

LUCKY BRAND V. MARCEL: RETHINKING TRADEMARK REMEDIES IN A WORLD WITHOUT DEFENSE PRECLUSION

Yegina Whang[†]

I. INTRODUCTION

Born out of the ever-elusive desire to optimize the use of judicial resources, discourage repeat litigation, and promise finality for the parties, preclusion has failed to assume the mantle.¹ Preclusion, a product of federal common law, was designed to be a straightforward doctrine allowing courts to quickly throw out repeat cases implicating claims or issues that have already been adjudicated. However, its application has proven to be anything but simple, raising more questions (and, ironically, more litigation) than answers.² One such question is whether preclusion can bar a defense that could have been asserted in a prior suit. In other words, does a separate doctrine of “defense preclusion” exist?

The Supreme Court attempted to answer this question in *Lucky Brand v. Marcel*, a civil procedure case couched in a trademark infringement suit.³ In a unanimous decision authored by Justice Sotomayor, the Supreme Court announced that there was no principle of defense preclusion “unmoored” from the traditional doctrines of claim preclusion and issue preclusion.⁴ Instead, the Court held that any preclusion of defenses that could have been raised in a prior suit must first meet the elements of claim preclusion: (1)

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† J.D. Candidate, 2022, University of California, Berkeley School of Law. My sincerest gratitude to Professor Talha Syed for supervising this Note. I am also thankful to Kevin Yang and my fellow participants in the Law and Technology Writing Workshop for invaluable support and helpful feedback.

1. For example, litigants continued to file lawsuits challenging President Obama’s eligibility for presidency based on his citizenship, even after a court had already decided the issue. Alexandra Bursak, Note, *Preclusions*, 91 N.Y.U. L. REV. 1651, 1652 (2016). The public also continued to file FOIA requests for President Obama’s birth certificate, overwhelming the Hawaii Department of Health and demanding considerable time and resources. *Id.*

2. See *B&B Hardware, Inc. v. Hargis Indus.*, 575 U.S. 138, 148 (2015) (“Although the idea of issue preclusion is straightforward, it can be challenging to implement.”). In the seven years between 1979 and 1986, the Supreme Court handed down twenty-one decisions regarding the application of claim preclusion and issue preclusion. William V. Luneburg, *The Opportunity to be Heard and the Doctrines of Preclusion: Federal Limits on State Law*, 31 VILL. L. REV. 81, 82–83 (1986).

3. *Lucky Brand Dungarees, Inc. v. Marcel Fashions Grp.*, 140 S. Ct. 1589, 1592 (2020).

4. *Id.* at 1595.

identity of claims between the prior and subsequent suits; (2) a final judgment on the merits; and (3) identity or privity between the parties.⁵ In rejecting the argument that preclusion should apply to the defenses raised in *Lucky Brand*, the Court emphasized that it was not resolving “when (if ever) applying claim preclusion to defenses may be appropriate.”⁶ Yet in the same breath, the Court noted in dicta that “there may be good reasons to question *any* application of claim preclusion to defenses,”⁷ thereby leaving open the future possibility of rejecting defense preclusion in its entirety.

At first blush, the Court seemed to persuasively make the case for a *per se* rule against defense preclusion. The Court reasoned that defendants often make strategic decisions when forgoing a defense—a decision that preclusion law, out of fairness for the defendant, should not seek to punish. Further, the Court suggested that a doctrine of defense preclusion would be superfluous, since previously successful plaintiffs could avoid the issue altogether by seeking judgment enforcement actions instead of filing new suits. This latter argument assumes that prevailing plaintiffs have a forward-looking remedy, like an injunction, to enforce. In the context of trademark law, however, prevailing plaintiffs often do not have such a remedy at hand to protect their marks against repeat infringers ever since the Supreme Court’s decision in *eBay v. MercExchange* rejected the automatic granting of injunctions upon a showing of infringement.⁸

In place of the old automatic injunction rule,⁹ *eBay* required plaintiffs to affirmatively show the traditional four factors prior to obtaining an injunction, making it far more difficult for trademark owners to enjoin a competitor’s infringement even after winning in court.¹⁰ And while *eBay* addressed a rule

5. See *Media Rts. Techs., Inc. v. Microsoft Corp.*, 922 F.3d 1014, 1020–21 (9th Cir. 2019) (identifying the elements of claim preclusion).

6. *Lucky Brand*, 140 S. Ct. at 1595 n.2.

7. *Id.* (emphasis added).

8. See *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392–93 (2006) (“[T]his Court has consistently rejected invitations to replace traditional equitable considerations with a rule that an injunction automatically follows a determination [of infringement.]”); see also Mark A. Lemley, *Did eBay Irreparably Injure Trademark Law?*, 92 NOTRE DAME L. REV. 1795, 1806–09 (2017).

9. The “automatic injunction rule” is a bit of a misnomer for two reasons. First, it was never a formalized rule articulated by any court. Second, injunctions were presumed, but not automatically granted, once a trademark plaintiff showed infringement. See Lemley, *supra* note 8, at 1797. In fact, “[b]etween 1984 and 2006 . . . the Federal Circuit never once denied an injunction a prevailing patentee.” See *id.* Nevertheless, I refer to this presumption as the “automatic injunction rule” throughout this Note.

10. Lex Machina’s database shows that, prior to the Ninth Circuit’s *Herb Reed* decision extending *eBay* to trademark infringement suits, district courts within the Ninth Circuit granted 117 (86%) and denied 19 (14%) requests for permanent injunctions after a judgment on the

specific to patent law, the lower courts have since extended *eBay* to the trademark context as well.¹¹ As a result, *Lucky Brand*, combined with *eBay* and its progeny, could have troubling consequences for trademark plaintiffs by forcing them to make a Sophie's choice: either avoid filing a new case in the face of continuing infringement or risk exposing themselves to new defenses that may undo a prior favorable judgment.¹²

This Note argues that the Court's skepticism of defense preclusion in *Lucky Brand v. Marcel* was misplaced for two reasons. First, the Court's reasoning relied heavily on an emphasis on the potential fairness issues raised by applying preclusion to defenses—a significant departure from the Court's prior preclusion cases. Second, the Court's dicta is problematic in light of *eBay*'s application to trademark law, which has made it more difficult for prevailing trademark owners to obtain an injunction. The Court's suggestion of a categorical rule against defense preclusion underscores that courts should not have extended *eBay* to trademark law in light of its distinct quirks from patent and copyright law, such as the underlying purpose of reducing consumer transaction costs (as opposed to incentivizing creation), the challenges in calculating accurate monetary damages, the difficulty in showing the “likelihood of irreparable harm,” and the absence of a parallel “patent troll” problem. By ignoring these differences, the Court overlooked the finality issues implicated by a *per se* rule against defense preclusion in the trademark context. Notwithstanding these flaws in the Court's reasoning, this Note argues that rethinking *eBay*'s applicability to trademarks would help alleviate the potential harmful impact of *Lucky Brand*'s dicta on trademark owners in the future. Specifically, Congress should pass an automatic injunction rule for trademark infringement cases to address the issues identified in this Note.

merits. This data was obtained using Lex Machina, with the tag for “Trademark” for “Case Types” and limited to cases pending before courts in the Ninth Circuit from January 1, 2009 to December 1, 2013. After courts began applying the *eBay* factors to trademark cases, district courts granted 89 permanent injunctions (75%) and denied 29 (25%) requests for permanent injunctions following a judgment on the merits. This data was obtained using Lex machina, with the tag for “Trademark” for “Case Types” and limited to cases pending before courts within the Ninth Circuit from December 2, 2013 to March 13, 2021. The data shows that, since the *Herb Reed* decision, over 50% of the 179 trademark plaintiffs who prevailed on the merits did not obtain a permanent injunction.

11. *See, e.g.*, *Herb Reed Enters., LLC v. Fla. Ent. Mgmt.*, 736 F.3d 1239, 1249 (9th Cir. 2013) (finding that *eBay*'s rejection of the automatic injunction rule also “applies to trademark infringement under the Lanham Act”); *North American Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1288 (11th Cir. 2008) (finding *eBay* applicable in a trademark case).

12. This Note will only focus on confusion-based trademark infringement cases. Dilution-based infringement suits are outside the scope of this Note.

Part I contextualizes the Court's holding in *Lucky Brand* by providing background on the federal common law doctrine of preclusion. Part II proceeds by discussing *Lucky Brand* and its procedural history. Part III follows by explaining why the Court's analysis of the fairness issues raised by defense preclusion was unwarranted given the policy justifications driving preclusion doctrine. Part IV discusses why *Lucky Brand*, along with the unique features of trademarks more generally, demands reforming trademark law's injunction standard. Finally, Part V recommends that Congress restore the automatic injunction rule for trademark infringement suits to avoid some of the issues potentially caused by *Lucky Brand's* dicta.

II. BACKGROUND

Courts have struggled to articulate a clear framework for and application of preclusion. This Part attempts to dispel this confusion by first providing a doctrinal background on issue preclusion and claim preclusion and, second, discussing the treatment of defense preclusion prior to *Lucky Brand*.

A. THE DOCTRINES OF ISSUE PRECLUSION AND CLAIM PRECLUSION

A creation of federal procedural common law, the doctrine of preclusion forecloses subsequent litigation where a court has already adjudicated a similar claim or issue.¹³ The effects of preclusion are often harsh, as courts will apply it even if the prior judgment was wrong or rested on a legal principle that was later overruled.¹⁴ Under modern law, preclusion comes in two varieties: claim preclusion (or *res judicata*) and issue preclusion (or collateral estoppel).

Though the two concepts are similar in their effect, they are distinct in their uses. For instance, where there is a prior judgment, claim preclusion forecloses “successive litigation of the very same *claim*, whether or not relitigation of the claim raises the same issues as the earlier suit.”¹⁵ Issue preclusion, on the other hand, 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 different claim.¹⁶ In sum, claim preclusion prevents litigation of claims that *were or could*

13. Alan M. Trammell, *Precedent and Preclusion*, 93 NOTRE DAME L. REV. 565, 567 (2017). Preclusion doctrine has deep historical roots. See, e.g., Allan D. Vestal, *Rationale of Preclusion*, 9 ST. LOUIS U. L.J. 29, 30 n.7 (1964); Kevin M. Clermont, *Res Judicata as Requisite for Justice*, 68 RUTGERS U. L. REV. 1067, 1071–73 (2016).

