion can bar a defense not raised in a prior action.

In 2001, Marcel Fashions Group (“Marcel”) sued Lucky Brand Dungarees Inc. (“Lucky Brand”) for infringement of Marcel’s “Get Lucky” trademark. In a settlement agreement, Lucky Brand agreed not to use the phrase “Get Lucky,” and Marcel released any claims regarding Lucky Brand’s use of its own marks. In 2005, Lucky Brand sued Marcel for violating its trademarks, and Marcel counterclaimed that Lucky Brand had continued to use the phrase “Get Lucky.” The district court permanently enjoined Lucky Brand from imitating the “Get Lucky” mark. In 2011, Marcel sued Lucky Brand, alleging that Lucky Brand’s use of its own marks containing the word “Lucky” infringed the “Get Lucky” mark in violation of the permanent injunction. Lucky Brand moved to dismiss on the ground that Marcel had released its claims in the settlement agreement. The district court granted the motion, but the Second Circuit vacated, holding that “defense preclusion” barred the release defense because it could have been litigated in the 2005 action but was not.

Issue:
When, if ever, does claim preclusion apply to a defense raised in a successor suit?

Court's Holding:
Claim preclusion does not bar a new defense when the later suit raises different claims than the earlier suit.

“Any … preclusion of defenses must, at a minimum, satisfy the strictures of issue preclusion or claim preclusion.”

Justice Sotomayor, writing for the unanimous Court

What It Means:

- The Court determined that Marcel’s 2011 claim was different than its 2005 claim—in 2005 Marcel alleged infringement by use of the “Get Lucky” phrase, whereas in 2011 Marcel alleged infringement by use of Lucky Brand’s own marks. Because identity of claims is a necessary predicate to any application of claim preclusion, that determination resolved the dispute.
- The Court thus left unresolved whether claim preclusion sometimes bars a new defense. However, the Court stated in dicta that “[t]here may be good reasons to

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question any application of claim preclusion to defenses," noting that a defense may go unraised for various reasons unrelated to the merits. There likely will be continued litigation over this issue.

- The Court emphasized that the identity-of-claims requirement is particularly important for trademark disputes, which "often turn[] on extrinsic facts that change over time." This acknowledgment is consistent with the Court's recent trend against establishing bright-line rules in trademark law, as seen in the Court's recent decision in *Romag Fasteners, Inc. v. Fossil, Inc.*

The Court's opinion is available here.

Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding developments at the Supreme Court. Please feel free to contact the following practice leaders:

Appellate and Constitutional Law Practice

Allyson N. Ho	Mark A. Perry	Howard S. Hogan
+1 214.698.3233	+1 202.887.3667	+1 202.887.3640
aho@gibsondunn.com	mperry@gibsondunn.com	hhogan@gibsondunn.com

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