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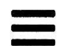


Purple Spotify Billboards Suggest That Prince's Music Will Be Available on Major Streaming Service by Grammy Night

1/30/2017 by Jem Aswad

Courtesy Photo

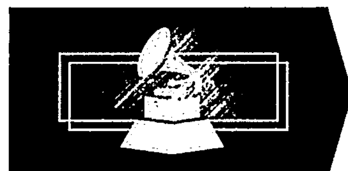
Purple Spotify ads, which seem to confirm that Prince music will be available on major streaming services soon, appeared in New York's Union Square subway station on the morning of Jan. 30, 2017.

The buzz about Prince's music being widely released to streaming services in time for the Grammys got louder on Monday morning, as a series of purple ads bearing the Spotify logo -- and only the Spotify logo – appeared in New York's Union Square subway station on Monday morning.

While L. Londell McMillan -- who along with Charles Koppelman is a special entertainment adviser to Prince's estate -- told *Billboard* last week that such a deal was not confirmed and still might not happen in time for the Grammys, the ads seem to be a display of confidence on the part of Spotify. And while much of Prince's later catalog remains in varying degrees of legal limbo, sources tell *Billboard* that the artist's Warner Music catalog, as well as his publishing, are on solid footing to be streamed.

Reps for Spotify, Apple Music, Warner Music and the Prince estate either declined comment or had not responded to requests for comment at press time, but a sources close to the situation confirm to *Billboard* that both Spotify and Apple Music are on board to launch at least some of Prince's Warner catalog in time for the Grammys.

Billboard will have more on this situation as it develops.



THE GRAMMY AWARDS
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COMMENTS

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PRINCE

Prince's music may soon be unlocked on Spotify and other streaming sites

Latest ads and industry reports suggest an online deal has been struck.

By Chris Riemenschneider (http://www.startribune.com/chris-riemenschneider/10645796/) Star Tribune

JANUARY 31, 2017 — 10:19PM

Once way ahead of the curve when it came to distributing his music on the internet, Prince probably will join the 21st century again when his classic albums become available on popular streaming services such as Spotify, Apple Music and Google Play later in February.

No official announcement has been made, but new purple Spotify ads on subways and billboards around New York and London — along with unnamed sources in Billboard and other industry publications — are hinting at a new online availability of the late Minneapolis rock legend's catalog in time to tout it during the Grammy Awards on Feb. 12, where he will be remembered in an all-star tribute.

Spotify last fall said it had 40 million paying subscribers and more than 100 million total users.

"While much of Prince's later catalog remains in varying degrees of legal limbo, sources tell Billboard that the artist's Warner Music catalog, as well as his publishing, are on solid footing to be streamed," Billboard reported.

(http://stmedia.startribune.com/images/ows_14858872025964
ASSOCIATED PRESS

A scene from the 1984 Prince movie "Purple Rain."

In the year before his death last April, Prince struck a deal to give Jay Z's company Tidal exclusive streaming rights.

However, the deal has been contested in recent months by Prince's estate handlers and his old label Warner Bros. as not a long-term contract. Tidal itself has been in flux, too. Earlier this month, Sprint bought up one-third of the company, which has failed to catch on as well as Spotify and Apple Music have.

The scarcity of Prince's classic '80s and '90s songs for Warner Bros. — including "Purple Rain," "Let's Go Crazy," "1999" and "Raspberry Beret" — may have been a good thing for his estate in the months immediately after his death, since it drove up sales of CDs, vinyl LPs and digital album downloads.

Prince wound up selling more records than any other artist in 2016, with 2.2 million albums sold. But he did a lot of sales online, too, with more than 1 million digital song downloads and 200,000 digital album sales via sites like iTunes and Amazon just in the first day after his death — proof that younger and/or more digitally focused listeners want his music just as much as the old-schoolers.

Digital streaming rose 76 percent in 2016, the first year streaming surpassed digital downloads with more than 250 billion streams counted.

chrisr@startribune.com 612-673-4658 ChrisRstrib

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ENTERTAINMENT

Prince's top songs to hit streaming services night of Grammys

By Richard Morgan

January 30, 2017 | 10:32pm | Updated

Getty Images

Prince's most popular songs are set to rock most streaming services beginning Feb. 12 — the night of the Grammy Awards, a music insider told The Post on Monday.

For the first time in 19 months, Prince's Warner Music Group albums — including hits like "Let's Go Crazy," "Purple Rain" and "When Doves Cry" — will stream on Apple, Spotify, Pandora, Google Play, Deezer and other outlets, the insider confirmed.

The Warner songs are currently available only on Jay Z's Tidal service.

Prince pulled his music from all streaming services in July 2015 — nine months prior to his death on April 21. For the last nine months, his estate has been working on deals to return the Purple One's music to the various streaming services.

"The switch gets turned on for everybody during the Grammys," the insider confirmed.

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Deals for Prince's music outside of his Warner contract, including thousands of unreleased songs presumed to be in his much-discussed "vault," are still being negotiated, sources said.

Although there has been much speculation surrounding Apple Music as a potential Prince streamer, Spotify seemed to have tipped its hand by posting ads in the New York City subway on Monday that featured its logo against a distinctly Prince-purple backdrop.

Adding to Prince fever is speculation that a Grammy tribute will include performances by Bruno Mars, Rihanna and The Weeknd.

Prince's estate has sued Tidal, claiming its use of Prince songs violates its 90-day agreement.

FILED UNDER APPLE MUSIC, GOOGLE, GRAMMYS, MUSIC STREAMING, PANDORA, PRINCE, SPOTIFY, TIDAL

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From: Siev, Jordan W.
Sent: Tuesday, January 31, 2017 12:15 PM
To: katie.moerke@stinson.com; Joseph J. Cassioppi (JCassioppi@fredlaw.com)
Cc: Hoffman, Christopher P.
Subject: Prince/Tidal

Katie and Joe –

Numerous press reports over the past several days indicate that Prince's music will be available for streaming on one or more additional music streaming services in the very near future. I am writing to request that you confirm, on behalf of the Estate, [redacted] We look forward to your prompt response. In the meantime, all of my clients' rights and remedies are reserved. Thank you.

Jordan W. Siev, Esq.
ReedSmith LLP
599 Lexington Avenue
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212.205.6085
jsiev@reedsmith.com
Fax 212.521.5450
Bio: http://www.reedsmith.com/jordan_siev/

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ReedSmith

Jordan W. Siev
Direct Phone: +1 212 205 6085
Email: jsiev@reedsmith.com

Reed Smith LLP
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New York, NY 10022-7650
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reedsmith.com

February 1, 2017

By Electronic Mail

Joseph J. Cassioppi
Fredrikson & Byron, P.A.
200 South Sixth Street, Suite 4000
Minneapolis, MN 55402-1425

Re: TIDAL Digital Streaming Rights Regarding Prince Rogers Nelson

Dear Joe,

As you are aware, we represent Aspiro AB, WiMP Music AS and Project Panther Ltd. (collectively, "TIDAL"). We write further to my call to you this morning, as well as my email of yesterday wherein we requested that you confirm, on behalf of the estate of Prince Rogers Nelson (the "Estate"), [REDACTED] You have not yet responded to our request for information. Accordingly, we write to remind you that any past or future action by the Estate [REDACTED] and will be the subject of immediate action by TIDAL.

As we repeatedly have made you, on behalf of Comerica Bank & Trust N.A. ("Comerica"), as well as Comerica's predecessor, Bremer Trust, N.A., aware, [REDACTED].

Moreover, [REDACTED]

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In sum, to the extent Comerica, on behalf of the Estate (or Bremer before it), , its actions constitute a breach of . In such event, TIDAL will not hesitate to immediately assert claims for, among other things, breach of contract, unjust enrichment, and injunctive relief, as well as direct claims against Comerica and/or Bremer for what amounts to a knowing breach of – especially in light of yesterday's ruling by the Minnesota Probate Court in the matter styled *In re: Estate of Prince Rogers Nelson* (No. 10-PR-16-46), holding that the Petitioners have adequately and fully stated a claim to and interest in Mr. Nelson's Estate.

Please provide us with confirmation that the Estate has not undertaken and is not undertaking any actions in contravention of TIDAL's rights as outlined herein by 12:00 p.m. EST tomorrow, February 2, 2017, or TIDAL will have no choice but to conclude that the Estate has breached and/or has no intention to honor its commitments to TIDAL, and TIDAL therefore will take immediate action thereon.

All of TIDAL's rights and remedies expressly are reserved.

Very truly yours,

/s/ Jordan W. Siev

Jordan W. Siev

JWS:sa

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Fredrikson & BYRON, P.A.

February 2, 2017

Jordan W. Siev
Reed Smith LLP
599 Lexington Avenue
New York, NY 10022-7650

Via email to jsiev@reedsmith.com

Re: Requests for Confidential Business Information

Dear Mr. Siev:

We received your January 31, 2016 email and February 1, 2017 letter to my partner, Joe Cassioppi, requesting confidential business information relating to the Estate of Prince Rogers Nelson ("Estate"). In particular, you requested information regarding exploitation of the Estate's musical assets.

As I'm sure you know, Judge Eide denied your clients' request for information regarding the Estate's confidential business activities in his January 31, 2016 Order. Specifically, Judge Eide ruled that "[d]isclosure of confidential business information regarding exploitation of the Estate's musical assets could hamper the Special Administrator's or Personal Representative's administration of the Estate, negatively impact business negotiations, and ultimately impact the value of the Estate." Order at 8. Judge Eide also denied your clients' request for "advance notice of any agreements or business dealings" relating to the Estate's musical assets. *Id.* at 4, 8.

Your continued requests for confidential information contradict Judge Eide's Order. The Estate has no obligation to answer questions regarding the Estate's confidential business, and respectfully declines your request for such information.

Sincerely,

/s/ Lora M. Friedemann

Lora M. Friedemann
Direct Dial: 612.492.7185
Email: lfriedemann@fredlaw.com

cc: Comerica Bank & Trust N.A.
Joseph J. Cassioppi

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EXHIBIT 8

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From: Siev, Jordan W. [mailto:JSiev@ReedSmith.com]
Sent: Thursday, February 02, 2017 2:47 PM
To: Friedemann, Lora
Cc: Cassioppi, Joseph; Hoffman, Christopher P.
Subject: RE: Please see attached

Lora,

Thanks for this. We understand your letter to say that the Estate, as counter-party to an agreement with Tidal, refuses to let Tidal know whether it has breached or intends to breach that agreement. Please let me know if our understanding is correct so that we may present it accurately to the Court.

Jordan W. Siev, Esq.
ReedSmith LLP
599 Lexington Avenue
New York, New York 10022
212.205.6085
jsiev@reedsmith.com
Fax 212.521.5450
Bio: http://www.reedsmith.com/jordan_siev/

From: Friedemann, Lora [mailto:lfriedemann@fredlaw.com]
Sent: Thursday, February 02, 2017 12:37 PM
To: Siev, Jordan W.
Cc: Cassioppi, Joseph
Subject: Please see attached

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Lora M. Friedemann
Chair, IP Division

Fredrikson & Byron, P.A.
200 South Sixth Street, Suite 4000
Minneapolis, MN 55402-1425
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Assistant: 612.492.7702

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* * *

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From: Friedemann, Lora [mailto:lfriedemann@fredlaw.com]
Sent: Thursday, February 02, 2017 4:49 PM
To: Siev, Jordan W.
Cc: Cassioppi, Joseph; Hoffman, Christopher P.
Subject: RE: Please see attached

Jordan,

Our position is as stated in my letter.

Lora

From: Siev, Jordan W. [mailto:JSiev@ReedSmith.com]
Sent: Thursday, February 02, 2017 2:47 PM
To: Friedemann, Lora
Cc: Cassioppi, Joseph; Hoffman, Christopher P.
Subject: RE: Please see attached

Lora,

Thanks for this. We understand your letter to say that the Estate, as counter-party to an agreement with Tidal, refuses to let Tidal know whether it has breached or intends to breach that agreement. Please let me know if our understanding is correct so that we may present it accurately to the Court.

Jordan W. Siev, Esq.
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599 Lexington Avenue
New York, New York 10022
212.205.6085
jsiev@reedsmith.com
Fax 212.521.5450
Bio: http://www.reedsmith.com/jordan_siev/

From: Friedemann, Lora [mailto:lfriedemann@fredlaw.com]
Sent: Thursday, February 02, 2017 12:37 PM
To: Siev, Jordan W.
Cc: Cassioppi, Joseph
Subject: Please see attached

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Lora M. Friedemann
Chair, IP Division

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EXHIBIT 10

1988 WL 22946
Only the Westlaw citation is currently available.

NOTICE: THIS OPINION IS DESIGNATED AS UNPUBLISHED AND MAY NOT BE CITED EXCEPT AS PROVIDED BY MINN. ST. SEC. 480A.08(3).

Court of Appeals of Minnesota.

JET BURGER SYSTEMS, INC., et al., Appellants,
v.
STATE of Minnesota, and the Department of Transportation, Respondents.

No. C8-87-1808.
|
March 15, 1988.

Appeal from District Court, Ramsey County; Hon. Roland J. Faricy, Judge.

Attorneys and Law Firms

Phillip R. Krass, Krass & Monroe Chartered, Shakopee, for appellants.

Hubert H. Humphrey, III, Attorney General, John Galus, Special Assistant Attorney General, St. Paul, for respondents.

Considered and decided by NORTON, P.J., KALITOWSKI and SCHULTZ,* J., without oral argument.

NONPUBLISHED OPINION

KALITOWSKI, Judge.

FACTS

***1** Appellants Jet Burger, owner of Hardee's Restaurant located on State Highway 96 in White Bear Lake, Minnesota and Andrea Drake, owner of an Amoco service station located just west of Hardee's, sought an injunction to prohibit respondent Minnesota Department of Transportation (MnDOT) from closing a median curbcut which gives westbound traffic access to appellants' establishments. Westbound traffic on Trunk Highway 96 accesses appellants' businesses by turning left at the median and crossing two lanes of eastbound traffic.

Respondents' refusal to compensate appellants for closure of the median prompted appellants' request for a temporary injunction prohibiting the median closure pending adjudication of appellants' action seeking either permanent injunction or writ of mandamus compelling commencement of eminent domain proceedings.

Appellants' request for temporary injunction was denied by the trial court. We affirm.

DECISION

The grant or denial of a temporary restraining order or injunction rests largely upon judicial discretion and will not be reversed unless the record discloses abuse of such discretion. *See, e.g., General Minnesota Utilities Co., v. Carlton County Cooperative Power Ass'n.,* 221 Minn. 510, 22 N.W.2d 673 (1946).

In this matter the trial court denied appellant's request for a temporary restraining order. The trial court properly addressed factors to be considered when a party requests a temporary restraining order. *See, e.g., Dahlberg Brothers, Inc. v. Ford Motor Co.,* 272 Minn. 264, 274-75, 137 N.W.2d 314, 321-22 (1965).

Under *Dahlberg* the trial court should consider:

(1) The relationship between the parties before dispute arose; (2) harm plaintiff may suffer if injunction is denied, compared to harm inflicted on defendant if injunction is granted; (3) likelihood plaintiff will prevail on the merits; (4) public policy considerations; and (5) administrative burdens imposed upon the court if the temporary restraining order is issued.

Id.

Here respondent MnDOT is a state agency. In its analysis the trial court properly considered MnDOT's final authority regarding location, construction and maintenance of the trunk highway system which is subject only to the requirement the Agency not act arbitrarily nor capriciously. Minn.Stat. § 14.69. Nothing in the record

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indicates the design and implementation of this project is arbitrary or capricious.