14. *Federated Dep't Stores v. Moitie*, 452 U.S. 394, 398 (1981).

15. *New Hampshire v. Maine*, 532 U.S. 742, 748 (2001) (emphasis added).

16. *Taylor v. Sturgell*, 553 U.S. 880, 892 (2008) (emphasis added) (quoting *New Hampshire*, 532 U.S. at 748–49).

have been litigated in a prior action, whereas issue preclusion prevents re-litigation of issues that were *actually* litigated.¹⁷

With increasingly overcrowded dockets and limited resources, the American judicial system decided to adopt preclusion for two reasons: to promote finality and to preserve judicial resources.¹⁸ First, by preventing disgruntled litigants from taking a second bite of the proverbial apple, preclusion protects parties from duplicative and vexatious litigation and lends confidence to a court's decision as final.¹⁹ Second, while finality focuses on the parties directly involved in the suit, judicial economy focuses on society's desire for efficiency.²⁰ With the ever-increasing rise in litigation, society has a great interest in "seeing that cases are tried just once" so that judges can adjudicate more cases fairly, accurately, and quickly.²¹ This desire for judicial efficiency can be traced back to the phrase *interest reipublicae ut sit finis litium*, which translates to "it is in the interest of the State that there be an end to litigation."²² Efficiency is also an important policy goal that underlies civil procedure generally, manifesting itself in other procedural rules regarding compulsory counterclaims,²³ joinder,²⁴ and summary judgment.²⁵

Notwithstanding these goals of finality and efficiency, procedural due process rights impose an outer limit on preclusion. In applying claim preclusion, the Supreme Court has required mutuality, or identity of the parties between the two suits, to afford everyone "a full and fair opportunity to litigate the claims and defenses or the issues in the prior proceeding."²⁶ While courts

17. Claim preclusion requires the following: (1) identity of claims between the prior and subsequent suits; (2) a final judgment on the merits; and (3) identity or privity between the parties. *Media Rts. Techs., Inc. v. Microsoft Corp.*, 922 F.3d 1014, 1020–21 (9th Cir. 2019). On the other hand, issue preclusion requires that "(1) the issue at stake was identical in both proceedings; (2) the issue was actually litigated and decided in the prior proceedings; (3) there was a full and fair opportunity to litigate the issue; and (4) the issue was necessary to decide the merits." *Janjua v. Neufeld*, 933 F.3d 1061, 1065 (9th Cir. 2019).

18. *See Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 326 (1979) (emphasizing that preclusion has the "dual purpose of protecting litigants from the burden of relitigating an identical issue with the same party or his privy and of promoting judicial economy by preventing needless litigation").

19. *See id.*

20. *See id.*

21. Vestal, *supra* note 13, at 32.

22. Clermont, *supra* note 13, at 1069.

23. *See* FED. R. CIV. P. 13(a).

24. *See id.* at 18(a).

25. *See id.* at 56.

26. Clermont, *supra* note 13, at 1089.

“largely have abandoned . . . mutuality with respect to issue preclusion,”²⁷ they have made clear that “the person *against whom* preclusion is being applied must have been a party to the initial litigation.”²⁸ Because preclusion requires mutuality or, at the very least, requires that the person against whom preclusion is asserted was represented in the prior suit, courts largely dismiss any due process concerns when applying the doctrine.²⁹

Despite the Supreme Court’s best efforts to clarify preclusion, lower courts and scholars have criticized the doctrine as inconsistent and incoherent. The source of this problem is two-fold. First, parties often “conflate . . . claim preclusion with . . . issue preclusion, and vice versa, when it comes time to employ them in a specific scenario.”³⁰ Second, and relatedly, courts and litigants have not been doctrinally clear about the meanings and uses of claim preclusion and issue preclusion.³¹ This confusion has led courts to apply incorrect elements in their analysis or weigh interests that are immaterial to the decision on whether to bar a claim or issue.³²

Preclusion presents its own unique set of challenges in the trademark context, as the Supreme Court noted in *Lucky Brand*.³³ Trademark infringement suits are especially fact-dependent, since they rely on the twin showings of a mark’s distinctiveness and a likelihood of confusion between marks.³⁴ To make matters worse, a mark’s distinctiveness may change over time. For instance, protectible marks, like aspirin, escalator, and chapstick, may become generic over time (a phenomenon referred to as “genericide”).³⁵ By the same token, an

27. Trammell, *supra* note 13, at 574 n.41. For instance, a stranger may use issue preclusion defensively to prevent re-litigation by a party from a prior suit. *See* Bernhard v. Bank of Am. Nat’l Tr. & Sav. Ass’n, 122 P.2d 892, 894 (Cal. 1942) (en banc).

28. Trammell, *supra* note 13, at 574–75.

29. *See* Bernhard, 122 P.2d at 894 (explaining how res judicata conforms “to the mandate of due process of law”).

30. Bursak, *supra* note 1, at 1656.

31. *Id.* at 1656–57.

32. *See, e.g., id.* at 1656 (citing a Federal Circuit case where the court erroneously used the term “res judicata” when it was actually applying collateral estoppel).

33. *Lucky Brand Dungarees, Inc. v. Marcel Fashions Grp.*, 140 S. Ct. 1589, 1596 (2020) (affirming that preclusion “generally ‘does not bar claims that are predicated on events that postdate the filing of the initial complaint[.]’” a principle that “takes on particular force in the trademark context” (citation omitted)).

34. *See* 3 ANNE GILSON LALONDE, GILSON ON TRADEMARKS § 13.20 (2020) (“Application of the doctrines in trademark cases presents special problems, however, because constantly changing trademark use and shifting public perceptions do not easily lend themselves to final adjudication.”).

35. Whitson Gordon, *How a Brand Name Becomes Generic*, N.Y. TIMES (June 24, 2019), <https://www.nytimes.com/2019/06/24/smarter-living/how-a-brand-name-becomes-generic.html> [<https://perma.cc/VLQ8-NX86>].

unprotectable descriptive mark may become protectable by acquiring a secondary meaning.³⁶ Thus, changes in marketplace realities and other operative facts may transform the same claim or issue from a prior suit to the point of rendering preclusion inapplicable.³⁷ Adding to this challenge, the Supreme Court has previously held that, so long as all the other elements of issue preclusion are met, the Trademark Trial and Appeal Board's determination of likelihood of confusion will bar later determinations of the same issue in federal court infringement actions.³⁸

Applying the traditional doctrines of claim preclusion and issue preclusion consistently has been no easy feat for courts. However, preclusion is further complicated by the fact that some courts have applied it to bar *defenses* that could have been raised in a prior suit.

B. "DEFENSE PRECLUSION" BEFORE LUCKY BRAND

Even before the Supreme Court's holding in *Lucky Brand*, there was debate about the applicability of preclusion to defenses. On one hand, the Supreme Court has seemingly made clear in at least two cases that courts can preclude defendants from raising defenses. In *Beloit v. Morgan*, the Supreme Court suggested that the city of Beloit could not raise a validity defense against the bonds it had issued to Morgan because a prior lawsuit had already determined that the city had to pay earlier bonds from the same set.³⁹ Even though the bonds were nominally different, the Court determined that the two suits were between "the same parties touching the same subject matter."⁴⁰ Thus, the previous suit had necessarily already determined the bonds' validity.⁴¹ In so holding, the Court reasoned that "[a] party can no more split up defences than indivisible demands, and present them by piecemeal in successive suits growing out of the same transaction."⁴²

The Supreme Court reaffirmed *Beloit* in *Cromwell v. County of Sacramento*, where it ruled that defenses that were not raised in a prior action could not be heard in "the prosecution of a second action upon the same claim or demand."⁴³ According to the *Cromwell* Court, a judgment "estops not only as

36. See Lanham Act § 2(f), 15 U.S.C. § 1052(f) (permitting registration of a mark "which has become distinctive"); see also *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 166, 174 (1995) (finding that the green-gold color of dry-cleaning press pads at issue acquired a secondary meaning and were thus protectable).

37. *Lucky Brand*, 140 S. Ct. at 1596.

38. *B&B Hardware, Inc. v. Hargis Indus.*, 575 U.S. 138, 160 (2015).

39. *Beloit v. Morgan*, 74 U.S. (7 Wall.) 619, 621–22 (1869).

40. *Id.* at 622.

41. *Id.* at 623.

42. *Id.*

43. *Cromwell v. County of Sacramento*, 94 U.S. 351, 352–53 (1877).

to every ground of recovery or defence actually presented in the action, but also as to every ground *which might have been* presented.”⁴⁴ Restatements also provide that “when a valid and final personal judgment is rendered in favor of the plaintiff . . . the defendant cannot avail himself of defenses he might have interposed, or did interpose, in the first action.”⁴⁵ Prior to *Lucky Brand*, however, the Supreme Court had never made clear whether defense preclusion was merely an extension of the traditional doctrines of preclusion, thereby requiring both mutuality of parties and identity of claims, or an entirely new doctrine in and of itself.⁴⁶

On the other hand, scholars and litigants have pushed back against preclusion’s applicability to defenses. For instance, some have argued that “[c]laim preclusion generally applies only to those asserting claims, not to those defending against them.”⁴⁷ Under this theory, courts should not punish defendants for forgoing certain defenses since such decisions are not based on the actual merits of the argument. Rather, the decision to forgo a defense is usually based on other practical considerations, like the amount in controversy, the difficulty of obtaining certain evidence, and the expense of litigation.⁴⁸ While plaintiffs may have the same considerations when filing suit, they still have the advantage of affirmatively bringing the suit and framing the case by choosing which claims to pursue and selecting the forum. Thus, scholars against defense preclusion believe that perhaps only plaintiffs should be limited in the types of claims they are able to bring forward.

