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In the  
United States Court of Appeals  
For the Second Circuit

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AUGUST TERM, 2017

ARGUED: OCTOBER 12, 2017

DECIDED: AUGUST 2, 2018

No. 17-0361-cv

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.*

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Appeal from the United States District Court  
for the Southern District of New York.  
No. 11-cv-05523 – Laura Taylor Swain, *Judge.*

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Before: WINTER, WALKER, AND POOLER, *Circuit Judges.*

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1 Plaintiff-Appellant Marcel Fashions Group, Inc. (“Marcel”) and  
2 Defendants-Appellees Lucky Brand Dungarees, Inc. and affiliates  
3 (“Lucky Brand”), competitors in the apparel industry, have been  
4 hotly contesting their respective rights as to certain trademarks for  
5 nearly two decades. In this latest round, Marcel sues under the  
6 Lanham Act, alleging that Lucky Brand is infringing on Marcel’s “Get  
7 Lucky” trademark through its use of “Lucky” on its merchandise, and  
8 that Lucky Brand does so in violation of an injunction entered in an  
9 earlier action between the parties. The district court dismissed the  
10 action, concluding that Marcel released its claims through a 2003  
11 settlement agreement that resolved an earlier substantially similar  
12 litigation between the parties. We conclude that the district court did  
13 so in error because *res judicata* precludes Lucky Brand from raising its  
14 release defense in this action. To arrive at that result, we determine  
15 that under certain conditions parties may be barred by claim  
16 preclusion from litigating defenses that they could have asserted in  
17 an earlier action, and that the conditions in this case warrant  
18 application of that defense preclusion principle.

19 Consequently, we VACATE the judgment entered by the  
20 district court and REMAND for further proceedings.

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ROBERT L. GREENER, Law Office of Robert L.  
Greener, New York, NY, for Plaintiff-Appellant.

1 DALE M. CENDALI, Kirkland & Ellis LLP, New  
2 York, NY (Claudia Ray, Mary C. Mazzello,  
3 Kirkland & Ellis LLP, New York, NY; P. Daniel  
4 Bond, Kirkland & Ellis LLP, Chicago, IL, *on the*  
5 *brief*), *for Defendants-Appellees*.

6  
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8 JOHN M. WALKER, JR., *Circuit Judge*:

9 Plaintiff-Appellant Marcel Fashions Group, Inc. (“Marcel”) and  
10 Defendants-Appellees Lucky Brand Dungarees, Inc. and affiliates  
11 (“Lucky Brand”), competitors in the apparel industry, have been  
12 hotly contesting their respective rights as to certain trademarks for  
13 nearly two decades. In this latest round, Marcel sues under the  
14 Lanham Act, alleging that Lucky Brand is infringing on Marcel’s “Get  
15 Lucky” trademark through its use of “Lucky” on its merchandise, and  
16 that Lucky Brand does so in violation of an injunction entered in an  
17 earlier action between the parties. The district court dismissed the  
18 action, concluding that Marcel released its claims through a 2003  
19 settlement agreement that resolved an earlier substantially similar  
20 litigation between the parties. We conclude that the district court did  
21 so in error because *res judicata* precludes Lucky Brand from raising its  
22 release defense in this action. To arrive at that result, we determine  
23 that under certain conditions parties may be barred by claim  
24 preclusion from litigating defenses that they could have asserted in  
25 an earlier action, and that the conditions in this case warrant

1 application of that defense preclusion<sup>1</sup> principle. Consequently, we  
2 vacate the judgment entered by the district court and remand for  
3 further proceedings.

4 I.

5 In a previous opinion vacating the entry of summary judgment  
6 dismissing the claims in Marcel’s initial complaint, we discussed in  
7 detail the claims at issue in this case, as well as the parties’ relevant  
8 history of litigation. *Marcel Fashions Grp., Inc. v. Lucky Brand*  
9 *Dungarees, Inc.*, 779 F.3d 102, 105–07 (2d Cir. 2015) (“*Marcel I*”). We  
10 reiterate that discussion here to the extent necessary to frame the  
11 issues relevant to an assessment of Lucky Brand’s release defense.<sup>2</sup>

12 ***The 2001 Action.*** The settlement agreement through which  
13 Lucky Brand in this action asserts Marcel released its claims resolved  
14 a 2001 suit in which Marcel sued Lucky Brand for its alleged  
15 infringement of Marcel’s “Get Lucky” mark (the “2001 Action”). See  
16 *Marcel I*, 779 F.3d at 105. The agreement provided that, *inter alia*,

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<sup>1</sup> 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.