Affirmed.

All Citations

Not Reported in N.W.2d, 1988 WL 22946

Footnotes

* Acting as judge of the Court of Appeals by appointment pursuant to Minn. Const. art. 6, § 2.

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EXHIBIT 11

2016 WL 4069225
Only the Westlaw citation is currently available.

NOTICE: THIS OPINION IS DESIGNATED AS UNPUBLISHED AND MAY NOT BE CITED EXCEPT AS PROVIDED BY MINN. ST. SEC. 480A.08(3).

Court of Appeals of Minnesota.

DEXON COMPUTER, INC., Respondent,
v.
MODERN ENTERPRISE SOLUTIONS, INC., Appellant,
Timothy Durant, et al., Defendants.

No. A16–0010.
|
Aug. 1, 2016.

Hennepin County District Court, File No. 27–CV–15–17171.

Attorneys and Law Firms

Scott M. Flaherty, Michael C. Wilhelm, Michael M. Lafeber, Briggs and Morgan, P.A., Minneapolis, MN, for respondent.

Christopher J. Harristhal, Daniel J. Ballintine, Andrew David Moran, Larkin Hoffman Daly & Lindgren Ltd., Minneapolis, MN, for appellant.

John A. Fabian, Nicholas G.B. May, Fabian May & Anderson PLLP, Minneapolis, MN, for defendants Timothy Durant and Andrew Uzpen.

Considered and decided by JESSON, Presiding Judge; HALBROOKS, Judge; and HOOTEN, Judge.

UNPUBLISHED OPINION

JESSON, Judge.

***1** Appellant Modern Enterprise Solutions Inc. (MES) claims that the district court abused its discretion by granting a temporary restraining order. MES argues that the district court's order was based on improper evidence. MES also maintains that respondent Dexon Computer Inc. is unlikely to prevail on its underlying claims and has failed to show that without a restraining order it will suffer irreparable harm. We affirm.

FACTS

Dexon buys and sells computer equipment. In early 2015 and for several years prior, defendants Andrew Uzpen and Timothy Durant worked as sales representatives at Dexon. In March of 2015, Uzpen ended his employment with Dexon and took a job with its competitor, MES. In August of 2015, Durant also left Dexon for a position with MES. At the time they left, Dexon was concerned that Uzpen and Durant took Dexon customer-leads list information, described further below, with them to MES.

Dexon maintains a list of customer leads that includes company names, contact information, and hardware brand preferences for actual and potential Dexon customers. Dexon purchases some of this information from Data.com, a service to which MES also subscribes. But Dexon also develops the leads list through the research and networking of its employees. Dexon's full customer-leads list includes tens of thousands of contacts. Only a few individuals within Dexon have access to this master list. Most employees have access only to a portion of the leads list and use it to solicit sales.

The leads list is stored on the Dexon computer network, which can be accessed through computers in Dexon's offices. Although Uzpen and Durant dispute the extent to which these policies were enforced, Dexon maintains that it requires employees to have usernames and passwords to access Dexon computers and that employees must use keys to access its offices.

Dexon instructs employees to back-up their customer-leads list on personal flash drives and take them home. Dexon has no written confidentiality policies related to the customer-leads list and does not require employees to sign a noncompete agreement.

When Uzpen went to MES, he kept his flash drive containing the portion of the Dexon leads list to which he had access. He considered downloading this information to MES's customer-leads database, but did not because it was not compatible.

When Durant left Dexon for MES, he also had a copy of the customer-leads list on a flash drive. Just days after leaving Dexon, Durant sent a mass email informing customers that he was moving to MES and offering to underbid open Dexon orders and quotes. Durant admits that the email was sent to contacts on the portion of the Dexon customer-leads list that he had access to. A subsequent analysis of his flash drive revealed that it contained contact information for 10,056 customers and was organized by hardware preference.

After Durant left, Dexon's CEO, Stephen O'Neil, received a phone call from an anonymous MES employee on August 31, 2015. The employee told O'Neil that Durant had stolen 11,000 customer leads from Dexon and taken them to MES. The employee said that MES had encouraged the theft and was using the leads to steal Dexon's customers. The employee also told O'Neil that Uzpen brought customer leads from Dexon to MES.

***2** O'Neil later received a letter from the anonymous MES employee. The letter included copies of MES purchase orders for sales completed by Durant in the first several weeks after he left Dexon. Some of the purchase orders show that Durant made sales at MES to customers he had solicited while at Dexon.

Shortly thereafter, in September of 2015, O'Neil received a call from a former MES employee. The former employee also told O'Neil that he had heard from people inside MES that Durant had stolen Dexon's customer leads and brought them to MES.

In October 2015, Dexon filed a verified complaint against MES, Uzpen, and Durant. Dexon seeks damages for misappropriation of trade secrets and several other claims. Dexon also moved for a temporary restraining order, requesting that defendants be enjoined from "continued misappropriation of trade secrets" and other tortious activity involving use of the customer-leads list.

In December 2015, the district court issued an order granting Dexon's request for a temporary restraining order. The order prohibits MES, Uzpen, and Durant from using or disclosing any "Confidential Dexon Information," which is defined as "any and all information derived from Dexon's list of customer leads; *except* for that information included on the Dexon list that was already known by Defendant MES prior to obtaining the Dexon list; or was ... obtained by MES from the Data.com subscription." The order also requires MES, Uzpen, and Durant to return the information derived from the flash drives to Dexon and to delete any "Confidential Dexon Information" from the MES computer system or other electronic devices in their possession. This appeal follows.

DECISION

A temporary restraining order is an extraordinary equitable remedy used to preserve the status quo pending adjudication of the merits of a case. *Miller v. Foley,* 317 N.W.2d 710, 712 (Minn.1982). The decision to grant a temporary restraining order may be reversed only for a clear abuse of discretion. *Carl Bolander & Sons Co. v. City of Minneapolis,* 502 N.W.2d 203, 209 (Minn.1993). The district court's factual findings will not be set aside unless clearly erroneous. *LaValle v. Kulkay,* 277 N.W.2d 400, 402 (Minn.1979). We view the facts alleged in the pleadings and affidavits in the light most favorable to the party prevailing in the district court. *Pacific Equip. & Irr., Inc. v. Toro Co.,* 519 N.W.2d 911, 914 (Minn.App.1994), *review denied* (Minn. Sept. 16, 1994).

A district court may grant a temporary restraining order if the party seeking the order establishes that monetary damages are not adequate and that denial of the order will result in irreparable harm. *Cherne Indus., Inc. v. Grounds & Assocs., Inc.,* 278 N.W.2d 81, 92 (Minn.1979). In evaluating whether the district court abused its discretion by granting a temporary restraining order, we consider five factors: (1) the nature and background of the relationship between the parties; (2) the balance of harms suffered by the parties; (3) the likelihood that the party seeking the injunction will prevail on the merits; (4) public-policy considerations as expressed in statute; and (5) the administrative burdens involved in judicial supervision and enforcement of the injunction. *Dahlberg Bros., Inc. v. Ford Motor Co.,* 272 Minn. 264, 274–75, 137 N.W.2d 314, 321–22 (1965).

***3** MES argues that, in granting the temporary restraining order, the district court erred by relying on Dexon's verified complaint, including the statements of the anonymous and former MES employees. MES further argues that the district court abused its discretion by determining that Dexon is likely to succeed against MES

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on its trade secret and other claims and asserts that Dexon failed to show that it would suffer irreparable harm in the absence of an injunction. We first address MES's evidentiary arguments and then discuss Dexon's likelihood of success, irreparable harm, and the remaining *Dahlberg* factors.

A. MES's evidentiary claims

MES argues that Dexon's complaint "was not properly verified and could not support injunctive relief as a matter of law." MES claims that a verified complaint must be based only on personal knowledge and that it is unclear what allegations in Dexon's complaint are based on "reliable information" and what allegations are based on personal knowledge. MES further argues that the statements of the anonymous and former MES employees are hearsay and were improperly considered. We disagree.

A temporary restraining order may be granted based solely on a complaint if the complaint makes out a sufficient case, is verified, and contains positive allegations. Minn. R. Civ. P. 65.01; *Indep. Sch. Dist. No. 35 v. Engelstad,* 274 Minn. 366, 369, 144 N.W.2d 245, 248 (1966). "[E]vidence is 'positive' where the witness states that a certain thing did or did not happen or exist." *Miller v. Hughes,* 259 Minn. 53, 59, 105 N.W.2d 693, 698 (1960).

MES cites a number of cases stating that injunctive relief cannot be issued on facts stated on information and belief alone. *See e.g., Armstrong v. Sanford,* 7 Minn. 49, 52, 7 Gil. 34, 40 (1862). But MES's verified complaint is not based only on information and belief. The verification states that the complaint is based on O'Neil's "personal knowledge and reliable information." Many of the allegations in the complaint are positive and are within O'Neil's personal knowledge as the CEO of Dexon. For example, O'Neil would have personal knowledge of when Uzpen and Durant were employed at Dexon; of Uzpen and Durant's job duties and access to the customer-leads list while at Dexon; and of how Dexon develops, stores, and uses customer-lead information. O'Neil also personally received the mass email Durant sent to Dexon customers shortly after leaving for MES.

Furthermore, as the district court noted, many of the allegations in the complaint are supported not just by the complaint but also by the affidavits of Uzpen and Durant. Both Uzpen and Durant admitted that they left Dexon for MES and that they took flash drives with them containing Dexon's customer-leads list. Durant admits that he sent out the mass email using Dexon's customer-leads list. Durant also admits that he solicited business from customers while at MES that he had previously worked with at Dexon. In addition, sales Durant made to Dexon customers shortly after leaving Dexon are catalogued in the purchase orders attached to the complaint.

***4** MES's arguments that the district court erred by relying on the statements of the anonymous MES employee and the former MES employee are also unavailing. Even if this information is hearsay, given the haste with which preliminary-injunction decisions must be made, the United States Supreme Court has said that an injunction is "customarily granted on the basis of procedures that are less formal and evidence that is less complete than in a trial on the merits." *Univ. of Texas v. Camenisch,* 451 U.S. 390, 395, 101 S.Ct. 1830, 1834 (1981). Many federal courts of appeal have therefore permitted hearsay to provide the basis for preliminary injunctive relief. *See, e.g., Mullins v. City of New York,* 626 F.3d 47, 51–52 (2d Cir.2010) (listing decisions from other circuits that allow preliminary injunctive relief to be based on hearsay and adopting that position). We find this reasoning persuasive.

MES points to an unpublished decision of this court stating that a district court may not grant a preliminary injunction based on hearsay. *Kelley v. Rudd,* No. C7–91–1142, 1992 WL 3651 (Minn.App. Jan. 14, 1992), *review denied* (Minn. Mar. 26, 1992). But unpublished decisions are not precedential. Minn.Stat. § 480A.08, subd. 3 (2014). And *Kelley* denied injunctive relief because the appellant's affidavit was "based entirely on hearsay evidence." 1992 WL 3651, at *4. In contrast, the district court here granted the injunction based not only on the statements of the anonymous and former MES employees but also on the facts in the complaint that were within O'Neil's personal knowledge, on the admissions of Uzpen and Durant, and on other documentary evidence.

B. Likelihood that Dexon will succeed on its claims against MES

We begin our analysis of the *Dahlberg* factors by discussing Dexon's likelihood of succeeding on the merits of its claims. "If a plaintiff can show no likelihood of prevailing on the merits, the district court errs as a matter of law in granting a temporary injunction." *Metro. Sports*

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Facilities Comm'n. v. Minn. Twins P'ship, 638 N.W.2d 214, 226 (Minn.App.2002), *review denied* (Minn. Feb. 4, 2002).

1. Misappropriation of trade secrets

To prevail on a claim under the Uniform Trade Secrets Act, Minn.Stat. §§ 325C.01–.08 (2014), the plaintiff must show both the existence and misappropriation of a trade secret. *Electro–Craft Corp. v. Controlled Motion, Inc.,* 332 N.W.2d 890, 897 (Minn.1983). The act defines a trade secret as information that (1) is not generally known or readily ascertainable; (2) derives independent economic value from secrecy; and (3) is the subject of efforts that are reasonable under the circumstances to maintain secrecy. Minn.Stat. § 325C.01, subd. 5(i), (ii); *Electro–Craft Corp.,* 332 N.W.2d at 899–901. If an employee acquires a trade secret without express notice that it is a trade secret, then the employee must know or have reason to know that the owner expects secrecy. Minn.Stat. § 325C.01, subd. 5.

***5** MES argues that the customer-leads information is not a trade secret because this information was either already possessed by MES or readily ascertainable. MES also argues that Dexon failed to undertake reasonable efforts to keep its customer-leads list confidential. The district court's findings on whether information is generally known or readily ascertainable and on whether information is the subject of efforts that are reasonable under the circumstances to maintain secrecy are findings of fact that we review for clear error. *Electro–Craft,* 332 N.W.2d at 899, 902.

a. Generally known or readily ascertainable

The district court acknowledged that some of the information in the customer-leads list was already possessed by MES through its Data.com subscription. The district court, however, found that Dexon's customer-leads list also included information that was not from Data.com. The question then is whether the information not included in the Data.com subscription was generally known or readily ascertainable.

We acknowledge that customer-lead lists are generally not trade secrets. *See Blackburn, Nickels & Smith, Inc. v. Erickson,* 366 N .W.2d 640, 645 (Minn.App.1985) (holding that a customer list did not constitute a trade secret because "[i]t could be easily duplicated from public sources"), *review denied* (Minn. June 24, 1985). The information contained in customer-lead lists is often " 'readily ascertainable by proper means' over the course of time without efforts beyond those ordinarily exerted by salesmen in developing customers." *Fleming Sales Co. v. Bailey,* 611 F.Supp. 507, 514 (N.D.Ill.1985).

However, this case involves a very large amount of information—Durant's flash drive contained data on over 10,000 customers. In *Cherne,* our supreme court stated that "[t]he presence of an alternate means of obtaining the names of [10,000 potential customers] ... without more, is not sufficient to establish that the information is generally ascertainable." 278 N.W.2d at 90. The district court concluded that Dexon's customer-leads list "included information that its employees acquired through their own networking and research" and "included relevant sales information specific to individual actual and potential customers." Because it could take MES significant time and effort to assemble a customer list containing the large amount of information contained on the Dexon list, the district court's finding that the customer-leads list was not generally known or readily ascertainable is not clearly erroneous.

b. Efforts that are reasonable under the circumstances to maintain secrecy.

MES argues that every case finding reasonable efforts to maintain the secrecy of customer-leads information involves a noncompete or confidentiality agreement identifying the information as confidential. *See, e.g., Cherne,* 278 N.W.2d at 90 (noting reasonable efforts to maintain secrecy of customer-leads information where employees signed a covenant not to compete that prohibited them from disclosing or taking confidential information). Here, there was no noncompete or confidentiality agreement and no written confidentiality policy. But MES has not cited any decision specifically requiring the use of confidentiality agreements or explicit policies. This is because the statute does not require any specific actions. Instead, the test is whether the information "is the subject of efforts that are reasonable *under the circumstances* to maintain its secrecy." Minn.Stat. § 325C.01, subd. 5(i) (emphasis added).