It is no surprise that this debate has also confused courts about if and when preclusion should apply to defenses. For example, the Eleventh Circuit suggested that a plaintiff could bar a defendant from raising a defense on claim preclusion grounds if “the same cause of action [was] involved in both cases.”⁴⁹ Similarly, the Federal Circuit has ruled that a defendant is precluded from a validity defense in a patent infringement case “only if the accused device was ‘essentially the same’ as the previous device admitted to infringe, or [if] any changes were merely ‘colorable.’”⁵⁰ The Second Circuit also created its own

44. *Id.* at 353 (emphasis added).

45. Restatement (Second) of Judgments § 18 (AM. L. INST. 1982).

46. In *Lucky Brand*, the Supreme Court ultimately held that defense preclusion is an extension of traditional preclusion doctrines, ruling against Marcel because the two cases lacked an identity of claims. *Lucky Brand Dungarees, Inc. v. Marcel Fashions Grp.*, 140 S. Ct. 1589, 1595 (2020).

47. Amy Coney Barrett, *Procedural Common Law*, 94 VA. L. REV. 813, 830 (2008).

48. *Lucky Brand*, 140 S. Ct. at 1595 n.2.

49. *McKinnon v. Blue Cross & Blue Shield*, 935 F.2d 1187, 1192 (11th Cir. 1991) (rejecting plaintiff’s argument that claim preclusion barred defendant from raising a new defense, because the first and second cases did not involve the same cause of action).

50. *Hallco Mfg. Co. v. Foster*, 256 F.3d 1290, 1295 (Fed. Cir. 2001).

novel defense preclusion test that permitted preclusion of defenses if certain conditions were met.⁵¹ The Supreme Court decided to address the Second Circuit's approach in *Lucky Brand*.

III. LUCKY BRAND V. MARCEL

Lucky Brand v. Marcel reached the Supreme Court in 2019, but the history between the two parties began nearly two decades prior. Lucky Brand Dungarees ("Lucky Brand") and Marcel Fashion Groups ("Marcel") are fashion retailers known for selling jeans and other apparel.⁵² The two parties became adversarial after Marcel sued Lucky Brand for copying its "Get Lucky" mark. This Part provides an overview of the three successive lawsuits that led to the case before the Supreme Court and analyzes the Court's unanimous decision striking down the Second Circuit's defense preclusion test.

A. THE 2001 ACTION

In 1986, Marcel federally registered the mark "Get Lucky."⁵³ In 1990, Lucky Brand started selling clothes under its "Lucky Brand" mark and other marks containing the word "Lucky," including "Get Lucky."⁵⁴ Eventually, Marcel sued Lucky Brand in 2001, alleging unfair competition and trademark infringement.⁵⁵ The parties reached a settlement agreement in 2003 wherein Lucky Brand agreed to cease using Marcel's "Get Lucky" mark.⁵⁶ In return, Marcel agreed to release any future claims arising out of Lucky Brand's use of its "Lucky Brand" trademark and any other marks "owned, registered and/or used by Lucky Brand . . . as of the date of this Agreement."⁵⁷

As demonstrated by the subsequent lawsuits, the parties had conflicting understandings of the scope of the settlement agreement ("the Release").⁵⁸ Marcel believed that the settlement agreement had "only released claims as to *infringement* that occurred *prior* to the 2003 execution of the agreement."⁵⁹ Lucky Brand, on the other hand, believed that the settlement agreement had "releas[ed] any claim Marcel may have in the *future* in relation to any *trademark*

51. Marcel Fashions Grp. v. Lucky Brand Dungarees, Inc. (*Marcel II*), 898 F.3d 232, 241 (2d Cir. 2018), *rev'd*, 140 S. Ct. at 1589.

52. *Lucky Brand*, 140 S. Ct. at 1592.

53. *Id.*

54. *Id.*

55. *Id.* at 1592 n.2.

56. *Marcel II*, 898 F.3d at 234.

57. *Id.*

58. *Id.*

59. *Id.* (emphasis added).

registered prior to the execution of the agreement.”⁶⁰ In other words, Marcel believed that the settlement waived claims of infringement that occurred prior to the agreement, whereas Lucky Brand interpreted the agreement more broadly as applying to any and all infringement claims on marks registered prior to the agreement.

B. THE 2005 ACTION

The amity between the parties was short-lived, as Lucky Brand sued Marcel and its licensees shortly thereafter in 2005 for violating its trademarks.⁶¹ In response, Marcel counterclaimed under two theories. First, Marcel alleged that Lucky Brand had continued to infringe on Marcel’s “Get Lucky” mark in violation of the Release.⁶² Second, Marcel asserted that Lucky Brand’s use of “Get Lucky” and Lucky Brand marks together was confusingly similar to, and therefore likely to cause confusion about the origins of, Marcel’s “Get Lucky” mark.⁶³ Lucky Brand moved to dismiss both of Marcel’s claims, arguing that the Release barred Marcel from raising claims regarding marks registered prior to its signing.⁶⁴ Rebutting the claim, Marcel argued that the Release did not bar “any claims as to infringing *uses* occurring after execution of the settlement agreement.”⁶⁵ In other words, consistent with its understanding of the scope of the settlement agreement, Marcel believed that the Release did not bar any claims of infringement that occurred after 2003.⁶⁶ After the district court rejected Lucky Brand’s argument, Lucky Brand raised the Release again in its answer.⁶⁷ However, the case proceeded towards trial, and Lucky Brand never raised this defense again in the course of the 2005 Action.⁶⁸

Ultimately, the 2005 Action resolved in Marcel’s favor. As a sanction for discovery misconduct, the district court entered a permanent injunction against Lucky Brand, enjoining it from using the “Get Lucky” mark.⁶⁹ On Marcel’s second counterclaim, a jury found that Lucky Brand had infringed on Marcel’s “Get Lucky” mark by using “Get Lucky” in conjunction with Lucky

60. *Id.* (emphasis added).

61. *Id.*

62. *Lucky Brand Dungarees, Inc. v. Marcel Fashions Grp.*, 140 S. Ct. 1589, 1592 (2020).

63. *Id.*; see also Defendants’ Answer, Affirmative Defenses, and Counterclaims to Plaintiffs’ Complaint at 39, *Lucky Brand Dungarees, Inc. v. Ally Apparel Resources LLC*, No. 1:05-cv-06757 (S.D.N.Y. July 27, 2005).

64. *Lucky Brand*, 140 S. Ct. at 1592–93.

65. *Marcel II*, 898 F.3d at 235.

66. See *id.* at 234–35.

67. *Id.*

68. *Id.*

69. *Marcel Fashions Grp. v. Lucky Brand Dungarees, Inc. (Marcel I)*, 779 F.3d 102, 106 (2d Cir. 2015).

Brand's own marks.⁷⁰ Following the verdict, the district court requested that the parties draft a final order.⁷¹ Marcel's counsel proposed language that would have enjoined Lucky Brand from using not only the "Get Lucky" mark, but also Lucky Brand's own marks containing the word "Lucky."⁷² Lucky Brand refused to accept Marcel's proposal, forcing Marcel's counsel to remove the language prior to submitting the proposed order to the court.⁷³ Ultimately, the district court incorporated the parties' submission into its final order, prohibiting Lucky Brand from using Marcel's "Get Lucky" mark.⁷⁴ The order also declared that Lucky Brand had infringed on Marcel's mark "by using GET LUCKY, the LUCKY BRAND trademarks, and any other trademarks including the word 'Lucky' after May 2003."⁷⁵ Notably, however, the order did not enjoin Lucky Brand from using the latter two marks.⁷⁶

C. THE 2011 ACTION

1. *The Parties' Return to District Court*

In 2011, Marcel sued Lucky Brand again for continued infringement of Marcel's "Get Lucky" mark.⁷⁷ In its complaint, Marcel alleged that Lucky Brand's "post-2010 use of Lucky Brand's own marks—some of which used the word 'Lucky'—infringed Marcel's 'Get Lucky' mark in a manner that . . . was previously found infringing."⁷⁸ In response, Lucky Brand filed an answer and motion for summary judgment, without raising the Release defense in either.⁷⁹ The district court granted Lucky Brand's motion for summary judgment, finding that Marcel's new claims were precluded by the 2005 Action.⁸⁰ However, the Second Circuit disagreed, noting that the alleged infringements occurred after the 2005 Action had already concluded, meaning that preclusion did not apply.⁸¹

70. *Id.*

71. *Id.*

72. *Id.*

73. *Id.*

74. *Id.*

75. *Id.*

76. *See* Lucky Brand Dungarees, Inc. v. Marcel Fashions Grp., 140 S. Ct. 1589, 1593 n.2 (2020) ("The injunction did not enjoin, or even mention, Lucky Brand's use of any other marks or phrases containing the word 'Lucky.'").

77. Marcel Fashions Grp. v. Lucky Brand Dungarees, Inc. (*Marvel II*), 898 F.3d 232, 235 (2d Cir. 2018), *rev'd*, 140 S. Ct. at 1589.

78. *Lucky Brand*, 140 S. Ct. at 1593.

79. *Marvel II*, 898 F.3d at 235.

80. *Id.*

81. *Id.*

On remand, Lucky Brand, represented by new counsel, moved to dismiss the case based on a new argument. For the first time since its motion to dismiss in the 2005 Action, Lucky Brand claimed that the Release foreclosed Marcel's claims.⁸² Marcel rebutted this assertion by arguing that claim preclusion applied to Lucky Brand's defense, since it could have been raised in the 2005 Action.⁸³ The district court sided with Lucky Brand and concluded that the settlement agreement barred Marcel's claims regarding Lucky's use of its own trademarks registered prior to the signing of the Release.⁸⁴ The court also rejected Marcel's counterargument, finding that Lucky Brand's defenses were not issue precluded because the Release had not been actually litigated and adjudicated in the 2005 Action.⁸⁵ Further, the court reasoned that claim preclusion did not apply, since Lucky Brand was "not asserting a claim against Marcel."⁸⁶ In response to the district court's dismissal, Marcel appealed.