<sup>2</sup> 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].

1 Lucky Brand would “desist henceforth from use of ‘Get Lucky,’” and,  
2 pertinent to this appeal, Marcel agreed, through Section 8(e) of the  
3 agreement, to release certain claims it might have in the future arising  
4 out of its trademarks:

5 Marcel hereby forever and fully remises,  
6 releases, acquits, and discharges Defendants  
7 [Lucky Brand] . . . from any and all actions,  
8 causes of action, suits . . . or relief of any  
9 nature whatsoever, whether known or  
10 unknown, foreseen or unforeseen . . . that  
11 Marcel ever had, now has or hereafter can,  
12 shall or may have, by reason of or arising  
13 out of any matter, cause or event occurring  
14 on or prior to the date hereof, including, but  
15 not limited to . . . any and all claims arising  
16 out of or in any way relating to Lucky  
17 Brand’s rights to use, license and/or register  
18 the trademark LUCKY BRAND and/or any  
19 other trademarks, trade names, brands,  
20 advertising slogans or tag lines owned,  
21 registered and/or used by Lucky Brand. . .  
22 as of the date of this Agreement. No claims  
23 of any kind are reserved.

24 App’x 85–86 (the “Release”). Marcel and Lucky Brand’s views have  
25 been consistently at odds on the scope of the Release. Marcel  
26 contends that it only released claims as to *infringement* that occurred  
27 prior to the 2003 execution of the agreement. Lucky Brand, for its  
28 part, contends that the Release is far broader, releasing any claim  
29 Marcel may have in the future in relation to any *trademark registered*  
30 prior to the execution of the agreement. The distinction is vital.

1 Because each of Marcel's claims in this action ultimately allege a  
2 misappropriation of a mark registered before 2003, the latter  
3 interpretation would bar Marcel's claims, but the former would not.

4 ***The 2005 Action.*** Due at least in part to the parties' conflicting  
5 views on the breadth of the Release, further litigation followed the  
6 parties' settlement of the 2001 Action. Specifically, in 2005, Lucky  
7 Brand sued Marcel over Marcel's issuance of a license for use of the  
8 "Get Lucky" mark and Marcel counterclaimed with infringement  
9 claims of its own while also contending that Lucky Brand's use of  
10 "Get Lucky" violated the 2003 settlement agreement (the "2005  
11 Action"). See *Marcel I*, 779 F.3d at 105–06.

12 Early in the 2005 Action, Lucky Brand tested its theory that the  
13 Release broadly barred Marcel's infringement claims. Specifically,  
14 Lucky Brand argued that, because the marks at issue were registered  
15 prior to the settlement agreement, Marcel released any claim alleging  
16 infringement of those marks. Lucky Brand moved to dismiss on this  
17 theory, arguing that Marcel's infringement counterclaims were  
18 barred by the terms of the Release. App'x 225–27. Marcel opposed  
19 the motion, arguing, as it does here, that the Release does not bar any  
20 claims as to infringing *uses* occurring after execution of the settlement  
21 agreement. See No. 05-cv-06757, Dkt. No. 49 at 8–9 (S.D.N.Y. Oct. 26,  
22 2005). The district court denied the motion in relevant part,  
23 effectively concluding that it was premature to determine which

1 claims in that action, if any, were subject to the Release. *See* App'x  
2 257–58. The district court stated, however, that Lucky Brand was  
3 “free to raise the issue . . . again after the record is more fully  
4 developed, including further development of the nature and use of  
5 the post-2003 marks.” App'x 257–58. Heeding the district court's  
6 instruction, Lucky Brand again raised the Release in its answer,  
7 asserting as an affirmative defense that the “Settlement Agreement  
8 bars [Marcel's] Counterclaims.” No. 05-cv-06757, Dkt. No. 67 ¶ 100  
9 (S.D.N.Y. Jan. 2, 2007).