***6** MES maintains that the customer-leads list was "unprotected" and cites case law stating that reasonable efforts are not made when supposedly trade secret information is not "locked up." *Nordale, Inc. v. Samsco, Inc.,* 830 F.Supp. 1263, 1274 (D.Minn.1993) (citing

Gordon Employment, Inc. v. Jewell, 356 N.W .2d 738, 741 (Minn.App.1984)). But the district court found that passwords were necessary to logon to Dexon computers and that keys were necessary to access Dexon's offices. Although Uzpen and Durant challenge the extent to which these policies were enforced, the district court's finding is based on information in Dexon's verified complaint, and, on appeal, we must view the evidence in the light most favorable to the district court's order. *Toro Co.,* 519 N.W .2d at 914. Dexon protected the customer-leads list information by requiring passwords to access the computers on which the list was stored and by locking its offices. This is the twenty-first century equivalent of keeping the customer-leads list in a locked file and provides support for the district court's finding that Dexon took reasonable efforts to maintain the secrecy of the list.

Dexon never explicitly informed its employees that the customer-leads list information was confidential. This, however, does not negate the existence of a trade secret as long as, under the circumstances, the employee "knows or has reason to know that the owner intends or expects the secrecy of the type of information comprising the trade secret to be maintained." Minn.Stat. § 325C.01, subd. 5. By only allowing employees to access a portion of the customer-leads list, requiring passwords to access its computer network, and locking its offices, Dexon indicated to employees that the information was confidential. Dexon's security measures were undoubtedly weakened by Dexon's instruction to employees to download the information onto flash drives, but its other actions did provide employees with a "reason to know" that Dexon intended the information to be confidential. Moreover, district court judges can apply common sense, as the court did here, finding that "Durant and Uzpen could not have reasonably believed they were permitted to take with them to their new employer a list of over 10,000 customers ..., developed by Dexon."

We acknowledge that this was a close issue for the district court. But in reviewing a district court's findings, it is not our role to ascertain whether we would reach the same result. As the reviewing court, our task is only to assess whether the district court's finding is clearly erroneous. *See Electro–Craft Corp.,* 332 N.W.2d at 899, 902. We conclude that the district court did not clearly err in finding that Dexon made reasonable efforts to maintain the secrecy of the client-leads list, and it did not abuse its discretion by determining that Dexon is likely to succeed on its misappropriation-of-trade-secret claim.

2. Tortious interference with prospective economic advantage

***7** To prevail on a claim of tortious interference with prospective economic advantage, a plaintiff must prove: (1) the existence of a reasonable expectation of economic advantage; (2) the defendant's knowledge of that expectation; (3) the defendant's intentional interference with the plaintiff's reasonable expectation of economic advantage in a manner that is tortious or in violation of a state or federal statute or regulation; (4) that without the defendant's interference, it is reasonably probable that plaintiff would have realized this economic advantage; and (5) that the plaintiff suffered damages. *Gieseke ex. rel. Diversified Water Diversion, Inc. v. IDCA, Inc.,* 844 N.W.2d 210, 219 (Minn.2014). Dexon claims that, by soliciting its customers using the customer-leads list, MES interfered with Dexon's reasonable expectation of economic advantage. It claims that this interference was tortious because it involved the misappropriation of trade secrets and the conversion of Dexon's customer-leads list.

Given that the leads list was not generally known or readily ascertainable and contained information presumably helpful in making sales, Dexon likely did have a reasonable expectation of economic advantage. By using the likely trade-secret customer-leads list, MES may have tortiuously interfered with that expectation. The district court's determination that Dexon is likely to succeed on this claim is not an abuse of discretion. [1]

Because Dexon is likely to succeed against MES on at least some of its claims, [2] the district court did not abuse its discretion by determining that the likelihood-of-success factor weighed in favor of granting the injunction.

C. Irreparable harm

The party seeking a temporary restraining order must establish that the order is necessary to prevent irreparable harm and that there is no adequate legal remedy. *Cherne,* 278 N.W.2d at 92. MES argues that Dexon failed to meet this burden.

Irreparable harm may be inferred from the misappropriation of confidential or trade secret

information. *Creative Commc'ns Consultants, Inc. v. Gaylord,* 403 N.W.2d 654, 657 (Minn.App.1987). Dexon has established that MES likely misappropriated its trade secret customer-leads list. There is also evidence that Durant's use of the list has resulted in Dexon losing customers. Dexon has shown irreparable harm.

MES also argues that the legal remedy of damages would be adequate to compensate any harm suffered by Dexon. The district court's determination that a legal remedy would not be adequate is not an abuse of discretion. The list contains more than 10,000 actual and potential customers. It would be very difficult to determine after the fact whether Dexon lost those customers to MES as a result of MES obtaining the customer-leads list or for some other legitimate reason. Thus causation would be difficult to establish, and damages would be speculative.

D. The nature of the parties' relationship

***8** The nature and background of the parties' relationship is also one of the *Dahlberg* factors. *Dahlberg Bros., Inc.,* 272 Minn. at 274, 137 N.W.2d at 321. The purpose of a temporary restraining order is to maintain the status quo of the parties' relationship until a decision on the merits can be reached. *Foley,* 317 N.W.2d at 712.

MES argues that the restraining order does not maintain the status quo as of the date the district court issued the order, but rather reverts the matter back to the situation before Durant took the customer-leads information with him to MES. We disagree. The district court's order does not require MES to abandon any customers it has gained as a result of the use of the customer-leads list. It merely requires the company to refrain from using the confidential information going forward and to return the information to Dexon. This maintains the status quo by preserving fair competition between the parties.

The district court did not abuse its discretion by determining that this factor weighs in favor of granting the temporary restraining order.

E. Public-policy considerations

The fourth *Dahlberg* factor requires the court to consider whether public-policy considerations as expressed in statute favor either party. 272 Minn. at 275, 137 N.W.2d at 321–22. The Uniform Trade Secrets Act expresses a desire to eliminate the misappropriation of trade secrets. *See* Minn.Stat. §§ 325C.01–.08. The district court did not abuse its discretion by concluding that this factor weighs in favor of an injunction.

F. Administrative burden

The final *Dahlberg* factor is the administrative burden of judicial supervision and enforcement of the temporary restraining order. 272 Minn. at 275, 137 N.W.2d at 322. The district court determined that the administrative burden placed on the court weighed neither for nor against granting injunctive relief.

A report from a computer forensic expert indicated that deleting the information the district court termed confidential from MES's servers would take approximately 8–12 days. After the information is deleted, little to no additional oversight appears necessary. While the district court has had to issue one clarifying order, no hearing was held, and Dexon did not contest the clarification sought by MES.

The district court fashioned a common-sense injunction that appears easy to understand, implement, and maintain. The district court did not abuse its discretion by determining that this factor does not weigh against granting the order.

G. Conclusion

The district court considered the evidence presented by both parties and issued a thorough and thoughtful order discussing each *Dahlberg* factor in depth. The district court's temporary restraining order was not an abuse of discretion.

Affirmed.

All Citations

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Footnotes

1 The district court also concluded that MES is likely to succeed on its claim of unfair competition. Unfair competition is not an independent tort and does not have specific elements. *Rehabilitation Specialists, Inc. v. Koering,* 404 N.W.2d 301, 305–06 (Minn.App.1987). Instead, an unfair-competition claim can be based on successful claims of tortious interference with prospective economic advantage or misappropriation of trade secrets. *See United Wild Rice, Inc. v. Nelson,* 313 N.W.2d 628, 632 (Minn.1982). Accordingly, we need not separately address Dexon's likelihood of success on that claim.

2 Dexon also brought a conversion claim against MES. The district court found that “[i]t is possible that Dexon may prevail on its conversion argument.” Dexon concedes that the district court did not base the temporary restraining order on its likelihood of success on this claim. For this reason, we do not address it.

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EXHIBIT 12

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1988 WL 42517
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NOTICE: THIS OPINION IS DESIGNATED AS UNPUBLISHED AND MAY NOT BE CITED EXCEPT AS PROVIDED BY MINN. ST. SEC. 480A.08(3).

Court of Appeals of Minnesota.

Muriel VOLD, Appellant,
v.
Carlton MOE, Peter Muellenbach,
State Bank of Wheaton, Respondents.

No. C2-88-1085.
|
Oct. 11, 1988.

Appeal from District Court, Traverse County; Hon. R.A. Bodger, Judge.

Attorneys and Law Firms

Gerald J. Seibel, Morris, for appellant.

Richard C. Hefte, Rufer & Hefte, Fergus Falls, for Carlton Moe.

Todd S. Lundquist, Mankato, for Peter Muellenbach.

James H. Martin, Morris, for State Bank of Wheaton.

Heard, considered and decided by CRIPPEN, P.J., FORSBERG and LOMMEN, JJ.

UNPUBLISHED OPINION

LOMMEN,* Judge.

FACTS

***1** In April 1980, attorney Carlton Moe drafted a will for Hans Vold and named Vold's wife, Muriel, and respondent Peter Muellenbach (Muellenbach) co-personal representatives of the estate and co-trustees of a trust. Hans died in July 1980. Appellant Muriel Vold (Vold) was the sole beneficiary under the will, but some money was put into trust. Vold had no prior relationship with Muellenbach or with respondent State Bank of Wheaton (the bank).

Vold's son Irvin was a customer at the bank. He asked his mother to provide collateral for a loan he sought in March 1981. Vold assigned some certificates of deposit, which were held individually, as well as by her deceased husband, as collateral for the loan.

Subsequently, two certificates in Hans' name were returned to be put in trust under the terms of the will. Shortly after the return of the two certificates, Vold executed a personal guarantee as collateral to cover the return of the certificates.

Irvin failed to make payments on the loan. Subsequently, he filed a Chapter 7 bankruptcy petition discharging his liability on all of the promissory notes he had signed. The bank retained the certificates and the personal guarantee.

Vold sued Muellenbach and the bank, alleging breach of fiduciary duty, fraud, and failure of consideration for the personal guarantee.

Muellenbach and the bank moved for summary judgment, arguing there was no breach of fiduciary duty as co-personal representative or under a bank/customer relationship, and no liability for fraud or inadequate consideration for the personal guarantee. Vold challenges the trial court's award of summary judgment.

DECISION

Our review of a summary judgment decision is limited to determining whether there are any material issues of fact and whether the trial court erred in its application of the law. *Betlach v. Wayzata Condominium,* 281 N.W.2d 328, 330 (Minn.1979).

Minn.Stat. § 524.3-703(a) (1986) sets forth the general duties owed by a personal representative as follows:

A personal representative is a fiduciary who shall observe the standards of care in dealing with the estate assets that would be observed by a prudent person dealing with the property of another, and if the personal representative has special skills or is named personal representative on the basis of representation of special skills or expertise,

the personal representative is under a duty to use those skills. The personal representative is under a duty to settle and distribute the estate of the decedent in accordance with the terms of any probated and effective will and applicable law, and as expeditiously and efficiently as is consistent with the best interest of the estate. The personal representative should use the authority conferred upon him by applicable law, and terms of the will, if any, and any order and proceedings to which the personal representative is a party for the best interests of successors to the estate.

Vold argues Muellenbach breached his duty as co-personal representative by accepting the assignment of the certificates.

***2** In *In the Matter of the Will of Kelly,* 266 N.W.2d 700 (Minn.1978), the Minnesota Supreme Court held that a co-trustee who actively participated in the management of estate assets in a trust could not maintain an action against her co-trustee. *Id.* at 703. The trial court relied on *Kelly* and found that Vold actively engaged in the assignment of the certificates of deposit. The record supports the trial court's findings. No material issues of fact exist concerning Muellenbach's duties as a co-representative, and the trial court did not err in applying *Kelly* to the facts of this case.

Vold also argues that the bank breached its duty to her by failing to disclose all material facts of the assignment. The trial court relied on *Klein v. First Edina National Bank,* 293 Minn. 418, 196 N.W.2d 619 (1972) for the duty owed by a bank to its customers:

We believe the correct rule to be that when a bank transacts business with a depositor or other customer, it has no special duty to counsel the customer and inform him of every material transaction * * * unless special circumstances exist, such as where the bank knows or has reason to know that the customer is placing his trust and confidence in the bank and is relying on the bank so to counsel and inform him.

Id. at 422, 196 N.W.2d at 623.

Vold is not a customer, and presented no evidence that she placed her trust and confidence in Muellenbach. In any event, nothing in the record indicates that Muellenbach made any misrepresentations. Vold went to the bank on behalf of her son who was a customer, she asked no questions of her son's financial condition nor of the transaction, and the bank stated by affidavit that it believed Irvin to be solvent at the time of the transaction. These facts establish that the bank did not breach any duty to Vold. In addition, *Klein* was appropriately relied upon by the trial court.

Similarly, the record establishes that Muellenbach did not commit fraud upon Vold as beneficiary by failing to divulge her son's financial condition and by inducing her to pledge her certificates as security. Vold accompanied her son to the bank of her own volition, not at the bank's request. She made no inquiries about her son's financial condition, and admitted no knowledge of inducement or misrepresentation.

Finally, Vold argues the personal guarantee which was executed after the return of the estate certificates is void for lack of consideration. She asserts that because the bank was already obligated to return the certificates, the return does not constitute consideration for the personal guarantee.

The trial court stated:

The bank was conferring a financial benefit to Irvin which is sufficient consideration to the accommodating guarantor. In reality, the bank was not receiving the security for which it bargained. Upon receipt of the personal guarantee * * * the bank was merely achieving the financial position it had originally sought.

***3** No one disputes that the extension of credit is sufficient consideration for the initial assignment of the certificates. We agree with the trial court that no new consideration is required for a modification of a contract to supply the originally bargained for consideration. *See Breza v. Thalford,* 276 Minn. 180, 182, 149 N.W.2d 276, 279 (1967). The trial court did not err as a matter of law in referring to the extension of credit to Irvin as constituting consideration for the personal guarantee.

The grant of attorney fees is discretionary. *See* Minn.Stat. § 549.21 (1986). We find no abuse of discretion by the trial court in denying the fees.

No material issues of fact exist concerning the alleged breach of duties, fraud, and lack of consideration. The trial court did not misapply the law to the facts of this case;

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accordingly, we affirm the trial court's award of summary judgment in favor of respondents.

Affirmed.

All Citations

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Footnotes

* Acting as judge of the Court of Appeals by appointment pursuant to Minn. Const. art. VI, § 2.

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EXHIBIT 13

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NOTICE: THIS OPINION IS DESIGNATED AS UNPUBLISHED AND MAY NOT BE CITED EXCEPT AS PROVIDED BY MINN. ST. SEC. 480A.08(3).

Court of Appeals of Minnesota.

John R. VOITA, Special Administrator of the Estate of Vivian P. Voita, Appellant,
v.
Thomas PARRISH, Respondent.

No. A14–1101.
|
March 9, 2015.

Dakota County District Court, File No. 19HA–CV–14–361.

Attorneys and Law Firms

John R. Voita, Amery, WI, pro se appellant.

Arthur L. Brown, Briggs and Morgan, P.A., Minneapolis, MN, for respondent.

Considered and decided by HALBROOKS, Presiding Judge; JOHNSON, Judge; and LARKIN, Judge.

UNPUBLISHED OPINION

LARKIN, Judge.

***1** Pro se appellant, special administrator of a probate estate in Ramsey County District Court, challenges the dismissal of a lawsuit he filed against respondent in Dakota County District Court, seeking to recover funds allegedly diverted from the estate. Appellant argues that the Dakota County District Court erred by concluding that it did not have subject-matter jurisdiction and that appellant failed to state a claim upon which relief could be granted. We conclude that the Dakota County District Court did not err by declining to exercise jurisdiction. However, because the district court declined to exercise jurisdiction, it should not have reached the merits of appellant's complaint and dismissed it with prejudice. We therefore affirm the dismissal on jurisdictional grounds, but we modify the dismissal so that it is without prejudice.