2. *The Second Circuit's Novel Doctrine of Defense Preclusion*

On appeal, the Second Circuit vacated the lower court's decision and remanded the case.⁸⁷ Agreeing with Marcel's theory of "defense preclusion," the Second Circuit held that claim preclusion barred Lucky Brand's Release defense.⁸⁸ Emphasizing that Lucky Brand could have avoided the 2011 Action entirely if it had litigated the Release in the 2005 Action, the Second Circuit created a new "defense preclusion" doctrine.⁸⁹ The court held that claim preclusion will prevent 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.⁹⁰

82. *Id.* at 235–36.

83. *Id.* at 236.

84. *Id.*

85. *Id.*

86. *Id.*

87. *Id.*

88. *Id.*

89. *Id.* at 239–41.

90. *Id.* at 241.

In justifying its new defense preclusion doctrine, the Second Circuit discussed at length the policy rationales justifying preclusion. Noting that the “principles animating the claim preclusion doctrine [do not] disappear when that which is sought to be precluded is a defense,” the court emphasized that its new rule furthered the goals of finality and efficiency.⁹¹ The court argued that defense preclusion would not only incentivize defendants to “litigate all their relevant defenses in an initial action,” but also prevent them from filing “wasteful follow-on actions that would not have been filed had the defense been asserted (and maintained) at the first opportunity.”⁹² Further, the court argued that ruling against defense preclusion would make judicial victories vulnerable to “hidden defense[s]” that may later emerge.⁹³ Had Lucky Brand litigated the Release defense in the 2005 Action, the court reasoned, the parties and judicial system could have avoided “seven-plus years of litigation, involving 179 district court docket entries and two appeals.”⁹⁴

The Second Circuit’s novel approach differed from other circuits’ application of preclusion to defenses. For example, the Eleventh Circuit had held that a plaintiff could only bar a defendant from raising a defense on claim preclusion grounds if “the same cause of action [was] involved in both cases,”⁹⁵ an element that is notably absent from the Second Circuit’s test. By creating this circuit split, the Second Circuit’s new defense preclusion rule was ripe for Supreme Court review.

3. *The Supreme Court’s Rejection of “Defense Preclusion”*

Writing for a unanimous Supreme Court, Justice Sotomayor struck down the Second Circuit’s application of defense preclusion. In a narrow holding, the Court ruled that Marcel could not preclude Lucky Brand from raising new defenses in the 2011 Action.⁹⁶ The opinion proceeded by first noting that the Court had “never explicitly recognized ‘defense preclusion’ as a standalone category of *res judicata*.”⁹⁷ Based on its precedent (or lack thereof), the Court reasoned, “any . . . preclusion of defenses must, at a minimum, satisfy the strictures of issue preclusion or claim preclusion.”⁹⁸ The Court immediately ruled out issue preclusion because the 2005 Action did not adjudicate the issue

91. *Id.* at 239.

92. *Id.*

93. *Id.*

94. *Id.*

95. *McKinnon v. Blue Cross & Blue Shield*, 935 F.2d 1187, 1192 (11th Cir. 1991).

96. *Lucky Brand Dungarees, Inc. v. Marcel Fashions Grp.*, 140 S. Ct. 1589, 1598 (2020).

97. *Id.* at 1595.

98. *Id.* at 1595; *see also Marvel II*, 898 F.3d at 236 n.3.

of the Release.⁹⁹ Turning its attention to claim preclusion, the Court held that defense preclusion could only apply if the 2011 Action and 2005 Action shared either the same cause of action or a “common nucleus of operative facts.”¹⁰⁰

Applying this standard, the Court held that the 2011 Action and the 2005 Action did not implicate the same cause of action.¹⁰¹ Rather, the two cases were “grounded on different conduct, involving different marks, occurring at different times.”¹⁰² The Court also emphasized that the conduct triggering the 2011 Action occurred “after the conclusion of the 2005 Action,”¹⁰³ relying on the general principle that conduct occurring after the filing of a lawsuit gives rise to a new claim.¹⁰⁴ The Court stated that it would go no further in “determin[ing] when (if ever) applying claim preclusion to defenses may be appropriate, because a necessary predicate—identity of claims—[was] lacking.”¹⁰⁵

In the narrow context of this case, the Court was correct in finding that defense preclusion did not apply to the dispute between Lucky Brand and Marcel. As Justice Sotomayor made clear, preclusion always requires identity of claims and identity of parties between two suits.¹⁰⁶ As noted in Part I, these elements impose an outer limit on preclusion in order to afford all parties a day in court. Thus, the Court was correct to reject defense preclusion in this case, since Marcel’s 2011 claims only dealt with Lucky Brand’s use of its own marks in isolation, rather than their use in conjunction with Marcel’s “Get Lucky” mark.

Despite the Court’s sound reasoning in resolving the parties’ dispute, the Court more broadly suggested in dicta that “there may be good reasons to question any application of claim preclusion to defenses,” even where two cases shared the same cause of action and the same parties.¹⁰⁷ Thus, the Court’s dicta left open the possibility of a *per se* rule against defense preclusion. As the remainder of this Note will argue, the Court’s reasoning in favor of such a rule is problematic because it overemphasized the fairness concerns that could result from applying preclusion to defenses, while ignoring how such a rule would interact with the available remedies in trademark law.

99. *Lucky Brand*, 140 S. Ct. at 1595.; *see also supra* Section I.A.

100. *Lucky Brand*, 140 S. Ct. at 1595.

101. *Id.*

102. *Id.*

103. *Id.* at 1596.

104. *Id.* (citing *Whole Woman's Health v. Hellerstedt*, 579 U.S. 582 (2016)).

105. *Id.* at 1595 n.2.

106. *See supra* Section I.A (discussing the elements of claim preclusion).

107. *Lucky Brand*, 140 S. Ct. at 1595 n.2.

IV. THE COURT'S UNDUE EMPHASIS ON FAIRNESS

As indicated by their opinions, both the Second Circuit and the Supreme Court heavily emphasized fairness and due process concerns in questioning any application of preclusion to defenses. For instance, the fourth prong of the Second Circuit's defense preclusion test required lower courts to preclude a defense if the "efficiency concerns outweigh any unfairness to the party whose defense would be precluded."¹⁰⁸ This emphasis on fairness carried over to the parties' Supreme Court briefs¹⁰⁹ and Justice Sotomayor's opinion.¹¹⁰

However, the Court's fixation on fairness was inconsistent with its prior rulings, since it has traditionally favored efficiency over fairness when applying claim preclusion in cases like *Lucky Brand*. As noted, requiring identity of claims and mutuality of parties already protects the litigants' due process rights and addresses fairness concerns.¹¹¹ Once those elements of claim preclusion are met, courts are tasked with evenhandedly throwing out claims or issues, no matter how unfair it may seem, for the sake of efficiency.¹¹² While the Supreme Court's additional consideration of fairness may be desirable or welcome, the Court's suggestion against *any* application of defense preclusion, even where the parties and claims are identical to those of a prior suit, is questionable in light of preclusion's underlying goal of promoting judicial economy.

A. DISTINGUISHING BETWEEN MUTUAL AND NON-MUTUAL USES OF CLAIM PRECLUSION

The problems arising from the Court's analysis stemmed from its failure to distinguish between mutual and non-mutual uses of claim preclusion. Untangling these different uses is critical to uncovering the different interests at stake when deciding whether preclusion applies, including whether courts should assess any issues of fairness separately.

Before distinguishing between mutual and non-mutual uses of preclusion, it is important to remember that *Lucky Brand* dealt with only claim preclusion. As discussed in Section I.A, issue preclusion prevents parties from re-litigating issues that were actually litigated and decided, even in the context of a

108. *Marcel Fashions Grp. v. Lucky Brand Dungarees, Inc. (Marvel II)*, 898 F.3d 232, 241 (2d Cir. 2018), *rev'd*, 140 S. Ct. at 1589.

109. *See* Brief for Respondent at 42–46, *Lucky Brand*, 140 S. Ct. at 1589 (No. 18-1086); Reply Brief for Petitioners at 21–22, *Lucky Brand*, 140 S. Ct. at 1589 (No. 18-1086).

110. Though the Supreme Court avoided explicitly using the words "fairness" or "due process," the Court noted that courts should not use preclusion to punish defendants for failing to raise certain defenses in a prior suit because of practical considerations. *Lucky Brand*, 140 S. Ct. at 1596.

111. *See supra* Section I.A.

112. *See supra* note 14–17 and accompanying text.

completely different claim.¹¹³ By contrast, claim preclusion prevents the litigation of a claim or defense that either was or *could have* been litigated in a prior action.¹¹⁴ As the Court and parties agreed, “issue preclusion [did] not apply” to this case since prior litigation did not address the issue regarding the Release.¹¹⁵ Thus, the Court’s opinion correctly limited its analysis to the application of *claim* preclusion to defenses.

Despite correctly finding that only claim preclusion was at issue, the Court failed to differentiate between mutual and non-mutual uses of claim preclusion. As the name implies, a mutual use of preclusion occurs where the parties in the subsequent action are identical to or “in privity”¹¹⁶ with those involved in the previous case.¹¹⁷ In contrast, non-mutual preclusion occurs when a plaintiff or defendant attempts to use preclusion against a stranger.¹¹⁸

Unlike issue preclusion, claim preclusion generally requires mutuality, with a few limited exceptions. The Supreme Court outlined these six limited exceptions in *Taylor v. Sturgell*, which held that claim preclusion could apply against a non-party to the previous suit where: (1) the non-party agreed to be bound by the prior judgment; (2) where a special relationship (“privity”) exists between the prior and subsequent litigant; (3) where the party seeking to re-litigate a claim was fully and fairly represented in the previous case; (4) where the non-party somehow controlled the previous litigation; (5) where the second litigant is an agent of the first litigant; and (6) where statutory systems foreclose subsequent litigation by absent parties.¹¹⁹ In finding exceptions that closely resembled mutuality, the *Taylor* Court emphasized that the common law of preclusion is “subject to due process limitations.”¹²⁰ By requiring mutuality or one of the six *Taylor* factors, the Court mitigated any fairness and due process concerns that are implicated by allowing parties to assert claim preclusion against a stranger.