10 Despite relying on the release argument as part of its motion to  
11 dismiss and in its answer, however, Lucky Brand never again asserted  
12 a release defense in the 2005 Action. It was not for want of  
13 opportunity. The parties engaged in extensive summary judgment  
14 proceedings, substantial pre-trial motion practice, and a lengthy jury  
15 trial during which the release defense could have been asserted, but  
16 was not. And, without any argument to the jury by Lucky Brand that  
17 the Release barred Marcel's counterclaims as to infringement of its  
18 “Get Lucky” mark, the jury found in favor of Marcel on its  
19 counterclaim that Lucky Brand infringed that mark. *See Marcel I*, 779  
20 F.3d at 106. The district court thereafter entered an injunction  
21 prohibiting Lucky Brand's use of the “Get Lucky” mark, and entered  
22 a declaration that the “Lucky Brand Parties infringed Marcel  
23 Fashion's GET LUCKY trademark . . . by using GET LUCKY, the

1 LUCKY BRAND trademarks, and any other trademarks including the  
2 word ‘Lucky’ after May 2003.” *Id.*

3       ***The Instant Action.*** Lucky Brand did not appeal the judgment  
4 in the 2005 Action, but the parties’ dispute over use of the relevant  
5 marks continued. In 2011, relying on the broad language of the  
6 court’s injunction in the 2005 Action, Marcel filed the instant suit,  
7 seeking relief for Lucky Brand’s alleged continued use of the “Lucky  
8 Brand” mark following that injunction. *See id.* at 106–07. Consistent  
9 with its non-assertion of the Release before the jury in the 2005 Action,  
10 however, Lucky Brand did not assert a release defense in the early  
11 stages of the instant action. Lucky Brand did not plead the Release as  
12 an affirmative defense in its answer to the initial complaint. No. 11-  
13 cv-05523, Dkt. No. 38 (S.D.N.Y. June 29, 2011). Nor did Lucky Brand  
14 raise the Release as a basis for dismissal when it moved for summary  
15 judgment. No. 11-cv-05523, Dkt. No. 65 (S.D.N.Y. Jan. 23, 2012).

16       Rather, Lucky Brand moved for summary judgment on the  
17 basis that Marcel’s claims were precluded by *res judicata* (specifically,  
18 claim preclusion) in light of the final disposition in the 2005 Action.  
19 The district court agreed, but, in *Marcel I*, we reversed. Relying on  
20 *TechnoMarine SA v. Giftports, Inc.*, 758 F.3d 493 (2d Cir. 2014), we  
21 concluded that Marcel’s claims were not barred by *res judicata* because  
22 Marcel alleged infringements that occurred subsequent to the  
23 judgment in the 2005 Action, claims which “could not possibly have



1 been sued upon in the previous case.” *Marcel I*, 779 F.3d at 108  
2 (internal quotation marks omitted).

3 On remand, Marcel filed a second amended complaint. Armed  
4 with new counsel, Lucky Brand moved to dismiss, this time raising  
5 as its *only* argument that the Release bars Marcel’s claims. The district  
6 court agreed and granted the motion, concluding that Marcel’s claims  
7 “are plainly foreclosed by the Settlement Agreement” because each of  
8 the claims relates to trademarks that “were registered prior to the 2003  
9 Settlement Agreement.” App’x 247. Specifically, the district court  
10 concluded that “Section 8(e) . . . rests on the nature, not the timing, of  
11 the claim. . . . The release provision on which Lucky Brand’s defense  
12 turns thus is not bound by temporal parameters.” App’x 248.  
13 Consequently, the district court concluded that, because the  
14 settlement agreement released claims “in any way relating” to  
15 trademarks registered prior to the agreement, and the “Get Lucky”  
16 mark was registered prior to the agreement, Marcel had released its  
17 claims as to the “Lucky Brand” mark. App’x 248–49.