FACTS

Vivian P. Voita died on November 19, 2010. Appellant John R. Voita and respondent Thomas J. Parrish are named beneficiaries in decedent's will. In December 2011, Voita petitioned the probate division of the Ramsey County District Court (probate court) for formal probate of the will and appointment as personal representative of the estate. In February 2012, the probate court appointed Voita as Special Administrator of the Estate of Vivian P. Voita. The probate court authorized Voita to research the existence of probate assets and to access decedent's banking and financial records.

After reviewing decedent's financial records, Voita notified the probate court that $77,643.95 was missing from the estate. Voita alleged that decedent sold her home in March 2003 for approximately $161,000. In April 2003, the decedent and Parrish opened a joint account and deposited $115,000 in the account. On the day the account was opened, decedent and Parrish purchased a certificate of deposit in the amount of $45,000. In May 2003, Parrish purchased three $25,000 certificates of deposit solely in his name. In September 2012, Voita asked the probate court to order Parrish to turn over all of his financial records and tax returns from 2003 through 2010.

In response, a probate court referee informed Voita, by letter dated September 28, 2012, that “[u]nder the Minnesota Multi–Party Accounts Act, funds in a joint account go to the survivor of the account absent evidence that it should go elsewhere.” The referee further informed Voita that “[o]nce these funds were put into joint ownership with Thomas Parrish, the money was no longer in a position to be part of the probate estate or to be distributed in accordance with the Will unless you can provide a legal basis and evidence that it should.” It does not appear that Voita took further action in the probate court. In this appeal, Voita states that “[t]he estate of [decedent] has never been settled as of this date, and can be made active at any time by [Voita].”

In February 2014, Voita filed an action for conversion against Parrish in Dakota County District Court. The complaint alleged that Parrish had been decedent's

conservator and that he "converted to his own use, funds of Vivian P. Voita during her lifetime, in excess of $77,643.95," as well as additional funds after her death. The complaint described the joint account and certificates of deposit, and alleged that there was no evidence that monies used to purchase the three certificates of deposit in May 2003 were ever returned to the decedent. Parrish moved to dismiss the complaint on the grounds that the probate court had exclusive jurisdiction over the matter and that Voita had failed to state a claim upon which relief could be granted.

***2** In April 2014, the Dakota County District Court granted Parrish's motion to dismiss. The district court ruled that it did not have subject-matter jurisdiction over matters included in the probate court file. The district court also ruled that Voita failed to state a claim upon which relief could be granted and dismissed his complaint with prejudice. This appeal follows.

DECISION

Voita challenges the district court's conclusions that it lacked subject-matter jurisdiction and that he failed to state a claim upon which relief could be granted. He asks this court to set aside the district court's decision and order the district court to transfer jurisdiction to Ramsey County District Court or to dismiss the matter without prejudice.

I.

"Subject-matter jurisdiction is 'a court's power to hear and determine cases of the general class or categor[ies] to which the proceedings in question belong.' " *Bode v. Minn. Dep't of Natural Res.,* 594 N.W.2d 257, 259 (Minn.App.1999) (quoting *Black's Law Dictionary* 1425 (6th ed.1990)), *aff'd,* 612 N.W.2d 862 (Minn.2000). The existence of subject-matter jurisdiction is a question of law which this court reviews de novo. *Shaw v. Bd. of Regents of the Univ. of Minn.,* 594 N.W.2d 187, 190 (Minn.App.1999), *review denied* (Minn. July 28, 1999).

Probate courts have "been consolidated into district courts of general jurisdiction." *In re Estate of Janecek,* 610 N.W.2d 638, 641 (Minn.2000). "There is no district court which is not also a probate court, and no distinction between the courts." *In re Estate of Mathews,* 558 N.W.2d 263, 265 (Minn.App.1997), *review denied* (Minn. Mar. 20, 1997); *see also* Minn.Stat. §§ 484.011 ("The district court shall also be a probate court."), .86, subd. 1 (2014) (permitting district courts to create divisions, including probate divisions).

A probate court has exclusive jurisdiction over actions "to determine how decedents' estates subject to the laws of this state are to be administered, expended and distributed." Minn.Stat. § 524.3–105 (2014). The probate court has concurrent jurisdiction of any other action in which the personal representative may be a party, including actions to determine title to property alleged to belong to the estate. *Id.* The probate court also has jurisdiction "over all problems that arise in resolving an estate except those issues excluded by statute." *In re Estate of Sangren,* 504 N.W.2d 786, 789 (Minn.App.1993).

Because Voita brought his conversion claim in his capacity as Special Administrator of the Estate of Vivian P. Voita to recover funds that allegedly belong to the estate, the probate court has jurisdiction over the claim. *See* Minn.Stat. § 524.3–105. But it does not follow that the Dakota County District Court lacked jurisdiction. Instead, the probate court and Dakota County District Court had concurrent jurisdiction. *See* Minn. Const. art. VI, § 3 (stating that the district court has "original jurisdiction in all civil ... cases"); Minn.Stat. § 524.3–105 (describing the probate court's concurrent jurisdiction). We nonetheless conclude that the Dakota County District Court did not err by dismissing the conversion action on jurisdictional grounds.

***3** "The first-filed rule provides that where two courts have concurrent jurisdiction, the first to acquire jurisdiction generally has priority to decide the case." *Medtronic, Inc. v. Advanced Bionics Corp.,* 630 N.W.2d 438, 448–49 (Minn.App.2001). The rule is that:

> Where two actions between the same parties, on the same subject, and to test the same rights, are brought in different courts having concurrent jurisdiction, the court which first acquires jurisdiction, its power being adequate to the administration of complete justice, retains its jurisdiction and may dispose of the whole controversy,

> and no court of coordinate power is at liberty to interfere with its action. This rule rests upon comity and the necessity of avoiding conflict in the execution of judgments by independent courts....

State ex rel. Minn. Nat'l Bank of Duluth v. District Court, 195 Minn. 169, 173, 262 N.W. 155, 157 (Minn.1935) (quotation omitted).

In deciding whether to defer to another court's exercise of jurisdiction, "a district court considers judicial economy, comity between courts, and the cost to and the convenience of the litigants; and must assess the possibility of multiple determinations of the same dispute." *Medtronic,* 630 N.W.2d at 449. The second court "should seek to determine which of the two actions will serve best the needs of the parties by providing a comprehensive solution of the general conflict." *Minn. Mut. Life. Ins. v. Anderson,* 410 N.W.2d 80, 82 (Minn.App.1987) (quotation omitted). Application of the first-filed rule is reviewed for an abuse of discretion. *Medtronic,* 630 N.W.2d at 449.

In dismissing Voita's conversion action for lack of jurisdiction, the district court reasoned that "[t]he claims in this matter are the same claims that were asserted in the probate matter." We agree. In both the probate and district court proceedings, Voita alleged that $77,643.95 is missing from the probate estate and that the missing funds are related to decedent and Parrish's joint account and Parrish's certificates of deposit. Because the conversion and probate actions involve the same parties and claims, and the probate court exercised jurisdiction first, the Dakota County District Court did not abuse its discretion in deferring to the probate court's exercise of jurisdiction.

Voita argues that the Dakota County District Court erred in its jurisdictional ruling because the conversion action "had nothing to do with the estate of Vivian P. Voita, as relates to the Ramsey County Probate Court, nor was it authorized by any Ramsey County Court official, whether judge or referee." The record refutes that argument. Voita filed the conversion action as the "Special Administrator of the Estate of Vivian P. Voita." Moreover, Voita's allegations in the probate proceeding are the same as his allegations in the conversion action. Lastly, Voita's brief states that he used the conversion lawsuit "to ascertain the additional documents needed to go back to the Ramsey County Probate Court" and as a result, gained information that "will be used in the Ramsey County Probate Court to determine the actual assets of the decedent." In sum, Voita's argument that the probate and conversion cases are unrelated is without merit.

***4** Voita also argues that the Dakota County District Court should have transferred the conversion case to Ramsey County, instead of dismissing it. He does not cite authority to support that proposition. An assignment of error in a brief based on "mere assertion" and not supported by argument or authority is waived unless prejudicial error is obvious on mere inspection. *State v. Modern Recycling, Inc.,* 558 N.W.2d 770, 772 (Minn.App.1997) (quoting *Schoepke v. Alexander Smith & Sons Carpet Co.,* 290 Minn. 518, 519–20, 187 N.W.2d 133, 135 (1971)). Given Voita's assertions that the probate estate "has never been settled," that he can make it "active at any time," and that he has obtained the information he needs to proceed in the probate action, we discern no obvious prejudicial error resulting from the dismissal on jurisdictional grounds.

In sum, Dakota County District Court did not abuse its discretion by declining to exercise jurisdiction over Voita's conversion claim and dismissing the claim.

II.

Even though the Dakota County District Court concluded that it lacked jurisdiction, it nonetheless ruled on the merits of Voita's conversion claim under Minn. R. Civ. P. 12.02(e). Rule 12.02(e) allows a party to assert by motion the defense of "failure to state a claim upon which relief can be granted." "A rule 12.02(e) motion raises the single question of whether the complaint states a claim upon which relief can be granted." *Martens v. Minn. Mining & Mfg. Co.,* 616 N.W.2d 732, 739 (Minn.2000). Dismissal for failure to state a claim under Rule 12.02(e) operates as an adjudication on the merits and is with prejudice. *See* Minn. R. Civ. P. 41.02(c) (providing that unless the court specifies otherwise, any dismissal, except dismissals for lack of jurisdiction, forum non conveniens, or failure to join an indispensable party, operates as an adjudication on the merits); *Royal Realty Co. v. Levin,* 243 Minn. 30, 32, 66 N.W.2d 5, 6 (Minn.1954) (concluding that a dismissal

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under rule 12.02 is governed by rule 41.02(c) and is thus on the merits).

“If the court lacks jurisdiction over the subject matter, it never reaches the merits of the case.” *State Bd. of Med. Exam'rs v. Olson,* 295 Minn. 379, 388, 206 N.W.2d 12, 18 (Minn.1973); *see also Bell v. Hood,* 327 U.S. 678, 682, 66 S.Ct. 773, 776 (1946) (“[T]he failure to state a proper cause of action calls for a judgment on the merits and not for a dismissal for want of jurisdiction. Whether the complaint states a cause of action on which relief could be granted ... must be decided after and not before the court has assumed jurisdiction over the controversy.”). Because the district court declined to exercise jurisdiction, it should not have ruled on Parrish's motion to dismiss for failure to state a claim. Thus, the resulting dismissal with prejudice constitutes error. We therefore modify the dismissal so that it is without prejudice.

Affirmed as modified.

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EXHIBIT 14

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356 F.3d 1256
United States Court of Appeals,
Tenth Circuit.

DOMINION VIDEO SATELLITE, INC., Plaintiff–Appellee,
v.
ECHOSTAR SATELLITE CORPORATION and Echosphere Corporation, Defendants.
Word of God Fellowship, Incorporated, a Georgia Corporation, doing business as Daystar Television Network, Intervenor–Appellant,
and
Trinity Christian Center of Santa Ana, Inc., doing business as Trinity Broadcasting Network; Trinity Broadcasting of Arizona; Trinity Broadcasting of Florida, Inc.; Trinity Broadcasting of Indiana, Inc.; Trinity Broadcasting of New York, Inc.; Trinity Broadcasting of Oklahoma City, Inc.; Trinity Broadcasting of Texas; Trinity Broadcasting of Washington; Tri–State Christian TV, Inc.; TCT of Michigan, Inc.; Radiant Life Ministries, Inc.; Faith Broadcasting Network; Familynet, Inc., Amici Curiae.
Dominion Video Satellite, Inc., Plaintiff–Appellee,
v.
Echostar Satellite Corporation and Echosphere Corporation, Defendants–Appellants.
Word of God Fellowship, Incorporated, a Georgia Corporation, doing business as Daystar Television Network, Intervenor,
and
Trinity Christian Center of Santa Ana, Inc., doing business as Trinity Broadcasting Network; Trinity Broadcasting of Arizona; Trinity Broadcasting of Florida, Inc.; Trinity Broadcasting of Indiana, Inc.; Trinity Broadcasting of New York, Inc.; Trinity Broadcasting of Oklahoma City, Inc.; Trinity Broadcasting of Texas; Trinity Broadcasting of Washington; Tri–State Christian TV, Inc.; TCT of Michigan, Inc.; Radiant Life Ministries, Inc.; Faith Broadcasting Network; Familynet, Inc., Amici Curiae.

Nos. 03–1274, 03–1303.

|
Jan. 29, 2004.

Synopsis

Background: Operator of Christian-themed television network sued satellite television broadcaster for declaratory and injunctive relief, asserting that broadcaster violated exclusivity provisions of parties' transponder lease agreement by accepting other channels' applications to broadcast their programming on its transponders. The United States District Court for the District of Colorado, John L. Kane, Jr., Senior District Judge, 270 F.Supp.2d 1205, granted preliminary injunction in favor of operator, denied competing channel's motion to intervene, and ordered parties to begin arbitration. Broadcaster and competing channel appealed.

Holdings: The Court of Appeals, Seymour, Circuit Judge, held that:

[1] operator failed to establish existence of irreparable harm, supporting denial of its motion preliminary injunction relief, and

[2] competing television channel's motion to intervene was moot.

Reversed in part; dismissed in part.

Attorneys and Law Firms

***1258** Donald M. Barnes of Porter, Wright, Morris & Arthur, LLP, Washington, DC, (Salvatore A. Romano and Brian M. Castro of Porter, Wright, Morris & Arthur, LLP, Washington, DC; Thomas E. Downey, Jr., of Downey & Knickerehm, P.C., Denver, CO; and John Lynch, Jr. of Adams Lynch & Loftin P.C., Bedford, TX, with him on the briefs), for Intervenor–Appellant Word of God Fellowship, Incorporated, in No. 03–1274.

Ross W. Wooten of T. Wade Welch & Associates, Houston, TX (T. Wade Welch of T. Wade Welch & Associates, Houston, TX; and Todd Jansen of Cockrell, Quinn & Creighton, Denver, CO, with him on the briefs), for Defendants–Appellants EchoStar Satellite

Corporation and Echosphere Corporation in No. 03–1303.

Mark D. Colley of Holland & Knight LLP, Washington, DC (Thomas D. Leland of Holland & Knight LLP, Washington, DC; and Allan L. Hale and Scott A. Hyman of Hale Hackstaff Friesen, LLP, Denver, CO, with him on the briefs), for Plaintiff–Appellee, Dominion Video Satellite, Inc., in Nos. 03–1274 and 03–1303.

Colby M. May and James M. Henderson, Sr., filed an amicus curiae brief on behalf of Trinity Christian Center of Santa Ana, Inc., et al.

John T. Schmidt, Conrad M. Shumadine, Gary A. Bryant and Michael R. Katchmark of Willcox & Savage, P.C., filed an amicus curiae brief on behalf of FamilyNet, Inc.

Before SEYMOUR, MURPHY and HARTZ, Circuit Judges.

Opinion

SEYMOUR, Circuit Judge.