The mutuality requirement, along with the six *Taylor* factors, ensures that procedural due process limits are already built into preclusion doctrine. For instance, the *Taylor* Court reasoned:

A person *who was not a party to a suit* generally has not had a “full and fair opportunity to litigate” the claims and issues settled in that

113. *See supra* Section I.A.

114. *See id.*

115. *Lucky Brand*, 140 S. Ct. at 1595.

116. Privity is defined as having a “substantive legal relationship[].” *Taylor v. Sturgell*, 533 U.S. 880, 894 n.8 (2008).

117. *See* Trammell, *supra* note 13, at 574.

118. *See id.*

119. *Taylor*, 533 U.S. at 893–95.

120. *Id.* at 891.

[prior] suit. The application of claim and issue preclusion to nonparties thus runs up against the “deep-rooted historic tradition that everyone should have his own day in court.”¹²¹

Because mutuality ensures that fairness concerns are given due consideration, the Court has rejected any additional fairness issues raised where mutuality was not an issue. For instance, in *Federated Department Stores v. Moitie*, the Ninth Circuit had held that, as a matter of “simple justice,” it would be unfair to use *res judicata* to preclude non-appealing parties whose claims were “closely interwoven” with those of successfully appealing parties.¹²² The Supreme Court reversed, holding that the Ninth Circuit’s consideration of fairness was “an unprecedented departure from the accepted principles of *res judicata*.”¹²³ The Court also emphasized that “[t]he doctrine of *res judicata* serves vital public interests beyond an individual judge’s *ad hoc* determination of the equities in a particular case.”¹²⁴ Further, any additional fairness considerations would make any application of claim preclusion subject to debate and lead to further litigation, which runs contrary to the purposes of preclusion.¹²⁵

Recognizing the differences between mutual and non-mutual uses of preclusion is critical because it helps courts determine whether to preclude a claim. However, courts and parties often conflate mutual and non-mutual uses of claim preclusion,¹²⁶ thereby allowing consideration of policy concerns, like fairness issues, that are outside the scope of the legal question before them and distorting the ultimate outcome as the Court did in *Lucky Brand*.

B. LUCKY BRAND’S FIXATION ON FAIRNESS

The Court’s failure to distinguish between mutual and non-mutual uses of preclusion led to it belaboring the fairness concerns implicated by applying claim preclusion to defenses. In its opening brief to the Supreme Court, *Lucky Brand* argued that the Second Circuit’s application of defense preclusion was “fundamentally unfair.”¹²⁷ It also dedicated an entire section of its reply brief to due process concerns, arguing that precluding *Lucky Brand* from raising its

121. *Id.* at 892–93 (emphasis added).

122. *Federated Dep’t Stores v. Moitie*, 452 U.S. 395, 399–401 (1981).

123. *Id.* at 399.

124. *Id.* at 401; *see also* *Heiser v. Woodruff*, 327 U.S. 726, 733 (1946) (finding that there is “no principle of law or equity which sanctions the rejection by a federal court of the salutary principle of *res judicata*”).

125. *See supra* Section I.A.

126. *See, e.g.,* *Bursak, supra* note 1, at 1656 n.24 (citing cases, like *Int’l Air Response v. United States*, 324 F.3d 1376, 1378 (Fed. Cir. 2003), where parties and courts have shown confusion as to whether claim preclusion or issue preclusion applied).

127. Brief for Petitioners at 46, *Lucky Brand Dungarees, Inc. v. Marcel Fashions Grp.*, 140 S. Ct. 1589 (2020) (No. 18-1086).

Release defense would deprive it of not only the bargain struck in the Release, but also the ability to defend itself against new claims.¹²⁸

The Court seemed receptive to Lucky Brand's fundamental fairness argument. In its opinion, the Court noted that "it [was] no surprise . . . that the Second Circuit held that Marcel's 2011 Action claims were not barred by the 2005 Action. By the same token, the 2005 Action could not bar Lucky Brand's 2011 defenses."¹²⁹ Thus, the Court seemed to suggest that courts must apply preclusion doctrine "symmetrically" between the two parties. However, mutuality was not an issue in *Lucky Brand*. The 2001 Action, the 2005 Action, and the 2011 Action all involved the same parties: Lucky Brand and Marcel. When mutuality exists, as it did here, the Court has already found that preclusion should favor efficiency and finality over all other considerations.¹³⁰ Thus, considerations of equity between the parties seem out of place in this inquiry.

Even if judicial balancing of equity between the parties had been appropriate, barring Lucky Brand's defense in this case would not have violated any fairness principles. Arguably, the Supreme Court may have emphasized these fairness concerns because Lucky Brand had not yet had its "day in court" on Marcel's *new* claims. Yet the Court seemed to suggest, in dicta, that even if the subsequent suit had involved identical claims, Lucky Brand should still be able to raise its defenses "even though they were equally available and relevant in both actions."¹³¹ In justifying this, the Court noted that "various considerations, other than actual merits, may govern whether to bring a defense, such as the smallness of the amount or the value of the property in controversy, the difficulty of obtaining the necessary evidence, the expense of the litigation, and a party's own situation."¹³² Notably, however, Lucky Brand *did* raise the Release defense in the 2005 Action but chose not to pursue it beyond its answer to Marcel's counterclaims. At oral arguments, counsel for Lucky Brand surmised that it had decided to forego the Release defense because it would not have been dispositive to the case.¹³³ But the *Moitie* Court already rejected a similar argument, finding that it would not recognize a "general equitable doctrine" when conducting its claim preclusion analysis,

128. Reply Brief at 21–22, *Lucky Brand*, 140 S. Ct. at 1589.

129. *Lucky Brand*, 140 S. Ct. at 1596.

130. *See supra* note 14–17 and accompanying text.

131. *Lucky Brand*, 140 S. Ct. at 1595 n.2.

132. *Id.* (citing *Cromwell v. County of Sacramento*, 94 U.S. 351, 356 (1877)) (internal quotation marks and alterations omitted).

133. Transcript of Oral Argument at 5–6, *Lucky Brand*, 140 S. Ct. at 1589.

especially where the non-appealing parties had “made a calculated choice to forego their appeals.”¹³⁴

By attaching significance to these fairness rationales, the Court overemphasized the due process concerns that defense preclusion potentially raises. As noted above, claim preclusion’s mutuality requirement already protects the parties’ due process rights. The Court carried over these protections to the defense preclusion context when it ruled that “any . . . preclusion of defenses must, at a minimum, satisfy the strictures of issue preclusion or claim preclusion.”¹³⁵ By separately considering a defendant’s due process rights, the Court double-counted the fairness issues and erroneously put a thumb on the scale for Lucky Brand, even though mutuality was met.

V. THE TROUBLING EFFECTS OF LUCKY BRAND COMBINED WITH *EBAY*

Like efficiency, the goal of delivering finality to the parties also drives preclusion doctrine. However, the Court did not adequately consider how a *per se* rule against defense preclusion would threaten finality of decisions in the trademark context. This is especially critical in light of the *eBay* injunction standard, which requires plaintiffs to affirmatively show four factors in order to obtain an injunction. This standard, originally designed for patents, came to replace the automatic injunction rule for trademarks as well, in effect heightening the standard for trademark injunctions. As a result, trademark owners are often now left without a forward-looking remedy to enforce in the future, even when they prevail on their infringement claims today.¹³⁶ This Part proceeds by explaining the *eBay* injunction test and arguing that the potential finality issues raised by the Court’s dicta in *Lucky Brand*, along with the unique quirks of trademark law, demand revisiting the question of *eBay*’s applicability to trademark infringement cases.

A. EBAY’S INJUNCTION STANDARD

Prior to *eBay*, both patent and trademark courts almost always granted an injunction once infringement was shown.¹³⁷ Under this rule, courts used to

134. *Federated Dep’t Stores v. Moitie*, 452 U.S. 394, 400 (1981).

135. *Lucky Brand*, 140 S. Ct. at 1595.

136. *See infra* Section IV.B.

137. *See eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) (rejecting the Federal Circuit’s “general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances”). Though *eBay* was a patent case, the *eBay* four-factor test has been extended to copyright and trademark infringement cases as well. Lemley, *supra* note 8, at 1798–1800.

issue injunctions automatically if a plaintiff prevailed on their infringement claims, unless there were “exceptional circumstances.”¹³⁸

However, courts and skeptics began to question the automatic injunction rule,¹³⁹ at least in patent cases. They argued that injunctions were an extremely harsh remedy that prevented not only the infringer’s harmful activities, but also non-infringing activities that could be beneficial to the public.¹⁴⁰ This problem became more pronounced with the rise of non-practicing entities, or “patent trolls,”¹⁴¹ in the early 2000s.¹⁴²

In an attempt to deter suits brought by non-practicing entities, the Supreme Court rejected the automatic injunction rule in *eBay v. MercExchange*.¹⁴³ The Court found that the automatic injunction rule was too mechanical and rigid in light of the extraordinary property rights that came with an injunction. In so holding, the Court held that a patentee seeking a *permanent* injunction must first satisfy a four-factor test by demonstrating:

- (1) that it has suffered an irreparable injury (the “irreparable harm” prong);

138. *eBay*, 547 U.S. at 392.

139. The central inquiry of this debate is whether the “property rule” or “liability rule” is best suited to remedy infringement cases. The “property rule” refers to the use of a property law remedy that involves deciding “who is to be given an initial entitlement.” Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089, 1092 (1972). In the trademark context, the “property rule” allows plaintiffs to keep the entitlement through an injunction unless and until they agree to a selling price. By contrast, the “liability rule” refers to courts “requiring transgressors to pay victims for harms suffered.” Louis Kaplow & Steven Shavell, *Property Rules Versus Liability Rules: An Economic Analysis*, 109 HARV. L. REV. 713, 715 (1996). In the trademark context, courts can employ the “liability rule” by ordering the defendant to pay damages to the wronged plaintiff.

