

## Some Brands Have All the Luck

### Intellectual Property Alert

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The Supreme Court has now resolved a nearly 20-year legal battle between Lucky Brand Dungarees and Marcel Fashions Group over their respective trademarks. The ruling is important to trademark owners because it reinforces how changes in trademark use over time and the likelihood of confusion between marks impact the strength of claims and defenses and thus the outcome of trademark infringement disputes.

Relying on a novel theory known as “defense preclusion,” Marcel argued that Lucky Brand was barred from relying on a certain dispositive defense because Lucky Brand had not raised that defense in an earlier case between the parties. The Supreme Court held that while defense preclusion might apply in some cases, fundamental principles of trademark law—particularly the focus on market realities—meant that defense preclusion did not apply.

The three-round fight between the two apparel companies began in 2001, when Marcel sued Lucky Brand for infringement over Lucky’s use of Marcel’s registered trademark GET LUCKY. The parties settled that matter in 2003, with Lucky Brand agreeing to stop using GET LUCKY and Marcel releasing its claims as to Lucky Brand’s use of its own “Lucky” trademarks.

That settlement did not last long. In 2005, Lucky Brand sued Marcel over alleged infringement of its logos and designs, and Marcel counterclaimed that Lucky Brand had continued to use GET LUCKY in violation of the 2003 settlement. Lucky Brand lost this round.

The third round of litigation—the one that made its way up to the Supreme Court—began in 2011 when Marcel again sued Lucky Brand for trademark infringement. But Marcel did not accuse Lucky Brand of using the actual mark GET LUCKY. Rather, Marcel claimed that Lucky Brand’s use of its own “Lucky” marks infringed and that the infringing conduct occurred after the 2005 litigation concluded.

Lucky Brand moved to dismiss the case because Marcel had released all claims as to Lucky’s use of its own “Lucky” trademarks in the 2003 settlement. Marcel countered that Lucky Brand was barred from raising this defense because Lucky Brand could have raised it fully in the 2005 litigation but chose not to do so. The trial court sided with Lucky Brand and dismissed the litigation, but the appeals court vacated the judgment, holding that “defense preclusion” barred Lucky from raising the release defense because Lucky could have asserted the defense in the 2005 litigation. This long history brings us to the Supreme Court.

The Supreme Court found that the causes of action in the 2005 and 2011 suits were not the same. “Put simply,” the Court wrote, “the two suits here were grounded on different conduct, involving different marks, occurring at different times.” In the 2005 action, Marcel claimed Lucky Brand infringed by using the exact mark GET LUCKY. In the 2011 action, Marcel did not accuse Lucky Brand of using GET LUCKY. Rather, Marcel alleged infringement based only on Lucky Brand’s use of different “Lucky” marks.

Also key was the fact that the complained-of conduct took place after the 2005 litigation ended. It would be unfair for a judgment in a prior case to extinguish claims that did not exist at the time of that judgment and could not have been part of the earlier case. As the Court noted, “[t]his principle takes on particular force in the trademark context, where the enforceability of the mark and likelihood of confusion between the marks often turns on extrinsic facts that change over time.” Further, “liability for trademark infringement turns on marketplace realities that can change dramatically from year to year.”

While this long-running saga is not quite *Jarndyce v. Jarndyce* (the decades-long will contest in Dickens’ *Bleak House*), the case is still a good lesson on how time affects legal rights. Lucky for Lucky Brand, traditional preclusion principles, combined with the distinctive qualities of trademark law, prevailed.