18 In arriving at its conclusion, the district court rejected Marcel’s  
19 argument that Lucky Brand was precluded by *res judicata* from  
20 invoking the Release as a defense. Acknowledging that *res judicata*  
21 encompasses both issue and claim preclusion, the district court  
22 concluded that “[i]ssue preclusion does not apply, because the  
23 applicability of the Settlement Agreement’s release provision was not

1 actually litigated and resolved in the 2005 Action,” and “[c]laim  
2 preclusion does not apply because Lucky Brand is not asserting a  
3 claim against Marcel.” App’x 249. Marcel appealed.

## 4 II.

5 “We review *de novo* a grant of a motion to dismiss pursuant to  
6 Rule 12(b)(6), accepting the complaint’s factual allegations as true and  
7 drawing all reasonable inferences in the plaintiff’s favor.” *Brown*  
8 *Media Corp. v. K&L Gates, LLP*, 854 F.3d 150, 156–57 (2d Cir. 2017)  
9 (internal quotation marks omitted); *see also Ashcroft v. Iqbal*, 556 U.S.  
10 662, 678 (2009); *Twombly*, 550 U.S. at 570.

11 Marcel argues that the district court erred in concluding that  
12 the Release bars its claims, raising three principal contentions:  
13 (i) Lucky Brand is precluded by *res judicata* from asserting its release  
14 defense; (ii) Lucky Brand waived its release defense; and (iii) Marcel’s  
15 claims are not barred by the terms of the Release. We agree with  
16 Marcel that, on this record, *res judicata* bars Lucky Brand’s release  
17 defense, and we need not and do not address Marcel’s other  
18 contentions. Specifically, we conclude that the doctrine of claim  
19 preclusion (or, more precisely, defense preclusion) may be applied in  
20 contexts such as this to bar the litigation of a party’s defense and that  
21 the district court erred in holding to the contrary. We then conclude  
22 that this defense preclusion doctrine bars Lucky Brand from invoking

1 its release defense in this action and thus vacate the dismissal of  
2 Marcel's claims and remand for further proceedings.

3 A.

4 In *Marcel I*, we identified the contours of *res judicata* (albeit in  
5 the context of the assertion of claims and not defenses), and discussed  
6 in detail the two doctrines that it encompasses: claim preclusion and  
7 issue preclusion. 779 F.3d at 107–08. At issue here is claim  
8 preclusion,<sup>3</sup> a doctrine which, in the usual situation, bars a plaintiff  
9 from relitigating claims against a defendant that it lost in a previous  
10 action against the same defendant and claims that the plaintiff could  
11 have brought in that earlier action but did not. *See id.* Claim  
12 preclusion, applied in this manner, “serves the interest of society and  
13 litigants in assuring the finality of judgments, [and] also fosters  
14 judicial economy and protects the parties from vexatious and  
15 expensive litigation.” *Curtis v. Citibank, N.A.*, 226 F.3d 133, 138 (2d  
16 Cir. 2000). The doctrine ensures these efficiency aims by “achieving  
17 finality and preventing piecemeal and wasteful litigation.” *N.*  
18 *Assurance Co. of Am. v. Square D Co.*, 201 F.3d 84, 89 (2d Cir. 2000).  
19 Stated more broadly, claim preclusion ensures that “[w]hen a party is  
20 victorious, it [does] not have to defend that victory again.” *Id.*

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<sup>3</sup> 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.



1 Cir. 1992), which addressed an action to enforce a judgment entered  
2 against the U.S. Postal Service in a proceeding at the Equal  
3 Employment Opportunity Commission (EEOC). The issue there was  
4 whether claim preclusion barred the Postal Service from raising a  
5 damages mitigation defense that it did not raise at the EEOC. We  
6 identified the governing principle as follows: “[c]laim preclusion  
7 prevents a party from litigating any issue *or defense* that could have  
8 been raised or decided in a previous suit, even if the issue *or defense*  
9 was not actually raised or decided.” *Clarke*, 960 F.2d at 1150  
10 (emphases added); *see also Woods v. Dunlop Tire Corp.*, 972 F.2d 36, 38  
11 (2d Cir. 1992). Although we ultimately concluded that the Post Office  
12 was not precluded from raising the mitigation defense, it was not  
13 because claim preclusion was not generally available to defenses, but  
14 because one of the elements of the doctrine went unsatisfied: the  
15 Postal Service could not have raised the mitigation defense during the  
16 EEOC proceedings. *See Clarke*, 960 F.2d at 1151.