140. See Mark A. Lemley & Philip J. Weiser, *Should Property or Liability Rules Govern Information?*, 85 TEX. L. REV. 783, 784 (2007) (finding that injunctions that are not “well tailored to the scope of the property right at issue but necessarily restrain the use of property not owned by the plaintiff . . . can overwhelm the benefits of property rules in enforcing legal rights”). See generally Calabresi & Melamed, *supra* note 139 (suggesting that a property rule is desirable where there are few parties and low transaction costs).

141. See Michael S. Mireles, *Trademark Trolls: A Problem in the United States?*, 18 CHAP. L. REV. 815, 819 (2015) (defining a patent troll as an owner of a patent that does not actually practice the patented invention but taxes others who do).

142. James Bessen, *The Evidence Is In: Patent Trolls Do Hurt Innovation*, HARV. BUS. REV. (Nov. 2014), <https://hbr.org/2014/07/the-evidence-is-in-patent-trolls-do-hurt-innovation> (finding that patent trolls, without making a useful product of their own, create significant harm by “cost[ing] innovators money” and forcing them to “respond by investing less in R&D”).

143. See *eBay*, 547 U.S. at 396–97 (Kennedy, J., concurring) (suggesting that injunctions may be appropriate when a patent owner uses the patent “not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees”).

- (2) that the remedies available at law, such as monetary damages, are inadequate to compensate for the injury (the “inadequate remedies at law” prong);
- (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and
- (4) that the public interest would not be disserved by a permanent injunction.¹⁴⁴

Because non-practicing entities could not prove irreparable injury (since they do not actually practice their patents), the Court’s four-factor test was successful in preventing “patent trolls” from winning broad rights to exclude and exercising that leverage in licensing negotiations.¹⁴⁵

Although the *eBay* test was originally limited to injunctions in patent infringement suits, courts began applying it to other intellectual property disputes. In *Herb Reed*, the Ninth Circuit extended the *eBay* test to trademark infringement suits and held that trademark owners must establish “the likelihood of irreparable harm” before obtaining a *preliminary* injunction.¹⁴⁶ In the same breath, the Ninth Circuit also reiterated that the *eBay* test applied to permanent injunctions in the trademark context.¹⁴⁷ Thus, over the span of two cases in less than ten years, the trademark landscape changed from one in which injunctions were nearly guaranteed upon a showing of infringement¹⁴⁸ to one where they have become more rare due to the difficulty of showing the first two *eBay* factors.¹⁴⁹

B. LUCKY BRAND’S DISMISSAL OF FINALITY CONCERNS

In light of *eBay* and *Herb Reed*, a *per se* rule against preclusion applied to defenses could potentially lead to absurd results for plaintiffs who prevail in a

144. *Id.* at 391 (majority opinion).

145. *See* Lemley, *supra* note 8, at 1796 (“[T]he results [of *eBay*] in patent cases have been salutary as a policy matter, allowing courts to deny injunctions to non-practicing entities that sought injunctions only to hold up defendants while still granting injunctions to those who need it.”).

146. *Herb Reed Enters., LLC v. Fla. Ent. Mgmt.*, 736 F.3d 1239, 1249 (9th Cir. 2013) (citations omitted); *see also* *Ferring Pharm., Inc. v. Watson Pharm., Inc.*, 765 F.3d 205, 206 (3d Cir. 2014) (applying *eBay* to Lanham Act cases in the Third Circuit); *Voice of the Arab World, Inc. v. MDTV Med. News Now, Inc.*, 645 F.3d 26, 33 (1st Cir. 2011) (applying *eBay* to Lanham Act cases in the First Circuit).

147. *Herb Reed*, 736 F.3d. at 1249.

148. Lemley, *supra* note 8, at 1797 n.19 (citing to circuit court cases that enforced the automatic injunction rule upon a showing of trademark infringement or, at the very least, automatically established “a likelihood of success on the merits and irreparable harm”).

149. *See* Lemley, *supra* note 8, at 1806 (arguing that trademark owners have difficulty providing evidence of irreparable injury and that “the concepts of irreparable injury and the lack of an adequate remedy at law are inextricably intertwined”).

trademark infringement case. Though allowing new defenses would not necessarily be dispositive to the outcome of an infringement case, it could still pose a risk to the litigation or even to the validity of the trademark itself. As Marcel properly noted in its brief, finality and efficiency are the cornerstones of preclusion doctrine.¹⁵⁰ Marcel further reasoned that applying preclusion to defenses would help “protect[] the finality of judgments,” emphasizing that a “losing litigant deserves no rematch after a defeat fairly suffered.”¹⁵¹ In addition, Marcel argued that allowing Lucky Brand to raise the Release defense in response to the 2011 Action would undermine the judgment of the 2005 Action, allowing Lucky Brand to “flout prior judicial determinations of the parties’ rights, in hopes of obtaining a more favorable result in a subsequent lawsuit.”¹⁵²

In an attempt to quickly dismiss Marcel’s finality concerns, the Court noted that the Release defense in the 2011 Action did not “imperil the judgment of the 2005 Action because the lawsuits involved both different conduct and different trademarks.”¹⁵³ Even outside the context of the parties’ case, the Court also argued that defense preclusion was superfluous, since plaintiffs could avoid facing new defenses that threaten a prior judgment by obtaining “supplemental relief in the original action.”¹⁵⁴ Thus, the Court reasoned that a per se rule against defense preclusion would have no impact on the finality of prior judgments.

However, the Court’s recommendation of obtaining “supplemental relief” is unrealistic since prevailing trademark plaintiffs often do not have an injunction to enforce. The new *eBay* standard for injunctions has left successful trademark plaintiffs without injunctions, and thus without any relief, to enforce at a future date. Between January 1, 2009 (the first date for which data is available on Lex Machina), and October 19, 2020, about 57,000 federal trademark cases were filed.¹⁵⁵ Of the 1,293 cases decided on the merits in favor of the plaintiff,¹⁵⁶ only 722 permanent injunctions were granted.¹⁵⁷ These

150. Brief for Respondent at 22–24, *Lucky Brand Dungarees, Inc. v. Marcel Fashions Grp.*, 140 S. Ct. 1589 (2020) (No. 18-1086).

151. *Id.* at 5.

152. *Id.* at 37.

153. *Lucky Brand*, 140 S. Ct. at 1595.

154. *Id.* at 1597 n.3.

155. This data was obtained using Lex Machina after selecting “Trademark” for “Case Types.”

156. This includes cases decided on the pleadings, at summary judgment, after trial, or as a matter of law.

157. This data was obtained using Lex Machina after selecting “Trademark” for “Case Types.” Notably, damages awards in trademark infringement suits generally tracked trends for

figures suggest that over 40% of prevailing plaintiffs are left without an injunction to enforce against defendants who continue infringing. This statistic is particularly striking given that less than 3% of prevailing plaintiffs win any monetary damages.¹⁵⁸ Indeed, there have been cases in which trademark owners won their case but were awarded neither damages nor an injunction.¹⁵⁹

The specific facts of *Lucky Brand* also highlight the futility of the Court's "solution." As noted in Section II.B, Marcel could not, despite its best efforts, obtain an injunction in the 2005 Action regarding Lucky Brand's uses of its own trademarks in conjunction with the "Get Lucky" mark. Thus, Marcel could never have availed itself of the Supreme Court's suggested course of obtaining supplemental relief, even if the claims in the 2005 Action and 2011 Action had been identical.

Such a result, however, is not unique to Marcel. As a result of *Lucky Brand*'s dicta, the failure to obtain an injunction, whether due to the heightened injunction standard under *eBay* or a lack of bargaining power (which appeared to be the case with Marcel) could make future plaintiffs vulnerable to new defenses.¹⁶⁰ Thus, rethinking *eBay*'s applicability to trademark law may help get ahead of the problem raised by the Court's dicta in *Lucky Brand*.

C. TRADEMARK'S QUIRKS AND THE RESULTING INCOMPATIBILITY WITH EBAY

A prevailing plaintiff in a trademark infringement suit typically has a menu of options when it comes to seeking a remedy. These options can be simplified into two broad categories: (1) injunctions, including both preliminary and permanent injunctions, and (2) monetary damages, which includes the plaintiff's lost profits, disgorgement of the defendant's profits as a result of infringement, and attorney's fees.¹⁶¹

Lucky Brand's dicta and its potential impact on the finality of trademark decisions call for a more searching inquiry into the current injunction standard. In addition to exacerbating potential finality issues if future courts refuse to

all cases with damages awards. This suggests that courts were not awarding higher damages in trademark cases to make up for the lack of injunctions.

158. Lemley, *supra* note 8, at 1808 n.79.

159. *See id.* at 1808–09 n.80 (citing two federal court cases in which the court failed to award any type of remedy to the prevailing plaintiffs).

160. *See, e.g.*, Response Brief of Appellees Phh Mortg. Corp. at 13–14, *Davis v. Ocwen Loan Servicing, LLC*, No. 20-10547 (5th Cir. Sept. 2, 2020) (arguing that a statute of limitations defense against foreclosure could have been raised in a prior action); Reply Brief of Petitioners at 4–5, *Estate of Steinbeck v. Kaffaga*, 141 S. Ct. 236 (2020) (No. 19-1181) (relying on *Lucky Brand* to raise a validity defense regarding a 1983 agreement splitting royalties on John Steinbeck's work).

161. Lanham Act §§ 34–35, 15 U.S.C. §§ 1116–1117.

apply preclusion to defenses, the *eBay* test is fundamentally incompatible with the unique purposes and characteristics of trademark law. This incompatibility, at its core, is due to trademarks being different from other types of intellectual property, such as patents and copyrights, in key areas.

The differences between trademarks and other intellectual property can be summarized into four points. First, injunctions issued upon a showing of infringement always help further the ultimate purpose of trademark law, which is to improve the quality of information in the marketplace. This is not always true in patent or copyright law, since some amount of infringement and access to information may be beneficial for more innovation and creation. Second, the heightened injunction standard under *eBay/Herb Reed* often leaves prevailing trademark owners without any remedy due to the inherent difficulties of accurately assessing trademark damages. Third, establishing the first prong of the *eBay* test, the “likelihood of irreparable harm,” is more challenging in trademark infringement suits. Lastly, *eBay* is fundamentally incompatible with trademark law because it was meant to solve a problem that does not exist as applied to trademarks.