This appeal arises out of a contract dispute between EchoStar Satellite Corporation and Echosphere Corporation (EchoStar) and Dominion Video Satellite, Inc. (Dominion). Asserting EchoStar was violating its contract, Dominion moved for a preliminary injunction to prevent EchoStar from taking further action and to preserve the status quo while the merits of the case were being decided. In the course of these proceedings, Word of God Fellowship, Inc., d/b/a Daystar Television Network (Daystar), brought a motion to intervene as an interested party under Federal Rule of Civil Procedure 24. The district court denied Daystar's motion, granted Dominion's request for a preliminary injunction, and ordered the parties to begin arbitration proceedings pursuant to their contract. We granted EchoStar's motion to stay temporarily the district court's injunction pending appeal. Both EchoStar and Daystar challenge the district court's rulings on appeal. [1] We reverse ***1259** the district court's entry of a preliminary injunction and deem Daystar's appeal moot. [2]

I

EchoStar and Dominion both operate direct broadcast satellite systems (DBS) regulated and licensed by the Federal Communications Commission (FCC). EchoStar's DBS network is broadcast as the DISH Network, and Dominion's network is called SkyAngel. Through the SkyAngel network, which is in part comprised of twenty television channels, Dominion provides predominately Christian programming to its viewers. Conversely, the DISH Network broadcasts an extensive variety of programming which is not limited to any specific genre and offers over 150 channel options to subscribers.

EchoStar has a satellite from which it broadcasts its DISH Network programming. That satellite contains more transponders than EchoStar is permitted to use under its FCC license. [3] In order to enlarge its broadcast capabilities from this satellite, EchoStar entered into a contract (the Agreement) with Dominion under which Dominion leased eight transponders from EchoStar's satellite, and then subleased six of those transponders back to EchoStar along with the accompanying FCC license rights Dominion held. EchoStar was thereby able to increase its broadcast scope, and SkyAngel was able to broadcast via the satellite. As a result of this arrangement, SkyAngel subscribers are required to purchase DISH-brand equipment in order to receive Dominion's broadcasting from the EchoStar satellite. Consequently, both EchoStar and Dominion compete for the same customer market: individuals who wish to receive satellite-television programming and who are willing to buy DISH-brand equipment. Recognizing this potential for competition and acknowledging Dominion's interest in providing programming to a specific sub-set of satellite-television viewers—those who wish to watch only Christian–themed broadcasting—the parties included a programming exclusivity clause in the Agreement. Under the terms of the clause, Dominion has the exclusive right to transmit Christian programming from EchoStar's satellite, while EchoStar may broadcast everything except predominantly Christian programming. [4]

The Agreement also states that should either party breach the agreement, money damages would be insufficient, the harm from the breach would be irreparable, and the non-breaching party would have the right to obtain specific performance or injunctive relief. [5] The Agreement stipulated ***1260** that "[a]t the election of either party, any matter not resolved amicably between the parties

to the satisfaction of both parties, shall be subject to mandatory binding arbitration, and the other party shall submit to arbitration." Aple.App., doc. 2 at 59.

Despite the terms of the agreement, EchoStar began broadcasting two predominantly Christian channels on the DISH Network: Daystar and FamilyNet. EchoStar rejected Dominion's assertions that the broadcasts violated the exclusivity clause in the Agreement, contending it was acting in compliance with FCC regulations requiring DBS operators to set aside four percent of their available channel capacity for public interest programming. *See* 47 U.S.C. § 335(b); 47 C.F.R. § 25.701(c). Dominion disagreed and sued to enjoin EchoStar from broadcasting Daystar and FamilyNet pending arbitration between the parties. In the course of these proceedings, Daystar sought to intervene as an interested party. The district court denied Daystar's motion to intervene, granted Dominion's request for a preliminary injunction, and ordered the parties to submit to arbitration. Both EchoStar and Daystar now appeal.

II

[1] EchoStar contends the district court erred by granting Dominion's request for a preliminary injunction. "We will not set aside a preliminary injunction '[u]nless the district court abuses its discretion, commits an error of law, or is clearly erroneous in its preliminary factual findings....' " *SCFC ILC, Inc. v. Visa USA, Inc.,* 936 F.2d 1096, 1098 (10th Cir.1991) (citing *Hartford House, Ltd. v. Hallmark Cards,* 846 F.2d 1268, 1270 (10th Cir.1988)).

[2] **[3]** It is well established that in order to obtain a preliminary injunction, the moving party must establish four factors: (1) it will suffer irreparable harm if the injunction is not granted, (2) its threatened injury outweighs the harm caused to the opposing party as a result of the injunction, (3) the injunction is not adverse to the public interest, and (4) it has a substantial likelihood of success on the merits of the case. *Prairie Band of Potawatomi Indians v. Pierce,* 253 F.3d 1234, 1246 (10th Cir.2001). In examining these factors, courts have consistently noted that "[b]ecause a showing of probable irreparable harm is the single most important prerequisite for the issuance of a preliminary injunction, the moving party must first demonstrate that such injury is likely before the other requirements for the issuance of an injunction will be considered." *Reuters Ltd. v. United Press Int'l, Inc.,* 903 F.2d 904, 907 (2d Cir.1990) (internal ***1261** quotations omitted); *see also Bandag, Inc. v. Jack's Tire & Oil, Inc.,* 190 F.3d 924, 926 (8th Cir.1999) (per curiam); *Shred–It USA, Inc. v. Mobile Data Shred, Inc.,* 202 F.Supp.2d 228, 233 (S.D.N.Y.2002); *Paradise Distribs., Inc. v. Evansville Brewing Co., Inc.,* 906 F.Supp. 619, 622 (N.D.Okla.1995). Likewise, because "a preliminary injunction is an extraordinary remedy, the right to relief must be clear and unequivocal." *SCFC ILC, Inc.,* 936 F.2d at 1098 (internal citation omitted).

In granting Dominion's request for a preliminary injunction against EchoStar, the district court found, in part, that Dominion had suffered irreparable harm as a result of EchoStar's alleged breach of the Agreement. The court based its determination on two intertwined grounds. First, it gave great weight to section 12.3.1 of the parties' Agreement, in which EchoStar and Dominion agreed that any violation of their contract would constitute irreparable injury and would therefore warrant injunctive relief. While the court declined to bind itself wholly to the parties' private determination regarding irreparable harm, it nonetheless concluded that "the understanding reflected in § 12.3.1 of the parties' Agreement in this case is a clear and unavoidable concession of [irreparable harm] and I will treat it as such." Jt.App., Vol. II at 441.

In making its irreparable harm determination, however, the district court rejected all of Dominion's proffered arguments regarding how it suffered harm as a result of EchoStar's breach of the Agreement. Based on evidence presented by EchoStar, the court dismissed Dominion's assertion that its very existence was threatened by EchoStar's broadcast of Daystar and FamilyNet, noting Dominion had not shown it was "losing customers or [its] competitive position in the marketplace because of the violation of the exclusivity provisions. At most, Dominion simply states that such losses are an inevitable result. The statement is wholly conclusory and, standing alone, would not justify the issuance of a preliminary injunction." *Id.* at 442. The court similarly rejected Dominion's contentions that it was close to business failure and that damage to its business could not be quantified:

> In fact, the opposite appears to be the case. EchoStar's expert witnesses persuasively demonstrated that a loss in the marketplace because of a particular reason would be readily

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> determinable if proper methodology were used. There is simply no basis for finding that Dominion has suffered harm to its goodwill as a result of EchoStar's actions.

Id. In the appeal before us, Dominion does not challenge any of these findings.

Despite the court's wholesale rejection of Dominion's specific arguments regarding irreparable harm, the court nonetheless found Dominion had satisfied the irreparable harm factor of the preliminary injunction test. In reaching its conclusion, the court focused on what it deemed to be the unique nature of the exclusivity provisions of the Agreement. The court found that by leasing eight transponders on EchoStar's satellite and then subleasing six of those transponders and their accompanying FCC license rights back to EchoStar, Dominion limited its viewing market to customers who will either own or purchase DISH-brand equipment. Moreover, Dominion did so in exchange for the exclusive right to broadcast Christian programming to such customers, while granting EchoStar the exclusive right to broadcast all other types of programming. In examining EchoStar's alleged breach of the Agreement's exclusivity provisions, the district court found "it is the loss of programming exclusivity itself that creates the irreparable harm. Not only did Dominion and EchoStar say as much in ***1262** § 12.3.1, but the very essence of the Agreement establishes it." *Id.*

In making its irreparable harm finding, the district court thus essentially determined that Dominion's loss of exclusivity rights, in and of itself, constituted the requisite irreparable harm. It found such harm existed regardless of Dominion's inability to show any threat to its existence, damage to its goodwill, loss of customers, or loss of its competitive position in the market. Such harm existed, the district court held, irrespective of its conclusion that Dominion's potential marketplace losses could be quantified in damages.

[4] After a careful and thorough analysis of the relevant case law, we cannot sustain the district court's ruling. Certainly the court's conclusion is initially attractive, and we agree with the generally accepted position that breach of an exclusivity clause almost always warrants the award of injunctive relief. *See, e.g., Walgreen Co. v. Sara Creek Prop. Co. B.V.,* 966 F.2d 273, 279 (7th Cir.1992) (noting permanent injunction may be presumptively appropriate remedy upon the breach of exclusivity clause); *Shred–It USA, Inc.,* 202 F.Supp.2d at 233 (violation of do-not-compete clause generally results in incalculable damages warranting finding of irreparable harm); *J.C. Penney Co., Inc. v. Giant Eagle, Inc.,* 813 F.Supp. 360, 369 (W.D.Pa.1992) (citing *Walgreen Co.* for proposition that irreparable harm is almost always inherent in breach of exclusivity clause cases), *aff'd,* 995 F.2d 217 (3d Cir.1993). And, absent the district court's rejection of Dominion's specific irreparable harm arguments, which findings are unchallenged in this appeal, we would be inclined to reach a different conclusion in this case. However, precedent constrains us from holding that the breach of an exclusivity provision alone satisfies the irreparable harm factor of the preliminary injunction test. [6]

In reversing the district court, we note this case is a difficult one for which no sufficiently direct precedent exists. In reaching our conclusion, we have drawn guidance from cases involving do-not-compete clauses in employment contracts, exclusivity clauses in distribution and franchise agreements, and restrictive covenants in real estate leases. These cases take us on a somewhat circuitous and disjointed journey, but nonetheless provide a series of guideposts which lead us to our conclusion that the district court erred in its irreparable harm ruling.

[5] Determining whether irreparable harm exists can be a difficult and close question. We have noted that "[t]he concept of irreparable harm ... 'does not readily lend itself to definition,' " *Prairie Band of Potawatomi Indians,* 253 F.3d at 1250 (citation omitted), nor is it "an easy burden to fulfill." *Greater Yellowstone Coalition v. Flowers,* 321 F.3d 1250, 1258 (10th Cir.2003). In defining the contours of irreparable harm, case law indicates that the injury "must be both certain and great, and that it must not be merely serious or substantial." *Prairie Band of* ***1263** *Potawatomi Indians,* 253 F.3d at 1250 (internal citation and quotations omitted).

As noted earlier, it is clear that irreparable harm often arises from the breach of an exclusivity clause. *See, e.g., Walgreen Co.,* 966 F.2d at 279; *Shred–It USA, Inc.,* 202 F.Supp.2d at 233; *J.C. Penney Co., Inc.,* 813 F.Supp. at 369. Despite the general acknowledgment that irreparable harm often arises from the breach of this type of agreement, courts do not automatically, nor as a matter of course, reach this conclusion. Rather, they examine whether the harms alleged by the party seeking

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the preliminary injunction are in fact irreparable, and sometimes conclude in the negative. *See, e.g., Baker's Aid v. Hussmann Foodservice Co.,* 830 F.2d 13, 16 (2d Cir.1987) (rejecting argument that irreparable harm automatically follows breach of covenant not-to-compete, especially in light of plaintiff's inability to show loss of goodwill or any other type of harm); *A.L.K. Corp. v. Columbia Pictures Inds., Inc.,* 440 F.2d 761, 763–64 (3d Cir.1971) (violation of exclusive licensing agreement not irreparable harm where no injury to goodwill was demonstrated and damages could be calculated); *Mountain Med. Equip., Inc. v. Healthdyne, Inc.,* 582 F.Supp. 846, 848–49 (D.Colo.1984) (no irreparable harm from violation of non-disclosure agreement where past and future losses, as well as past lost goodwill, were quantifiable). *See also Paradise Distribs., Inc.,* 906 F.Supp. at 623 n. 4 (exclusive right to distribute product not sufficient by itself to support irreparable harm finding).

Courts finding irreparable harm from breaches of exclusivity provisions have not rested their determinations solely on the existence and subsequent breaches of the exclusivity provisions. Rather, they have identified the following as factors supporting irreparable harm determinations: inability to calculate damages, harm to goodwill, diminishment of competitive positions in marketplace, loss of employees' unique services, the impact of state law, and lost opportunities to distribute unique products. *See, e.g., Tom Doherty Assocs., Inc. v. Saban Entm't, Inc.,* 60 F.3d 27, 37–39 (2d Cir.1995) (loss of prospective goodwill through inability to market unique product constituted irreparable harm); *JAK Prods., Inc. v. Wiza,* 986 F.2d 1080, 1084 (7th Cir.1993) (under Indiana law, when employee uses experience gained from employer in violation of covenant not-to-compete, irreparable injury occurs); *Basicomputer Corp. v. Scott,* 973 F.2d 507, 511–12 (6th Cir.1992) (violation of covenant not-to-compete constituted irreparable harm where damages were difficult to calculate, customer goodwill was damaged, and plaintiff suffered loss of competitive position); *Rent–A–Center, Inc. v. Canyon Television & Appliance Rental, Inc.,* 944 F.2d 597, 603 (9th Cir.1991) (irreparable harm established from violation of covenant not-to-compete where intangibles like advertising efforts and goodwill were injured); *Equifax Servs., Inc. v. Hitz,* 905 F.2d 1355, 1361 (10th Cir.1990) (irreparable harm exists where damages from breach of covenant not-to-compete difficult to calculate); *Ferry–Morse Seed Co. v. Food Corn, Inc.,* 729 F.2d 589, 592 (8th Cir.1984) (breach of exclusive distribution agreement constituted irreparable harm where company was disadvantaged in competitive market by inability to market unique seed corn); *Shred–It USA, Inc.,* 202 F.Supp.2d at 233–34 (loss of employee's unique services to competitor in violation of do-not-compete agreement constituted irreparable harm); *Green Stripe, Inc. v. Berny's Internacionale, S.A.,* 159 F.Supp.2d 51, 56–57 (E.D.Pa.2001) (violation of exclusivity clause in sales contract constituted irreparable harm where plaintiff was denied ability to sell unique, perishable grape and lacked market substitute to maintain its presence in Mexican grape ***1264** market); *J.C. Penney Co., Inc.,* 813 F.Supp. at 369 (inherent nature of exclusive provision in lease coupled with damage to goodwill, difficulty of calculating damages, and unique nature of interest in real estate constituted irreparable harm); *Walgreen Co. v. Sara Creek Prop. Co.,* 775 F.Supp. 1192, 1197 (1991) (where exclusivity clause in lease was breached, loss of goodwill, erosion of customer base, and diminution of corporate image provided grounds for finding irreparable harm), *aff'd,* 966 F.2d 273 (7th Cir.1992); *see also Autoskill Inc. v. Nat'l Educ. Support Sys., Inc.,* 994 F.2d 1476, 1498 (10th Cir.1993) (loss of uniqueness in marketplace satisfied irreparable harm factor where plaintiff established harm to goodwill and difficulty in calculating damages); *Reuters Ltd.,* 903 F.2d at 907–09 (loss of unique product and goodwill supports finding of irreparable harm when customers indicate a strong preference for the product and threaten discontinuation of business relationship).