17 Other courts in our circuit have relied on *Clarke* to subject  
18 litigation defenses to claim preclusion, *see, e.g., Beckford v. Citibank,*  
19 *N.A.*, 2000 WL 1585684, at \*3–4 (S.D.N.Y. Oct. 24, 2000); *see also Atateks*  
20 *Foreign Trade Ltd. v. Dente*, 2017 WL 4221085, at \*3–4 (S.D.N.Y. Sept.  
21 22, 2017), but we have yet to further discuss the defense preclusion

1 doctrine or frame its parameters. At the same time, we have never  
2 cast doubt on it.<sup>4</sup>

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

10 Issue preclusion was historically an exceedingly narrow  
11 doctrine, with two major limits to its reach: (i) it could only be applied  
12 by a defendant against a plaintiff to bar relitigation of an issue that  
13 had been actually litigated and lost by the plaintiff; and (ii) it could

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<sup>4</sup> 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, 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.*

<sup>5</sup> 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).

1 only be applied where the parties in the two actions were the same.  
2 See *Triplett v. Lowell*, 297 U.S. 638, 642–44 (1936); *Bigelow v. Old*  
3 *Dominion Copper Min. & Smelting Co.*, 225 U.S. 111, 127–28 (1912). The  
4 Supreme Court abandoned the latter limitation, known as the  
5 “mutuality” principle, in *Blonder-Tongue Laboratories, Inc. v. University*  
6 *of Illinois Foundation*, 402 U.S. 313, 328–30 (1971), but *Blonder-Tongue*  
7 expressly left open whether a plaintiff may invoke issue preclusion,  
8 *id.* at 329–30.

9 In *Parklane Hosiery Co. v. Shore*, 439 U.S. 322 (1979), the Court  
10 resolved that open question when it rejected any *per se* prohibition on  
11 a plaintiff’s use of issue preclusion. There, a class of shareholders of  
12 the Parklane Hosiery Company alleged that the company issued a  
13 materially misleading proxy statement. Trial on the shareholders’  
14 claims followed a suit brought by the Securities and Exchange  
15 Commission against Parklane Hosiery, which had resulted in a ruling  
16 following a bench trial that the relevant proxy statement was in fact  
17 false and misleading. The shareholders thereafter sought a ruling that  
18 Parklane Hosiery was collaterally estopped by issue preclusion from  
19 arguing that the relevant proxy statement was not false or misleading.  
20 The district court rejected the argument, purportedly on the basis that  
21 allowing for issue preclusion in this instance—where the earlier  
22 action was a bench trial—would violate the company’s Seventh  
23 Amendment right to a jury trial. We reversed, 565 F.2d 815 (2d Cir.

1 1977), and the Supreme Court affirmed. The Court split its analysis  
2 in two parts, first addressing whether issue preclusion can be used  
3 offensively, and second, whether issue preclusion's offensive use by  
4 the shareholders would run afoul of Parklane Hosiery's Seventh  
5 Amendment rights. Its conclusion on whether issue preclusion can  
6 be used offensively is instructive here.

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

14 Although issue preclusion is different from claim preclusion in  
15 several important respects, we believe that an analysis similar to that  
16 of the Supreme Court's in *Parklane* informs the assessment of defense  
17 preclusion. We do not think the principles animating the claim  
18 preclusion doctrine disappear when that which is sought to be  
19 precluded is a defense. Rather, we view the efficiency concerns as  
20 equally pressing when the matter subject to preclusion is a defense  
21 rather than a claim. The following efficiencies are readily apparent.  
22 *First*, defense preclusion incentivizes defendants to litigate all their  
23 relevant defenses in an initial action, thereby promoting judicial



1 efficiency at least to the same extent as does precluding claims.  
2 *Second*, absent defense preclusion, plaintiffs might be hesitant to rely  
3 on judicial victories for fear that a hidden defense will later emerge to  
4 alter their judicially established rights. *Third*, and relatedly, defense  
5 preclusion prevents wasteful follow-on actions that would not have  
6 been filed had the defense been asserted (and maintained) at the first  
7 opportunity. As with the preclusion of claims, therefore, defense  
8 preclusion ensures that “[w]hen a party is victorious, it [does] not  
9 have to defend that victory again.” *N. Assurance*, 201 F.3d at 89.