1. *Injunctions Further the Underlying Purpose of Trademark Law*

At its core, trademark law serves to relay information about the nature and quality of goods to buyers, thereby reducing consumer transaction costs.¹⁶² Thus, unlike patent or copyright law, trademark law was never intended to reward “the fruits of intellectual labor” or to incentivize creation.¹⁶³ Lending support to this theory, federal trademark law, unlike the patent and copyright regimes, is constitutionally grounded in the Commerce Clause, not the Intellectual Property Clause.¹⁶⁴

Due to these differences, injunctions better serve the unique policy goals underlying trademark law than they do for patent or copyright law. Consumers, as the “intended beneficiaries” of trademark law, should enjoy the benefits of a remedy once infringement is found.¹⁶⁵ An injunction fulfills this role by preventing the defendant from using the infringing mark, thereby directly

162. See Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1688 (1999) (“Trademarks are a compact and efficient means of communicating information to consumers.”). But see Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1843 (2007) (arguing that, traditionally, “the mark was only an instrumentality of the producer’s business, which was the ultimate object of protection”).

163. Trade-Mark Cases, 100 U.S. 82, 93–94 (1879).

164. U.S. Pat. & Trademark Off., *Introduction*, TRADEMARK MANUAL OF EXAMINING PROCEDURE (2013), <https://tmep.uspto.gov/RDMS/TMEP/Oct2013#/Oct2013/introductiond1e1.html>.

165. Lemley, *supra* note 8, at 1809.

reducing the potential for consumer confusion in the future. If a court were to find infringement without granting an injunction, “[c]onsumers [would] continue to make purchases under false pretenses and either blame the trademark owner or become less likely to trust anything in the market thereafter.”¹⁶⁶

In contrast, monetary damages are ill-suited for compensating the harms caused by trademark infringement.¹⁶⁷ For instance, no amount of damages can “unconfuse” consumers once they are confused by an infringer, since the harm has already been done. Additionally, courts are often unable to accurately calculate the exact damage done to a company’s goodwill due to the infringement.¹⁶⁸ As a result, damages will often be highly speculative, either under- or over-compensating prevailing plaintiffs. Even if a court were to accurately award monetary damages (without enjoining the infringing activity), the public would stand to lose as the defendant continued to confuse consumers.¹⁶⁹

Moreover, the use of money damages actually runs *contrary* to the underlying policies served by trademark law. Because damages awards go directly to the trademark owner, these awards suggest that an infringer is compensating the trademark owner, either for lost profits or as a reasonable royalty for using the mark. Granting money damages thus supports the view that trademark law protects the owner’s interest in protecting the value of their mark, not the interests of consumers. Although subject to debate, some scholars argue that this is inconsistent with trademark’s purpose because it monopolizes distinct product features, thereby conferring some amount of market power upon the owner, while only maintaining a “tenuous relationship to consumer deception.”¹⁷⁰

166. *Id.* at 1810.

167. Although damages could deter a defendant from re-infringing, there are two counterarguments to this point. First, damages serving a deterrence function only address the potential harm of future confusion, not the confusion that has already occurred and was the focus of an infringement action. Second, courts do not appear to have significantly increased damages awards in trademark infringement cases to make up for the difficulty trademark owners face in obtaining injunctions. *See supra* note 157.

168. Lemley, *supra* note 8, at 1803.

169. *Id.* at 1810.

170. Glynn S. Lunney Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 372 (1999). *But see* McKenna, *supra* note 162, at 1844–45 (arguing that trademark law serves an incentive function for firms to invest in their products and services, similar to patent and copyright law); William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 271 (1987) (“An entirely different benefit of trademark protection derives from the incentives that such protection creates to invest resources not in maintaining quality but in investing new words.”).

The benefits of injunctions in the trademark context become more pronounced when compared to their use in patent and copyright cases. While trademarks are only useful when they are “used to designate a single brand,”¹⁷¹ patents and copyrights prevent the use of non-rivalrous, informational goods. As a result, patent and copyright protections come at a cost, since they artificially limit the public’s access to new inventions and creative works. To avoid creating too many access barriers, patent and copyright law try to balance the countervailing interests of incentivizing creation and providing access to protected works.¹⁷² For example, when providing access is optimal, courts may prefer awarding damages, since an injunction would restrict access and curb further creation. Thus, damages in this context can arguably help further the goals of patent law by allowing the infringing (yet potentially useful) product to exist, thereby encouraging more creation while compensating the patent owner.¹⁷³

By contrast, there is no parallel balancing act in trademark law. As discussed above, trademarks are only concerned with preventing consumer confusion. Confusion-based infringement immediately harms consumers in a manner that can only be remedied by enjoining the defendant’s conduct. Despite injunctions best serving the policy rationales motivating trademark law, *eBay* has created barriers preventing trademark owners from enjoining infringing use. Thus, the only other remedy trademark owners have is damages, which often do not further the public’s interest in preventing consumer confusion and reducing transaction costs.

2. *A Heightened Injunction Standard Leaves Trademark Plaintiffs Without a Remedy*

Injunctions are not only uniquely suited to serve the underlying purposes of trademark law but are also administratively preferable. Under the Lanham Act, a prevailing plaintiff can recover “(1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.”¹⁷⁴ Despite the different ways of calculating monetary damages, courts should prefer injunctions in theory, since monetary damages are difficult to calculate.

Calculating accurate damages based on either the defendant’s profits or the plaintiff’s lost profits is difficult since the calculation relies on a counterfactual

171. Landes & Posner, *supra* note 170, at 274.

172. PETER S. MENELL, MARK A LEMLEY, ROBERT P MERGES & SHYAMKRISHNA BALGANESH, INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE: 2020 at 514 (2020). Though this source only makes this assertion in the context of copyright law, it can be applied to patent law as well.

173. Lemley, *supra* note 8, at 1809.

174. Lanham Act § 35, 15 U.S.C. § 1117.

world in which infringement never occurred.¹⁷⁵ When calculating defendant's profits, for example, the court must determine defendant's sales less the sales that would have occurred without the infringement. Showing plaintiff's lost profits is equally difficult because it assumes not only a counterfactual of non-infringement but also "proof of actual, not merely likely, confusion."¹⁷⁶ Additionally, unlike in patent cases where courts can calculate damages based on a reasonable licensing fee, trademark cases require courts to calculate intangible harms, such as consumer confusion and "damage to goodwill."¹⁷⁷

Due to the speculative nature of damages in the trademark context, courts and plaintiffs may resort to injunctions as a remedy.¹⁷⁸ However, as discussed in Section IV.B, the heightened standard for injunctions has left prevailing trademark owners without any other recourse.¹⁷⁹ Thus, in mechanically applying *eBay* to trademark cases, courts have failed to create an incentive structure that encourages trademark owners to file infringement cases and police unlawful uses of their marks.

3. *The Difficulty of Showing "The Likelihood of Irreparable Harm" in Trademark Infringement Suits*

Notwithstanding the practical and normative considerations of trademark law, establishing "the likelihood of irreparable harm," the first prong of the *eBay* test, is particularly challenging in trademark cases.¹⁸⁰ This difficulty arises because of the similarities between the "irreparable harm" and "inadequate remedies at law" prongs of the *eBay* test. Black's Law Dictionary defines "irreparable injury" as "[a]n injury that cannot be adequately measured or compensated by money."¹⁸¹ Under this definition, the first prong appears identical to the second prong of *eBay*'s four-factor test, which requires plaintiffs to demonstrate "that remedies available at law, such as monetary damages, are inadequate to compensate for that injury."¹⁸² Because the first two prongs are identical, they "tend to stand or fall together."¹⁸³

175. See Lemley, *supra* note 8, at 1802 ("[I]t is very hard to reconstruct what would have happened in the but-for world in which infringement did not occur.").

176. *Id.* at 1807.

177. *Id.* at 1802 & n.49, 1803.

178. *Id.* at 1806 ("Trademark law is . . . much more reluctant to award damages than any other area of IP law.").

179. See *supra* Section IV.B (explaining how *eBay* has made it more difficult for trademark owners to obtain injunctions).

180. This is not to say that making such a showing is a simple matter in patent or copyright infringement cases.

181. *Injury*, BLACK'S LAW DICTIONARY (11th ed. 2019).

182. *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

183. Lemley, *supra* note 8, at 1802.

Proving that an injury is irreparable or incapable of being adequately compensated by money damages is generally difficult in intellectual property disputes, which are “business cases.”¹⁸⁴ Because infringement suits usually occur between business entities, the resulting harm is usually economic in nature.¹⁸⁵ Thus, compared to plaintiffs in tort cases, who can easily assert that money damages are ill-suited to compensate for death or bodily harm, trademark plaintiffs (and patentees for that matter) often find it difficult to assert that some amount of monetary damages would fail to make them whole.¹⁸⁶

Despite this common challenge across all IP infringement cases, trademark cases face a unique set of challenges due to the difficulties in quantifying the harms caused by trademark infringement. As noted above, courts have difficulty in measuring the harm caused by infringement because customers are often not even aware that they are confused.¹⁸⁷ However, at the same time, courts cannot automatically assume that all of an infringer’s sales are a result of the confusion.¹⁸⁸ Thus, measuring any harm incurred by trademark holders in terms of monetary damages is a challenging endeavor, since it is impossible to accurately evaluate the damage to the plaintiff’s reputation and goodwill.¹⁸⁹

4. *eBay is a Remedy for a Non-Existent Problem in Trademark Law*

Lastly, *eBay* was designed to solve a problem that does not exist in the trademark context: trolls. The Supreme Court ultimately decided *eBay* to address the increasing number of patent infringement suits filed by patent trolls. Joined by Justices Stevens, Souter, and Breyer, Justice Kennedy’s concurrence noted that the patent industry had become rampant with firms that were not concerned with “producing and selling goods but, instead, primarily [with] obtaining licensing fees.”¹⁹⁰ While practitioners and scholars alike have lauded *eBay* for affording courts more flexibility to deny injunctive relief requested by non-practicing entities, *eBay* has been less successful in the trademark context because a parallel “trademark troll” problem does not exist.¹⁹¹

184. *Id.*

185. *See id.* (“I doubt there are very many circumstances in which an IP owner whose rights had been infringed wouldn’t be satisfied with *some* amount of money.”).