[6] From this litany of cases, we glean the general lesson that while irreparable harm is frequently found upon the breach of an exclusivity provision, that finding does not rest solely on the breach of the agreement and the resulting loss of exclusivity rights. Rather, the irreparable harm findings are based on such factors as the difficulty in calculating damages, the loss of a unique product, and existence of intangible harms such as loss of goodwill or competitive market position.

In accordance with the collective instruction provided by the cases, we conclude that the district court's determination of irreparable harm cannot stand because of its own findings. As we noted, the district court wholly dismissed Dominion's assertions supporting its irreparable harm claim. The court refused to accept that Dominion's very existence was threatened, that it

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was losing customers or its competitive position in the marketplace, that it was close to business failure, or that it had suffered harm to its goodwill. It was also persuaded by EchoStar's witnesses that any damages pending a decision on the merits could be quantified. Having rejected virtually all of the factors courts normally rely upon to support a finding of irreparable harm, the district court hinged its harm finding on its determination that the unique nature of Dominion's exclusivity rights, and the loss thereof, established irreparable harm.

Certainly there are cases in which courts have made findings of irreparable harm based on the loss of unique rights protected by contract. But those cases are distinguishable from the controversy here because they focus on harm to a unique market position based on evidence of loss of a unique product or goodwill, or difficulty in calculating damages. *See, e.g., Tom Doherty Assocs., Inc.,* 60 F.3d at 38 (irreparable harm arises where loss of ability to market unique product damages company's prospective goodwill); *Reuters Ltd.,* 903 F.2d at 907–08 (damages to goodwill as a result of loss of unique product supports finding of irreparable harm); *Ferry–Morse Seed Co.,* 729 F.2d at 592 (company irreparably harmed where it would suffer disadvantage in competitive market by inability to sell unique product); *Green Stripe, Inc.,* 159 F.Supp.2d at 56–57 (irreparable harm arises from denial of ability to sell unique product and inability to obtain market substitute); *J.C. Penney Co., Inc.,* 813 F.Supp. at 369 (irreparable harm found, in part, from acknowledgment that damage to interest in real estate is generally viewed as unique); *see also Autoskill, Inc.,* 994 F.2d at 1498 (loss of unique position in marketplace evidenced by harm to goodwill and difficulty in calculating damages). Here the district court rejected Dominion's arguments regarding loss of goodwill and difficulty in calculating damages. Nor has Dominion been denied the ability to market its unique product of ***1265** predominantly Christian programming. While DISH subscribers can access two Christian channels on EchoStar, Daystar and FamilyNet, if they want a full range of twenty channels of exclusively Christian programming, which is actually what is unique about Dominion's product, they still have to subscribe to Dominion's SkyAngel. All Dominion is currently being denied temporarily is the opportunity to market its product to individuals with DISH-brand equipment without any competition from the two stations available to those who subscribe to EchoStar.

Nothing in the record persuades us that the rights inherent under the exclusivity clause in the Agreement are so unique that we should make an exception to the line of cases in which courts have found irreparable harm only after determining the existence of such intangible factors as the inability to calculate damages or the loss of goodwill or competitive market position. The district court's determination that Dominion's loss of exclusivity rights constitutes irreparable harm, without requiring any other showing but the breach of the exclusivity agreement and in the face of EchoStar's evidence to the contrary, cuts a wide and unacceptable swath across countless cases undermining that very position. Were we to affirm the district court's finding on irreparable harm, we would in essence be ruling that whenever a party enters into a contract containing some form of exclusivity provision, injunctive relief is automatic upon breach of the clause even when the breaching party has refuted every assertion of specific irreparable harm put forth by the opposing party. We are not willing to go that far. [7]

***1266** The district court's related justification for finding irreparable harm was the parties' stipulation to it in section 12.3.1 of the Agreement. While courts have given weight to parties' contractual statements regarding the nature of harm and attendant remedies that will arise as a result of a breach of a contract, they nonetheless characteristically hold that such statements alone are insufficient to support a finding of irreparable harm and an award of injunctive relief. *See, e.g., Smith, Bucklin & Assocs., Inc. v. Sonntag,* 83 F.3d 476, 481 (D.C.Cir.1996) ("Although there is a contractual provision that states that the company has suffered irreparable harm if the employee breaches the covenant and that the employee agrees to be preliminarily enjoined, this by itself is an insufficient prop."); *Baker's Aid,* 830 F.2d at 16 ("contractual language declaring money damages inadequate in the event of a breach does not control the question of whether preliminary injunctive relief is appropriate"); *Markovits v. Venture Info Capital, Inc.,* 129 F.Supp.2d 647, 661 (S.D.N.Y.2001) (provision in contract providing that breach would cause irreparable damage is merely one factor to be examined in making irreparable harm determination); *Dice,* 887 F.Supp. at 810 (contractual provision cannot act as substitute for finding by court regarding injunctive relief); *Firemen's Ins. Co. of Newark v. Keating,* 753 F.Supp. 1146, 1154 (S.D.N.Y.1990) ("it is clear that the parties to a contract cannot, by including certain language in

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that contract, create a right to injunctive relief where it would otherwise be inappropriate"). Instead, the courts also identify other factors which establish that the harm is indeed irreparable. *See, e.g., North Atlantic Instruments, Inc. v. Haber,* 188 F.3d 38, 49 (2d Cir.1999) (loss of trade secrets); *Ticor Title Ins. Co. v. Cohen,* 173 F.3d 63, 68–69 (2d Cir.1999) (difficulty in calculating damages plus New York law dictating that violation of covenant not to compete constitutes irreparable injury); *True North Communications Inc. v. Publicis S.A.,* 711 A.2d 34, 44–45 (1998) (plaintiff would lose unique opportunity in merger acquisition, the value of which could not be quantified).

Although, EchoStar and Dominion agreed that any breach of the Agreement would constitute irreparable harm and would warrant an award of injunctive relief, that stipulation without more is insufficient to support an irreparable harm finding. Because the district court articulated no other ground to substantiate a finding of irreparable harm, the court erred in determining Dominion suffered irreparable harm by EchoStar's breach of the Agreement. On this record, it is apparent that should Dominion win in arbitration on the merits, any damage caused by EchoStar's breach of the exclusivity agreement can be quantified in damages. Consequently, we reverse the preliminary injunction entered in this case. [8]

***1267 III**

We now briefly address Daystar's appeal. Daystar alleges the district court erred in denying its motion to intervene as an interested party under Federal Rule of Civil Procedure 24 in the preliminary injunction proceedings. Daystar was obviously interested in challenging Dominion's request for a preliminary injunction because Dominion's success would result in the removal of Daystar as one of EchoStar's programming offerings. Even assuming there was substance to Daystar's intervention challenge, however, Daystar's appeal must be dismissed as moot.

After the district court denied Daystar's motion to intervene, Daystar filed a motion to reconsider, or in the alternative, to stay the preliminary injunction proceedings pending appeal. The district court denied these motions and proceeded to conduct an evidentiary hearing on Dominion's motion for a preliminary injunction. After the court issued its order in favor of Dominion, Daystar filed this appeal.

In *Plain v. Murphy Family Farms,* 296 F.3d 975, 981 (10th Cir.2002), we noted that after a district court has rejected a party's attempt to intervene in an action and also refuses to stay the proceedings pending appeal, the unsuccessful intervening party should, pursuant to Federal Rule of Appellate Procedure 8(a)(2), [9] move before this court for a stay. "[T]he sole purpose of such a stay is to preserve the status quo pending appeal so that the appellant may reap the benefit of a potentially meritorious appeal." 30 Am.Jur.2d, *Executions and Enforcement of Judgments* § 34 (2003).

[7] *Plain's* reasoning is applicable here. Daystar failed to protect its position as an alleged interested party in the preliminary injunction action by seeking a stay of the injunction proceedings with this court. "Such a motion would have provided us with a timely opportunity to review the merits of [Daystar's] claim and decide whether a stay was warranted pending final resolution of [its] appeal. We do not believe we can review now what we could have reviewed then." *Plain,* 296 F.3d at 981. As a result of Daystar's failure to seek a stay in our court, we are not in a position to provide Daystar with the relief it is seeking: the ability to intervene in the preliminary injunction action. The preliminary injunction hearing is over, the district court has issued a ruling, and we have determined on appeal that the district court ruling was erroneous—a result, coincidentally, for which Daystar would have advocated had it been permitted to intervene below.

Moreover, pursuant to the Agreement between EchoStar and Dominion, those parties must now submit to arbitration, where the ultimate question of their dispute —whether EchoStar is in breach of the agreement by broadcasting Daystar and FamilyNet—will be determined. Hence, there no longer remains any further court proceeding in which Daystar can intervene to raise a substantive challenge. It is thus clear that Daystar's appeal of the denial of its motion to intervene is moot. To the extent that Daystar may be seeking to intervene on appeal to brief the merits of the preliminary injunction, we deny intervention. Daystar's interests have obviously been represented adequately by EchoStar.

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*1268 IV

Accordingly, we **REVERSE** the district court's decision granting a preliminary injunction to Dominion pending arbitration of the merits of this case. We hold Daystar's motion to intervene **MOOT** and therefore **DISMISS** Daystar's appeal.

HARTZ, Circuit Judge, concurring:

I join Judge Seymour's opinion. I write separately only to comment briefly on the contractual provision that the amount of damages from a breach "would be difficult to determine." Inability to measure damages accurately is, of course, often a key factor in determining whether to grant a preliminary injunction. First, it raises the risk that the injured party will not be adequately compensated, resulting in "unrepaired" harm. Second, the greater the difficulty in measuring damages, the greater the expenditure of judicial resources necessary to resolve the matter; a court could properly decide to avoid that expenditure by issuing a preliminary injunction to prevent any damages that would need to be measured. *Cf. Walgreen Co. v. Sara Creek Prop. Co., B.V.,* 966 F.2d 273, 275–79 (7th Cir.1992) (comparing administrative burdens of issuing injunction and relying on damages remedy).

Yet it may not always be obvious that accurately measuring damages would be difficult. One might assume that damages from violation of an exclusivity contract can be measured accurately by simply comparing pre-breach and post-breach profits. Expert testimony could be necessary to demonstrate that such a simplistic approach would be mistaken because of the numerous factors, aside from breach of the exclusivity contract, that could affect profits. Therefore, it seems to me quite appropriate for parties to an exclusivity contract to try to avoid the expense of expert witnesses or the like by agreeing that such a demonstration is unnecessary—it is presumed that damages would be hard to measure. My inclination would be to honor that presumption, which would place the burden on the breaching party to prove that damages could be accurately calculated in the circumstances.

This case, however, does not require us to resolve whether a contractual provision could shift the burden of persuasion, because EchoStar satisfied any such burden. Its expert witness convinced the district court that damages from a breach "would be readily determinable." Although I might not have been persuaded by the expert, we must defer to the district court on this matter, and Dominion has not challenged the finding.

All Citations

356 F.3d 1256

Footnotes

1 EchoStar and Daystar appealed separately; we have consolidated their appeals for the purpose of this disposition.

2 Because we conclude the district court erred in granting the preliminary injunction, we need not further address the parties' additional requests for stays pending appeal, which we consolidated with the merits of this action by court order on July 22, 2003.

3 A transponder is a device on a satellite that receives signals from Earth and then transmits those signals back to the planet for reception covering a broad area.

4 In relevant part, Article VIII (Programming Exclusivity), section 8.1 (Exclusive Programming) states that:

> programming carried by Dominion and the DISH group shall be mutually exclusive. In this regard, and without limiting the generality of the foregoing, except as set forth [in other portions of this Agreement], Dominion shall be entitled pursuant to this Agreement to transmit Christian Programs to Dominion Members and DISH™ subscribers on an exclusive basis and the DISH Group shall be entitled pursuant to this Agreement to transmit all other video (including but not limited to entertainment and business television programs), audio, data and other services, to Dominion Members and DISH™ subscribers on an exclusive basis.

Aple.App., doc. 2 at 38.

5 Article XII (Term, Termination and Other Remedies on Default), section 12.3.1 (Specific Performance) states:

> the rights and benefits of each of the parties pursuant to this Agreement are unique and that no adequate remedy exists at law if any of the parties shall fail to perform, or breaches, any of its obligations hereunder; that it would be difficult to determine the amount of damages resulting therefrom, and that such breach would cause irreparable injury to the nonbreaching parties.... Accordingly, each of the parties hereto hereby agrees that the nonbreaching

parties shall, in addition to any other remedies that such nonbreaching parties may have hereunder, at law, in equity or otherwise, have the right to have any and all obligations, undertakings, agreements, and other provisions of this Agreement specifically performed by such nonbreaching parties and shall have the right to obtain an order or decree of such specific performance, or a preliminary or permanent injunction (without the necessity of posting or filing a bond or other security) against the breach or threatened breach of any term or in aid of the exercise of any power or right granted in this Agreement.... It is expressly agreed that monetary damages alone would not be adequate to fully and fairly compensate for a breach by the breaching party of any provision of this Agreement.

Id. at 52.

6 Because we hold the district court erred in its irreparable harm determination and consequently should not have issued the preliminary injunction, we need not address the parties' arguments regarding the appropriate standard the district court should have employed in evaluating Dominion's request for injunctive relief. *See SCFC ILC, Inc., v. Visa USA, Inc.,* 936 F.2d 1096, 1098–99 (10th Cir.1991) (a heightened standard should be employed for disfavored injunctions that alter the status quo, are mandatory rather than prohibitory, or provide the moving party with substantially all the relief it could obtain after a full trial on the merits). Regardless of the standard employed, Dominion's request for an injunction cannot succeed because we conclude that the district court erred in finding Dominion suffered irreparable harm.

7 The cases upon which Dominion relies to make its irreparable harm argument, many of which we have already discussed, can all be easily distinguished. In particular, we note that *Denver & R.G.W. Ry. Co. v. Linck,* 56 F.2d 957, 960 (1932), involved exclusive franchise rights arising out of a state-issued permit rather than a contract entered into between the parties, and Utah law expressly provided that an injunction should issue where a party's exclusive franchise rights were violated.

Time Warner Cable v. Bloomberg L.P., 118 F.3d 917 (2d Cir.1997), is also distinguishable. The court determined there that Time Warner suffered irreparable harm when it lost control over the mix of programming it provided on its cable system. *Id.* at 924. The City of New York aired programming on the system's government set-aside channels which was arguably in violation of the parties' franchise agreement—an agreement mandated and governed by statute. *Id.* at 923–25. We are not persuaded Time Warner's loss of programming control over its own channels is analogous to Dominion's loss of the exclusive right to provide programming to a certain portion of a viewing market. In any event, the question remains whether the loss of exclusivity rights, in and of itself, automatically constitutes irreparable harm. As discussed above, the answer to that question is no.

Nor do the Colorado cases regarding irreparable harm findings in do-not-compete cases bolster Dominion's argument. In *Ditus v. Beahm,* 123 Colo. 550, 232 P.2d 184, 185 (1951), the Colorado Supreme Court indicated its overwhelming preference for and general presumption that awarding injunctive relief is appropriate upon the breach of a do-not-compete contract arising out of the sale of a business. In *Harrison v. Albright,* 40 Colo.App. 227, 577 P.2d 302 (1977), *Ditus'* holding was extended to a case involving a do-not-compete clause in a loan security agreement. *Id.* at 305. However, the court in *Harrison* noted that *Ditus'* presumption of irreparable injury was rebuttable. *Id. See also Am. Television & Communications Corp. v. Manning,* 651 P.2d 440, 444–46 (Colo.Ct.App.1982) (noting *Ditus* presumption of irreparable harm and finding that evidence regarding loss of goodwill substantiated conclusion that irreparable harm existed). Here, EchoStar challenged Dominion's assertions of irreparable harm by presenting evidence to the district court. The court largely accepted EchoStar's contentions, as evidenced in its findings that any potential losses suffered by Dominion could be quantified; Dominion's very existence was not being threatened; it was losing neither customers nor its competitive position in the marketplace; it was not close to business failure; and it had not suffered any harm to its goodwill. Therefore, even under *Ditus* and *Harrison,* any presumption of irreparable harm was rebutted here.