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

1 court system will have been unnecessarily burdened with seven-plus  
2 years of litigation, involving 179 district court docket entries and two  
3 appeals to this Court. The entire endeavor would have been avoided,  
4 however, had Lucky Brand successfully litigated and not cast aside  
5 its release defense in the 2005 Action.

6 We acknowledge, however, that there exist distinctions  
7 between preclusion as a shield *by* defendants and as a sword *against*  
8 defendants. Referencing issue preclusion, the Supreme Court  
9 acknowledged as much in *Parklane*, leading it to conclude that  
10 “the[se] two situations should be treated differently.” 439 U.S. at 329.  
11 The Court identified two reasons that offensive use of issue  
12 preclusion should be more circumscribed than its defensive  
13 counterpart. *See id.* at 329–31. *First*, offensive issue preclusion does  
14 not promote judicial efficiency to the same extent as does defensive  
15 issue preclusion.<sup>6</sup> *See id.* at 329–30. *Second*, in certain circumstances,  
16 the application of offensive preclusion might be unfair to defendants.  
17 *See id.* at 330–31 & n.14–15 (providing examples). Acknowledging  
18 these concerns, the *Parklane* Court resolved as follows:

19 We have concluded that the preferable  
20 approach for dealing with these problems in  
21 the federal courts is not to preclude the use

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<sup>6</sup> 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.

1 of offensive collateral estoppel, but to grant  
2 trial courts broad discretion to determine  
3 when it should be applied. The general rule  
4 should be that in cases where a plaintiff  
5 could easily have joined in the earlier action  
6 or where, either for the reasons discussed  
7 above or for other reasons, the application of  
8 offensive estoppel would be unfair to a  
9 defendant, a trial judge should not allow the  
10 use of offensive collateral estoppel.

11 *Id.* at 331 (footnote omitted).

12 *Parklane's* assessment of offensive issue preclusion provides a  
13 helpful framework for resolving whether, and how, we should permit  
14 the use of claim preclusion principles to bar the litigation of defenses.  
15 We acknowledge that, as with offensive issue preclusion, certain  
16 applications of defense preclusion could be unfair to defendants. The  
17 Court's observations on this point in *Parklane* are enlightening:

18 If, for example, the defendant in the first  
19 action was forced to defend in an  
20 inconvenient forum and therefore was  
21 unable to engage in full scale discovery or  
22 call witnesses, application of offensive  
23 collateral estoppel may be unwarranted.  
24 Indeed, differences in available procedures  
25 may sometimes justify not allowing a prior  
26 judgment to have estoppel effect in a  
27 subsequent action even between the same  
28 parties, or where defensive estoppel is  
29 asserted against a plaintiff who has litigated  
30 and lost. The problem of unfairness is  
31 particularly acute in cases of offensive  
32 estoppel, however, because the defendant

1                   against whom estoppel is asserted typically  
2                   will not have chosen the forum in the first  
3                   action.

4   439 U.S. at 331 n.15.

5           Defense preclusion raises a number of similar concerns. It  
6   might be unfair to bar a defendant from raising a defense that it  
7   elected not to bring in an earlier action because that action was of a  
8   significantly smaller scope, or the defense was somehow tangential to  
9   the matter. Put differently, it would be unfair to preclude a defense  
10   that the defendant had little to no incentive to raise in the earlier  
11   action. Relatedly, because it is generally not a defendant's  
12   prerogative to be hauled into court, they should be given some room  
13   to make tactical choices to attempt to end the suit against them with  
14   as little cost as possible without facing the unforeseen consequences  
15   of forever abandoning a defense. We also acknowledge that what  
16   constitutes a "defense" may not always be as clear as what constitutes  
17   a "claim," and that a broad understanding of "defense" in this context  
18   risks eliding the distinction between claim and issue preclusion.  
19   Finally, the fairness of defense preclusion may depend on the nature  
20   of the action. For example, there will hardly ever be unfairness in  
21   applying defense preclusion to bar a defendant from invoking  
22   defenses that could have been asserted in a previous action in a  
23   subsequent action to enforce a judgment previously entered against  
24   it. See Wright & Miller, *supra* note 4, § 4414; see also Clarke, 960 F.2d at

1 1150–51. This is especially true here, where sophisticated parties,  
2 armed with able counsel, litigate claims and counterclaims for nearly  
3 two decades. In contrast, *pro se* civil defendants might not initially  
4 mount their best defense and we should be wary of compounding  
5 that misfortune in subsequent litigation on nearly identical issues as  
6 to which they manage to muster a superior defense.<sup>7</sup>

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

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<sup>7</sup> 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 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.