186. *Id.*

187. *Id.* at 1803.

188. *Id.*

189. *Id.*

190. *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring).

191. *See generally* Mireles, *supra* note 141 (explaining why the Lanham Act has prevented, and will likely continue preventing, the development of “trademark trolls”).

Unlike patent law, trademark law requires and incentivizes ongoing usage to maintain exclusive rights in a mark. The Lanham Act’s “use in commerce” requirement for eligible marks primarily guards against trademark trolls. As the name suggests, the “use in commerce” requirement instructs applicants to certify that they are either using their marks in commerce or intend to do so at a future date.¹⁹² This step in the application process requires trademark owners to actually use their mark, unlike patent trolls that do not actually practice their patent while taxing others who do.¹⁹³ Additionally, the Lanham Act provides additional safeguards by requiring trademark owners to submit affidavits every ten years to confirm the mark’s use in commerce.¹⁹⁴ Once an owner ceases to use a mark in commerce, trademark law deems the mark “abandoned.”¹⁹⁵ Non-use thus creates a defense against infringement claims, thereby preventing a hold-up problem in which non-practicing entities either force others to license their mark or prohibit use. Given these protections already built into the Lanham Act, *eBay* is less applicable in the trademark context.

VI. RECONCILING *LUCKY BRAND* THROUGH THE AUTOMATIC INJUNCTION RULE

Though fundamentally a civil procedure case, *Lucky Brand* casts further doubt on the mechanical application of *eBay* to trademark cases and underscores the need to reform the injunction standard for trademark infringement cases. While *eBay* was undoubtedly valuable in preventing frivolous patent infringement litigation, its extension to trademark law was short-sighted¹⁹⁶ Due to the widespread judicial application of *eBay*, the Supreme Court’s denial of certiorari in *Herb Reed*, and the Court’s apparent willingness to abandon defense preclusion, the best solution to address the problems raised by this Note may be a legislative one. In order to strengthen the trademark regime and avoid the potential issues created by the Court’s dicta in *Lucky Brand*, Congress should overturn *Herb Reed* and carve out a trademark exception to *eBay*’s four-factor test. In its stead, Congress should revive the automatic injunction rule for plaintiffs who prevail on the merits in consumer confusion cases.

192. Lanham Act § 1, 15 U.S.C. § 1051.

193. See Mireles, *supra* note 141, at 819, 828 (explaining troll characteristics and the use requirement).

194. Lanham Act § 8, 15 U.S.C. § 1058.

195. Lanham Act § 45, 15 U.S.C. § 1127.

196. See, e.g., DAN L. BURK & MARK A. LEMLEY, *THE PATENT CRISIS AND HOW THE COURTS CAN SOLVE IT* 139 (2009) (describing the results of *eBay* as “encouraging” at the district court level).

Scholars and legislators have offered a number of alternative suggestions to reinforce the carrots and sticks of trademark law in light of *eBay*, but they either fall short or ignore the inherent shortcomings of the *eBay* rule. For instance, some experts have proposed overturning *eBay* in its entirety for all intellectual property cases.¹⁹⁷ However, overruling *eBay* would undermine its success in stopping frivolous patent suits filed by non-practicing entities. Others have suggested using *eBay*'s four factors as guiding questions for consideration, rather than as mandatory elements for plaintiffs to affirmatively prove to enjoin an infringer's use.¹⁹⁸ Though using *eBay*'s four-pronged test as guiding factors rather than as elements would undoubtedly ease the burden on plaintiffs, this solution overlooks the fundamental flaws of the *eBay* factors. As outlined in Section III.B, the first two prongs of *eBay* are extremely difficult to prove in the context of trademark law. The fourth prong, requiring that the public interest not be disserved by an injunction, is also redundant, since an injunction will almost always serve the public interest by protecting consumers from confusion once there has been a finding of trademark infringement. In a further attempt to reform this area of the law, Congress passed the Trademark Modernization Act as part of the COVID-19 relief bill.¹⁹⁹ One of the provisions, effective as of December 27, 2020, amended the Lanham Act and restored a "rebuttable presumption of irreparable harm upon a finding of a violation."²⁰⁰ Again, the same issues that exist under *eBay* would persist even if plaintiffs won a rebuttable presumption of irreparable harm, since they would still have to affirmatively show the other three prongs of the *eBay* test. Despite the shortcomings of the Trademark Modernization Act, it nevertheless reflects Congress's appetite to reform this area of the law.

In contrast to the proposals discussed above, creating an automatic injunction rule for trademark infringement cases would make for better policy given the purposes of trademark law and practical judicial considerations, without compromising fairness. First, such a rule would better align with trademark law's purpose of consumer protection. A plaintiff's victory in a trademark infringement suit suggests that the plaintiff has met all the elements

197. See, e.g., Gene Quinn, *Why eBay v. MercExchange Should, But Won't, Be Overruled*, IP WATCHDOG (Feb. 16, 2020), <https://www.ipwatchdog.com/2020/02/16/eBay-v-mercexchange-wont-overruled/id=118929/> (arguing that "Congress should explicitly overrule *eBay*").

198. See, e.g., Lemley, *supra* note 8, at 1812–14 (advocating against a "rote application of the *eBay* factors from interfering with the legitimate purposes of trademark law").

199. Neil Friedman, Gina Kim, Ryan McGonigle & R. Kent Roberts, *Trademark Modernization Act of 2020 to Strengthen Trademark Owners' Rights*, JD SUPRA (Jan. 25, 2021), <https://www.jdsupra.com/legalnews/trademark-modernization-act-of-2020-to-7775539/>.

200. Trademark Modernization Act of 2020, H.R. 6196, 116th Cong. § 6(a) (2020) (amending Lanham Act § 34(a), 15 U.S.C. § 1116(a)).

of showing infringement, including the likelihood of confusion. Thus, once the court makes such a finding, an injunction should automatically follow to immediately cease any further use that could cause consumer confusion.

Second, a reliable remedy under an automatic injunction rule will incentivize trademark owners to initiate litigation in the first place. Companies, especially those less well funded, will be more willing to bear the costs of litigation and file a trademark infringement suit if they know that a remedy will almost certainly follow a favorable outcome. This is especially important considering the limited remedies that trademark owners currently have at their disposal, as demonstrated by the small number of cases in which courts grant monetary damages.²⁰¹ Thus, an automatic injunction rule will help re-align trademark law's incentive structure with its purposes by encouraging trademark owners to not only prosecute unfair uses of their marks but also police activity that could potentially harm consumers and the market.

Finally, and most central to the focus of this Note, an automatic injunction rule best protects trademark owners facing continued infringement in a world without defense preclusion, as the Supreme Court seemed to favor in *Lucky Brand*. Plaintiffs who find themselves in such circumstances will be able to seek a judgment-enforcement action per the Court's suggestion, rather than filing a new infringement suit and making their marks vulnerable to new defenses. Had Marcel received an injunction following the 2005 Action to enjoin Lucky Brand's infringing activity, the small Floridian retailer would have had a better chance of stopping future infringement. Perhaps Lucky Brand would have also thought twice before continuing its infringing activity. Instead, the parties returned to court in 2011 and litigated their case all the way to the Supreme Court, only to find themselves back in district court with the case stayed indefinitely after Lucky Brand commenced bankruptcy proceedings.²⁰² The prolonging of the 2011 Action likely did not do either party any favors, and both Lucky Brand and Marcel would have benefited from an order enjoining all infringing activity from the 2005 Action.

While an automatic injunction rule may seem overly punitive, especially to innocent infringers, the current regime under *eBay* has proven to be unworkable for the purposes of trademark law. The Court's dicta in *Lucky Brand* further highlights the impracticability of the four-factor injunction test. If the Court believes that litigants are better off without preclusion of defenses,

201. See Lemley, *supra* note 8, at 1808 n.79 (finding that less than 3% of prevailing plaintiffs win any monetary damages).

202. Memo Endorsed on Notice of Suggestion of Pendency of Bankruptcy and Automatic Stay of Proceedings and Request for Stay of the Full Proceedings, Marcel Fashions Grp. v. Lucky Brand Dungarees, Inc., No. 1:11-cv-05523 (S.D.N.Y. July 7, 2020).

then the law must at least allow prevailing trademark owners to easily obtain injunctions and secure their marks against future infringement without opening themselves up to new defenses.

VII. CONCLUSION

Despite ruling in favor of Lucky Brand, the Supreme Court did not dispose of the dispute between the two parties. Since neither the Second Circuit nor the Supreme Court ruled on the merits of the Release defense, the parties still need to litigate the scope of the settlement agreement to determine whether it bars Marcel's claims. Thus, the twenty-year saga between the two parties will continue—a result that seems to run contrary to the normative underpinnings of preclusion doctrine.

Though the impact of the Supreme Court's decision on the outcome of the case is yet to be determined, *Lucky Brand* still provides a number of takeaways from a litigation perspective. Most obviously, it serves as a lesson for trademark owners to seek broad injunctions after a favorable judgment to better protect their marks in cases of future infringement. Had Marcel stood its ground and enjoined Lucky Brand's use of its own trademarks, it may have avoided the 2011 Action and the Release defense altogether.

Less obviously, *Lucky Brand* sheds light on the fundamental issues regarding *eBay*'s application to trademark law. *Lucky Brand* may provide a basis for courts to reject any application of defense preclusion, forcing prevailing trademark plaintiffs facing continued infringement to either silently accept a competitor's use of their marks or file a new case and risk opening themselves up to new defenses. As this Note argues, courts and legislators will need to seriously consider the impact such a rule may have in the trademark context, where continued infringement between repeat players is common and injunctions under the *eBay* standard are few and far between.