8 Because we determine the district court erred in its irreparable harm finding, we need not address the other preliminary injunction factors. *See Reuters Ltd. v. United Press Int'l, Inc.,* 903 F.2d 904, 907 (2d Cir.1990) ("the moving party must first demonstrate that [irreparable harm] is likely before the other requirements for the issuance of an injunction will be considered"). We likewise decline to address EchoStar's contention that the district court's grant of a preliminary injunction violated the First Amendment of the United States Constitution under *Shelley v. Kraemer,* 334 U.S. 1, 19, 68 S.Ct. 836, 92 L.Ed. 1161 (1948) (judicial enforcement of racially restrictive covenants constitute state action). It is commonly accepted that "[i]t is not the habit of the court to decide questions of a constitutional nature unless absolutely necessary to a decision of the case." *Burton v. United States,* 196 U.S. 283, 295, 25 S.Ct. 243, 49 L.Ed. 482 (1905).

9 A motion [for stay pending appeal] may be made to the court of appeals or to one of its judges. The motion ... must state that, a motion having been made, the district court denied the motion or failed to afford the relief requested and state any reasons given by the district court for its action.

FED.R.APP.P. 8(a)(2).

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EXHIBIT 15

60 F.3d 27
United States Court of Appeals,
Second Circuit.

TOM DOHERTY ASSOCIATES, INC.
d/b/a Tor Books, Plaintiff–Appellee,
v.
SABAN ENTERTAINMENT, INC. and Saban International N.V., Defendants–Appellants.

No. 1659, Docket 94–9310.
|
Argued Jan. 25, 1995.
|
Decided July 12, 1995.

In book publisher's action against licensor of children's characters for breach of contract, licensor appealed from preliminary injunction entered against it by United States District Court for the Southern District of New York, Lawrence M. McKenna, J., which required licensor to license children's book to publisher based on licensor's characters. The Court of Appeals, Winter, Circuit Judge, held that: (1) where preliminary injunction orders relief that is mandatory and cannot be undone after trial on merits, movant must meet heightened standard of showing clear and substantial likelihood of success on merits and irreparable harm in absence of injunction; (2) book publisher made substantial showing of likelihood of success on merits; (3) book publisher's potential prospective loss of goodwill established element of irreparable harm; and (4) book publisher's delay in seeking to enforce its rights under licensing agreement did not negate showing of irreparable harm.

Preliminary injunction affirmed.

Attorneys and Law Firms

***29** Max Gitter, New York City (Aidan Synnott, Lynn B. Oberlander, Paul, Weiss, Rifkind, Wharton & Garrison, of counsel), for defendants-appellants.

Gregory L. Diskant, New York City (Mary Mulligan, Patterson, Belknap, Webb & Tyler, of counsel), for plaintiff-appellee.

Before: LUMBARD, VAN GRAAFEILAND, and WINTER, Circuit Judges.

Opinion

WINTER, Circuit Judge:

Saban Entertainment, Inc. is a Delaware corporation with its principal place of business in Burbank, California. Saban International N.V. is a Netherlands Antilles corporation. Saban Entertainment, Inc. and Saban International N.V. ("Saban") appeal from a preliminary injunction issued by Judge McKenna in favor of TOR Books ("TOR") in TOR's breach of contract action. The appeal raises important issues concerning preliminary injunctive relief. In particular, it raises questions concerning when a preliminary injunction alters, rather than maintains, existing conditions; what standard regarding "likelihood of success" a plaintiff must meet to obtain an order that alters the status quo; and under what circumstances a lost opportunity to market a product constitutes irreparable harm. We affirm.

BACKGROUND

Saban is a creator, producer, and distributor of video entertainment for children. Its library of properties in 1991 included more than 1,200 titles of children's television programming. Saban decided that it wanted to feature its characters and stories in children's ***30** books and approached a number of publishers, including TOR, a wholly owned subsidiary of St. Martin's Press. TOR, a New York corporation, is a major publisher of fantasy and science fiction books for adults. TOR is only a minor publisher of children's books. However, it was, and is, eager to expand its role in this specialized area of publishing and viewed a relationship with Saban as a means of doing so.

A. *The Negotiations and Agreement*

The ensuing negotiations between TOR and Saban concerned both TOR's immediate publication of six titles and the contours of a long-term relationship between the parties. The present dispute concerns that long-term relationship and TOR's right to publish additional children's books based on Saban properties. However, because Saban claims that the negotiations and agreement

as to the first six titles informs the interpretation of provisions governing additional publications, we will review the negotiations and view the contract as a whole.

The negotiations principally involved four individuals: L. Spencer Humphrey, a consultant for Saban who initially suggested TOR as a potential publisher; William Josey, Saban's general counsel; Kathleen Doherty, director of educational sales at TOR and the individual in charge of its children's book publishing; and Lotte Meister, associate general counsel for both TOR and its corporate parent, St. Martin's Press. Neither Josey nor Meister, the two attorneys involved, had ever previously negotiated a licensing agreement for publication rights to children's books.

Children's books are published in a variety of formats, shapes, sizes, and reading levels, each designed to appeal to different segments of the juvenile market. More popular properties are licensed in several formats, while less popular properties may be published in a single format. Where multiple formats are used, it is not uncommon for an author to license rights to more than one publisher, with each publishing only one or two formats.

One format of relevance to the present dispute is the so-called "8 x 8," a term of art for a children's book that measures 8# x 8# and includes many illustrations and limited text. In seeking a publisher, Saban had circulated a brochure that was accompanied by a sample that was an 8 x 8 entitled *The Rollicking Adventures of Robin Hood.*

The negotiating process involved the marking up of a TOR form contract. The final contract ("the Agreement") thus contains numerous black-outs, wholesale deletions, amendments typed in the margin, and riders. The contract authorized immediate publication by TOR of six books based on Saban properties, and the Agreement's terms primarily concern the rights and obligations of the parties with respect to these six titles. The Agreement does not use the term 8 x 8, nor does it prescribe a particular format for the six books other than that they will, according to Paragraph 3(a), contain "approximately 2500 words." Indeed, Paragraph 13 provides that publication of the six works shall be "in a format determined by [TOR] acting in its sole discretion."

The Agreement also gives TOR exclusive English language book publication and subsidiary rights to the "Work," meaning the six Saban videos or cartoon series. Under Paragraph 9(e), Saban thus agrees not to "authorize ... the publication in any printed form of a novelization, adaptation or other version of either the Work or a work in another medium based on the Work." However, under a rider to Paragraph 9(e), Saban reserves the right to publish or license the publishing rights to "comic books, coloring books and activity books based on the characters and/or stories on which the Work is based." Redundantly, Paragraph 21 forbids Saban from authorizing the publication of any "book based on any of the characters or stories contained in the Work (except as provided in Rider to Paragraph 9(e))".

The present dispute arose over the portion of the Agreement that contemplates the possibility of TOR's future publication of additional books based on Saban properties. The Agreement replaced TOR's standard option paragraph—Paragraph 16—with a rider (the "Rider") that, both parties agree, was the subject of negotiation. Because of its importance, ***31** we set forth its full text in the margin.[1]

In essence, the Rider gives TOR a right of first refusal over the publication of "additional juvenile story books based on" Saban properties. If TOR chooses, after an invitation from Saban, to publish "a juvenile story book of approximately 2,500 words," the terms of the Agreement, including those permitting publication in any format (Paragraph 13), and granting exclusive rights to characters and stories (Paragraphs 9(e) (with rider) and 21), govern that publication. The "additional juvenile story books" to be published by TOR would, in short, become "the Work" under the Agreement. The record indicates that the term "juvenile picture books" was originally used in the Rider. This term was replaced by "additional juvenile story books" in a draft of the Rider submitted by Josey, Saban's general counsel.

B. *Post–Agreement Events*

After execution of the Agreement, TOR commenced publication of the books based on the initial six titles—*Thumbelina, Aladdin, Noozles, Littl' Bits, The Nutcracker,* and *Heidi.* The format for each book is 8 x 8, and the text of each of the six books amounts to approximately 1000 words. (Although the Agreement specifies approximately 2,500 words, this is not a subject of dispute among the parties.)

Like most parties to a commercial contract, Saban and TOR had substantial mutual interests that bound the relationship. Saban was a moderately successful children's television programmer that saw a chance for expansion in forming a relationship with a publisher. TOR saw such a relationship as a means of becoming a major publisher of children's books, particularly if Saban characters increased in popularity. As often happens, an unexpected event altered the mutual interests that bound the relationship. That event was the conception and development of the Mighty Morphin Power Rangers (the "Power Rangers").

After execution of the Agreement, the Power Rangers, a Saban property introduced in a Saturday morning television program, became a huge success—almost an obsession—with children. According to the record (there is no danger of this panel resorting to personal experience), an entire generation is caught up in the Power Rangers' unique ability to "morph"—to transform themselves from normal teenagers into superheroes who fight evil aliens. Saban's ownership of the Power Rangers clearly ended any need it had for TOR's publication and promotion of books based on its characters. Moreover, the exclusive rights provisions were now an albatross rather than a necessary inducement to get TOR to publish books based on Saban characters. Saban now had a property that was urgently sought after by companies in all fields of children's merchandising, including children's book publishing.

Before licensing any publishing rights to the Power Rangers, Saban's director of licensing, Debi Young, reviewed Saban's existing agreements, including the Agreement with TOR. Young discussed the TOR Agreement with Josey. They claim to have interpreted the Agreement to cover only children's books in the same format as those ***32** TOR was already publishing under the Agreement, namely 8 x 8. Saban never gave TOR an opportunity to publish Power Rangers books pursuant to the Rider, an act that would have triggered the exclusive rights provisions of the Agreement.

Saban thereafter entered into a number of licensing agreements relating to Power Rangers books with other publishing houses. Today, children's books licensed by Saban and featuring the Power Rangers are available in a variety of formats, including: a board book (consisting of rigid cardboard pages with illustrations and very little text), a fold-out book, a scrap book, a hardcover book, a book and tape (consisting of an 8 x 8 packaged with an audio cassette), a junior novelization (consisting of text with pictures interpaginated), a maze book, an interactive electronic book, educational work books, personalized books, and a number of coloring and activity books.

The parties dispute the amount of time that TOR delayed in asserting its alleged rights under the Agreement. According to the record, only Doherty, who is not a lawyer, first learned of Saban's property in the Power Rangers and of others publishing books featuring them. She appears not to have alerted counsel or others at TOR. In January of 1994, Doherty learned about the Power Rangers and their popularity from a news account. She claims not to have known specifically that Saban had licensed another publisher for the Power Rangers until April, when she learned that Grosset & Dunlap was preparing to publish a Power Rangers book. It was two to three weeks after this, in mid-May, that she began attempting to contact Saban about licensing the Power Rangers under TOR's Agreement. For several weeks after that, Doherty claims, although she contacted Saban repeatedly, her calls were not returned and her inquiries were left unanswered. In July, Saban contacted St. Martin's, TOR's parent company, seeking to renegotiate the Agreement.

Thus, from the record, the exact length of the TOR's delay in asserting its rights depends upon how it is characterized: it could arguably be approximately four months (from the time Doherty first heard of the Power Rangers) or two to three weeks (from the time Doherty learned another publisher had created a Power Rangers book). In any event, TOR eventually claimed that Saban had violated the Agreement, and negotiations failed to resolve the escalating dispute.

C. *Proceedings in the District Court*

TOR thereafter brought the present action for breach of contract and moved for a preliminary injunction. TOR contended that an injunction was required because the Power Rangers presented a unique opportunity for it to establish itself as a major player in the children's book publishing industry. The district court found that TOR demonstrated it would suffer irreparable harm unless Saban was ordered to license to it publishing rights to a

Power Rangers book and that TOR had demonstrated a likelihood of success on the merits.

In evaluating likelihood of success, the district court determined that the term "juvenile story books" in the Rider to the Agreement had a plain meaning: "books with a narrative intended to be read by or to children." *Tom Doherty Assocs. v. Saban Entertainment,* 869 F.Supp. 1130, 1138 (S.D.N.Y.1994). However, the court also examined other terms in the Agreement to determine the meaning of "juvenile story books" and considered extrinsic evidence to aid in interpretation.

The district court observed that certain terms of the Agreement favored a broad reading of "juvenile story books." The district court emphasized Paragraph 13, which states that "publication will be in a format determined by [TOR] acting in its sole discretion." *Id.* The court also relied upon Paragraph 9(e) and its rider, which preserves for Saban the "right to publish and authorize the publication of comic books, coloring books and activity books based on the characters and/or stories on which the work is based." *Id.* at 1138–39. The district court thus concluded that Saban intended to grant broad book publishing rights to TOR, reserving only the rights with regard to comic, coloring, and activity books. The district court also examined Paragraph 21, the noncompetition paragraph, which prohibits Saban ***33** from authorizing the publication of any other "book" based on the same characters or stories licensed to TOR. The court concluded that, under the Agreement, Saban was licensing character or story rights rather than a right to publish in only one format.

The district court gave special attention to the language of the Rider. Saban argued that the term "additional" preceding the term "juvenile story books" limits the latter term's meaning to 8 x 8s. The district court found that "additional" simply meant more books. Saban also argued that because the Rider called for Saban—upon TOR's exercise of its option to license additional juvenile story books—to provide a book of approximately 2,500 words, the parties anticipated an 8 x 8 book. The district court rejected this argument on the ground that no evidence indicated that a particular format was associated with a book length of 2,500 words.

Finally, Saban argued that Doherty's conduct was dispositive of TOR's interpretation of the Agreement. When Doherty finally contacted Saban, she did not seek an explanation for Saban's breach of contract but simply sought rights to publish an 8 x 8 based on the Power Rangers. Although there was testimony that Doherty was an experienced publishing executive, the district court discounted her conduct on the grounds that she was not a lawyer, may not have appreciated the scope of the term "juvenile story books," or may simply have forgotten the specific terms of the Agreement. Ultimately, the district court determined that the extrinsic evidence was inconclusive and gave the term "juvenile story books" its ordinary meaning.

The district court ordered Saban: (i) to offer to TOR the right to publish a juvenile story book based on the Power Rangers, as provided in the Rider (the so-called "mandatory" part of the injunction); (ii) to refrain from entering into any further licenses, or in any way expanding or extending any existing licenses, to any party other than TOR, of the right to publish any book based on the Power Rangers (the so-called "prohibitory" part of the injunction); and (iii) to offer to TOR the right to publish a juvenile story book based on any characters or properties owned or controlled by Saban, if Saban desires to license the publishing rights to a children's narrative based upon a Saban character or property.

The injunction is set forth as an Appendix to this opinion. Paragraph I.1 of the injunction is the so-called "mandatory" part of the injunction; paragraph I.2 is the so-called "prohibitory" part of the injunction.

This appeal followed. We stayed the mandatory portion of the district court's order pending this decision.