1 In sum, we conclude that defense preclusion bars a party from  
2 raising a defense where: (i) a previous action involved an  
3 adjudication on the merits; (ii) the previous action involved the same  
4 parties or those in privity with them; (iii) the defense was either  
5 asserted or could have been asserted, in the prior action; and (iv) the  
6 district court, in its discretion, concludes that preclusion of the  
7 defense is appropriate because efficiency concerns outweigh any  
8 unfairness to the party whose defense would be precluded.<sup>8</sup> *Cf. Ward*  
9 *v. Harte*, 794 F. Supp. 109, 118 (S.D.N.Y. 1992) (concluding “that the  
10 use of offensive collateral estoppel would not be unfair” where “the  
11 Court ha[d] before it the same parties who appeared” in a prior action,  
12 and the defendant “was represented at all times by counsel, which  
13 significantly mitigates, in the Court’s view, any possible unfairness  
14 towards him” and observing that, under these circumstances,  
15 *Parklane’s* fairness “concerns are somewhat lessened”).

16 C.

17 The above stated factors are easily met here. Lucky Brand does  
18 not (and cannot) dispute the first three, and it would have been an  
19 abuse of discretion for the district to have concluded anything other  
20 than that any unfairness to Lucky Brand is substantially outweighed

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<sup>8</sup> 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.

1 by the efficiency concerns identified above. Our review of the record  
2 evinces no conceivable justification for Lucky Brand, a sophisticated  
3 party engaged in litigation pertaining to its ability to use some of its  
4 core trademarks, not to have fully litigated the release defense in the  
5 2005 Action and Lucky Brand has not suggested one.<sup>9</sup> It should be  
6 the rare case that application of defense preclusion will be unfair  
7 where not even a theoretical explanation for the omission of the  
8 defense in the earlier action is apparent. Lucky Brand cannot  
9 seriously contend that it viewed the release defense as a minor or  
10 tangential issue. To the contrary, despite its failure to reintroduce the  
11 Release as a defense in the 2005 Action, it initially viewed the Release  
12 as a complete defense when it moved to dismiss the counterclaims in  
13 that action, *see* No. 05-cv-06757, Dkt. No. 44 at 13–15 (S.D.N.Y. Oct. 6,  
14 2005), before it decided to forego the defense at summary judgment.  
15 This is the same position it takes as to the scope of the Release in this  
16 action. Relatedly, a release defense is a specifically identified  
17 affirmative defense in the federal rules, *see* Fed. R. Civ. P. 8(c)(1),  
18 obviating any concern that application of claim preclusion here elides  
19 the line between claim and issue preclusion. Finally, the nature of the  
20 instant suit makes this case particularly suitable for defense  
21 preclusion. Marcel styled its complaint as one that effectively sought

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<sup>9</sup> Rather, it seems to us that the only explanation is Lucky Brand's retention of new counsel.

1 to enforce the judgment entered in the 2005 Action. And, the  
2 judgment-enforcement context is especially deserving of a defense  
3 preclusion rule.<sup>10</sup> Wright & Miller, *supra* note 3, § 4414 (the “simplest  
4 rule of all is that direct enforcement of a judgment cannot be resisted  
5 merely by raising defenses that might have been raised before the  
6 judgment was entered”). To conclude otherwise would allow  
7 judgment-debtors wide leeway to forgo payment while they assert  
8 previously unasserted defenses to successive judgment enforcement  
9 actions that they force their creditors to bring.

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

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<sup>10</sup> 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.



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## III.

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For the reasons stated above, we VACATE the judgment of the

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district court and REMAND for proceedings consistent with this

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opinion.