DISCUSSION

Saban challenges the injunction on a variety of grounds. It contends that: (i) a mandatory injunction requires a clear or substantial showing of likelihood of success, and the district court failed to make such a finding; (ii) such a finding is legally impermissible on the present record; (iii) a loss of future goodwill cannot, as a matter of law, constitute irreparable harm justifying injunctive relief; (iv) the district court erred by failing to consider TOR's delay in assessing irreparable harm; and (v) the injunction should not have been extended to other Saban properties

because TOR made no showing of irreparable harm with respect to these properties. We disagree.

A. *Standard for Preliminary Relief*

[1] A party seeking injunctive relief ordinarily must show: (a) that it will suffer irreparable harm in the absence of an injunction and (b) either (i) a likelihood of success on the merits or (ii) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in the movant's favor. *See, e.g., Polymer Technology Corp. v. Mimran,* 37 F.3d 74, 77–78 (2d Cir.1994); *Reuters Ltd. v. United Press Int'l, Inc.,* 903 F.2d 904, 907 (2d Cir.1990); *Jackson Dairy, Inc. v. H.P. Hood & Sons, Inc.,* 596 F.2d 70, 72 (1979) (per curiam).

[2] However, we have required the movant to meet a higher standard where: (i) an injunction will alter, rather than maintain, the status quo, or (ii) an injunction will provide ***34** the movant with substantially all the relief sought and that relief cannot be undone even if the defendant prevails at a trial on the merits. We believe that portions of Judge McKenna's order meet both these criteria.

1. Mandatory Injunctions

[3] **[4]** The typical preliminary injunction is prohibitory and generally seeks only to maintain the status quo pending a trial on the merits. *See Abdul Wali v. Coughlin,* 754 F.2d 1015, 1025 (2d Cir.1985). A mandatory injunction, in contrast, is said to alter the status quo by commanding some positive act. *See id.* As noted above, this distinction is important because we have held that a mandatory injunction should issue "only upon a clear showing that the moving party is entitled to the relief requested, or where extreme or very serious damage will result from a denial of preliminary relief." *Id.* (internal quotations and citations omitted); *see also SEC v. Unifund SAL,* 910 F.2d 1028, 1039 (2d Cir.1990) (injunction going beyond preservation of status quo requires "a more substantial showing of likelihood of success"); *Jacobson & Co. v. Armstrong Cork Co.,* 548 F.2d 438, 441 (2d Cir.1977). The "clear" or "substantial" showing requirement—the variation in language does not reflect a variation in meaning—thus alters the traditional formula by requiring that the movant demonstrate a greater likelihood of success. *See Unifund SAL,* 910 F.2d at 1039.

The distinction between mandatory and prohibitory injunctions is not without ambiguities or critics. Determining whether the status quo is to be maintained or upset has led to distinctions that are "more semantic[ ] than substantive." *Abdul Wali,* 754 F.2d at 1025; *see International Union, United Mine Workers v. Bagwell,* 512 U.S. 821, ——, 114 S.Ct. 2552, 2561, 129 L.Ed.2d 642 (1994) (noting that "in borderline cases injunctive provisions containing essentially the same command can be phrased either in mandatory or prohibitory terms"). An injunction that prohibits a party from refusing to permit some act may, as a practical matter, alter the status quo. In *Abdul Wali,* for instance, the court noted that although a group of prisoners sought to require prison officials to deliver to them a published report discussing prison conditions, the injunction issued was prohibitory in nature because it simply prevented prison officials from interfering with the delivery of documents sent to the prisoners by a third party. 754 F.2d at 1026.

Moreover, many mandatory injunctions can be stated in seemingly prohibitory terms. *See, e.g., Unifund SAL,* 910 F.2d at 1040 (imposing "substantial showing of likelihood of success" standard because "[t]hough the order is prohibitory in form, rather than mandatory, it accomplishes significantly more than preservation of the status quo").

Confusion in breach of contract cases as to whether an injunction is mandatory or prohibitory may stem from the meaning of "status quo." A plaintiff's view of the status quo is the situation that would prevail if its version of the contract were performed. A defendant's view of the status quo is its continued failure to perform as the plaintiff desires. To a breach of contract defendant, any injunction requiring performance may seem mandatory.

2. Providing All the Relief Sought

A heightened standard has also been applied where an injunction—whether or not mandatory—will provide the movant with substantially "all the relief that is sought." *Abdul Wali,* 754 F.2d at 1026. *See* 11 Charles A. Wright & Arthur R. Miller, Federal Practice & Procedure § 2948, at 445–47 (1973); *see also Abdul Wali,* 754 F.2d at 1025–26. However, the terms "all the relief to which the movant would be entitled" or "all the relief sought" have also been the source of confusion because, read literally, they appear to describe any injunction where the final relief

for the plaintiff would simply be a continuation of the preliminary relief. *See, e.g., Johnson v. Kay,* 860 F.2d 529, 540–41 (2d Cir.1988). However, "[t]his application of the rule seems hard to justify ... [because] the fact that the plaintiff would get no additional relief if he prevailed at the trial on the merits should not deprive him of his remedy." *Developments in the Law—Injunctions,* 78 Harv.L.Rev. 994, 1058 (1965).

***35** **[5]** If the use of a heightened standard is to be justified, the term "all the relief to which a plaintiff may be entitled" must be supplemented by a further requirement that the effect of the order, once complied with, cannot be undone. A heightened standard can thus be justified when the issuance of an injunction will render a trial on the merits largely or partly meaningless, either because of temporal concerns, say, a case involving the live televising of an event scheduled for the day on which preliminary relief is granted, or because of the nature of the subject of the litigation, say, a case involving the disclosure of confidential information. The bottom line is that, if a preliminary injunction will make it difficult or impossible to render a meaningful remedy to a defendant who prevails on the merits at trial, then the plaintiff should have to meet the higher standard of substantial, or clear showing of, likelihood of success to obtain preliminary relief. Otherwise, there is no reason to impose a higher standard. *See Abdul Wali,* 754 F.2d at 1026 (delivery of a prison report to prisoners that would be immediately read would moot a trial on the merits).

3. The Nature of the Present Order

[6] We believe that TOR must meet the heightened standard, first, because one provision of the preliminary injunction is arguably mandatory, and second, because that provision provides relief that cannot be undone if Saban prevails on the merits at trial. The provision in question orders Saban to license a "juvenile story book" based on the Power Rangers to TOR.

Under the Agreement, Saban was not obligated to license "juvenile story books" to TOR beyond the initial six titles. Instead, it was required only to allow TOR a right of first refusal if Saban decided to license such works. The injunction arguably requires more than a right of first refusal; it requires Saban to license TOR to publish one book involving the Power Rangers. The district court considered this relief to be necessary because Saban has licensed others to publish children's books based on the Power Rangers without affording TOR a right of first refusal, and, the tastes of children being fleeting, TOR must be given a chance to publish now lest commercially effective relief be unavailable after a trial. Because the preliminary relief arguably alters the status quo by doing more than is required by the Agreement, it might be considered mandatory. [2]

In any event, the injunction requires Saban to give a license that will continue to allow TOR to publish the one work in question even if Saban ultimately prevails. The injunction thus gives TOR rights that cannot be undone. Therefore, the heightened standard applies.

B. *TOR Has Met the Standard*

[7] We believe that TOR has met the heightened standard of a clear or substantial showing of a likelihood of success. Saban argues that the term "juvenile story books" means only 8 x 8s. If that were correct, then the Agreement would allow Saban to license the Power Rangers to publishers other than TOR so long as: (i) Saban did not license an 8 x 8 book to TOR, thus giving TOR exclusive rights to the Power Rangers characters under Paragraphs 9(e) (with rider) and 21, or (ii) license an 8 x 8 to another publisher in violation of the Rider to Paragraph 16 requiring that TOR have a right of first refusal over 8 x 8s. Saban claims that it has not licensed an 8 x 8 to anyone and, therefore, has not breached the Agreement.

However, based on the language of the Agreement, the district court's finding that the term "juvenile story books" is not limited to 8 x 8s is virtually indisputable. Looking only within the four corners of the document, *see* ***36** *W.W.W. Assocs. v. Giancontieri,* 77 N.Y.2d 157, 565 N.Y.S.2d 440, 443, 566 N.E.2d 639, 642 (1990) ("Evidence outside the four corners of the document as to what was really intended but unstated or misstated is generally inadmissible to add to or vary the writing."), it is clear that "juvenile story books" refers to more than "8 x 8s." Saban's position depends critically upon the proposition that "juvenile story books" is a term limited to the parties' contractual intentions regarding the first six titles to be published and that the use of the adjective "additional" just before that term emphasizes this limitation. However, the Agreement explicitly provides that the original six titles—"the Work"—could have been published "*in a format* determined by [TOR] in its sole discretion" (emphasis supplied), the only specific

description of format being that the works would contain approximately 2,500 words. The use of "additional" thus means at best "additional" works "in a format determined by TOR" containing approximately 2,500 words.

Other provisions of the Agreement are inexplicable if it is indeed limited to the publication of only 8 x 8s. Under Paragraph 9(e), Saban agreed not to "authorize ... the publication in any printed form of a novelization, adaptation or other version of either the Work or a work in another medium based on the Work." This was clearly intended to be a broad grant of exclusivity because a rider excepted from it "comic books, coloring books and activity books," exceptions that are entirely superfluous if the exclusive rights are limited to 8 x 8s. However, there is no reason why such exclusive publishing rights would be granted, or even requested, if TOR's right to publish the six titles and right of first refusal regarding future works were limited to 8 x 8s. The use of popular children's characters in different formats is well established in the record, and Saban offers no explanation why exclusive rights to all but comic, coloring, or activity formats would be given to a publisher whose rights were limited to the publication of 8 x 8s.

[8] Moreover, under New York law, extrinsic evidence is admissible only to resolve ambiguity in a contractual term, *see Care Travel Co. v. Pan American World Airways,* 944 F.2d 983, 987–88 (2d Cir.1991); *United States Naval Inst. v. Charter Communications,* 875 F.2d 1044, 1048 (2d Cir.1989), and we doubt that extrinsic evidence is admissible to show that the term "juvenile story books" is limited to 8 x 8 books. Extrinsic evidence is admissible only to resolve conflicting, plausible interpretations that straddle the ambiguity of a word, not interpretations that change the word's meaning. Extrinsic evidence would thus be properly considered to determine only whether books at the margin of the term "juvenile story books" fall within that term. In the present case, some of the Power Rangers books produced by other publishers may fall at or beyond the margin—issues not before us—either because they appeal to an audience older than juveniles or because the books do not tell any kind of story, either in pictures, in text, or in both. However, there is no apparent ambiguity regarding whether the term "juvenile story books" is limited to 8 x 8s, given TOR's explicit right to publish "the Work ... in a format" of its choice.

In any event, the extrinsic evidence considered by the district court is of little aid to Saban. The record strongly supports the court's finding that "juvenile story books" is not an industry term of art, much less one limited to 8 x 8s. Saban's own director of licensing testified that the term could be used broadly, and other witnesses knowledgeable in the industry concurred.

Finally, the extrinsic evidence regarding the intent of the parties is conflicting and ambiguous. Saban's circulation of a brochure with an 8 x 8 sample when it was first seeking a publisher is of less than marginal probative value as to the meaning of the later-negotiated Agreement. Whatever thoughts Josey may have had in substituting "juvenile story books" for "juvenile picture books" is irrelevant because those thoughts were not communicated to TOR's negotiators. Indeed, we would add that replacing "juvenile picture books" with "juvenile story books"—as Saban's Josey requested—broadens the available formats beyond those largely reliant on illustrations and having only a limited text. Saban implies that it would have been commercially irrational to enter ***37** into a contract that gave TOR such exclusive rights. We disagree. Before the Power Rangers, such a long-term relationship with a publisher was an attractive means of exploiting Saban's properties in a new medium. The exclusive rights were an inducement to TOR to publish more books. After the Power Rangers, Saban had no need for such a relationship or inducement. Indeed, Josey's memory of his intent when he substituted the term "juvenile story books" may have been enhanced by 20–20 hindsight.

Saban's extrinsic evidence is thus not compelling. TOR's evidence conflicts with that of Saban, and the extrinsic evidence, viewed as a whole, is thus ambiguous. Even if admissible, ambiguous extrinsic evidence does not trump plain language.

Finally, Saban argues that Doherty's delay in asserting the contractual rights TOR now insists upon indicates that she viewed the Agreement as restricted to 8 x 8s. Although the delay may bar TOR from interfering with some or all of Saban's existing licensing arrangements, we do not regard it as an admission by TOR sufficient to override the plain language of the Agreement. Doherty is not a lawyer, and the district judge, who heard her testimony and read her affidavit, found that she might simply have forgotten or failed to understand the terms of the Agreement.

In light of the above, and because Saban has licensed at least some books that are "juvenile story books" without offering TOR a right of first refusal, we conclude that TOR has shown a clear or substantial likelihood of success on the merits.

C. *Loss of Prospective Goodwill*
Saban contends that, as a matter of law, a loss of future goodwill cannot constitute irreparable harm justifying injunctive relief.

[9] Irreparable harm is an injury that is not remote or speculative but actual and imminent, and "for which a monetary award cannot be adequate compensation." *Jackson Dairy,* 596 F.2d at 72. We have found irreparable harm where a party is threatened with the loss of a business. In *Semmes Motors, Inc. v. Ford Motor Co.,* 429 F.2d 1197 (2d Cir.1970), a father-and-son car dealership was threatened with termination of its franchise by the manufacturer. We affirmed a finding of irreparable injury on the grounds that termination of the franchise would "obliterate" the dealership and that the right to continue a business "is not measurable entirely in monetary terms." *Id.* at 1205; *see also Roso–Lino Beverage Distribs., Inc. v. Coca–Cola Bottling Co.,* 749 F.2d 124, 125–26 (2d Cir.1984) (per curiam) (finding irreparable harm from loss of "ongoing business representing many years of effort and the livelihood of its husband and wife owners"). We have also found irreparable harm in the loss of a relatively unique product. In *Reuters Ltd. v. United Press Int'l, Inc.,* 903 F.2d 904, 908–09 (2d Cir.1990), a supplier of foreign news pictures threatened to stop providing those pictures to a wire service. We overturned a finding of no irreparable injury because the wire service had demonstrated that some customers would cease dealing with it for news from any source if it was unable to continue supplying those particular foreign news pictures. *Id.; see also Jacobson & Co. v. Armstrong Cork Co.,* 548 F.2d 438, 445 (2d Cir.1977) (affirming finding of irreparable harm because plaintiff "presented ample evidence to show a threatened loss of good will and customers, both present and potential, neither of which could be rectified by monetary damages"); *Interphoto Corp. v. Minolta Corp.,* 417 F.2d 621, 622 (2d Cir.1969) (per curiam) (affirming finding of irreparable harm because plaintiff "would be unable to calculate its damages since it would suffer not merely loss of profits with respect to [defendant's] goods but loss of good will from the lack of a 'full line' ").

On the other hand, we have reversed a finding of irreparable harm where the facts demonstrate no loss of goodwill, but only provable monetary damages from the loss of a profitable line of business. *See Jack Kahn Music Co. v. Baldwin Piano & Organ Co.,* 604 F.2d 755, 763 (2d Cir.1979) (no irreparable harm where piano manufacturer attempted to terminate its dealership contract with a retail seller that sold many brands of musical instruments).

***38** These cases stand for the general proposition that irreparable harm exists only where there is a threatened imminent loss that will be very difficult to quantify at trial. Generally, where we have found no irreparable harm, the alleged loss of goodwill was doubtful, and lost profits stemming from the inability to sell the terminated product could be compensated with money damages determined on the basis of past sales of that product and of current and expected future market conditions. *See, e.g., Jack Kahn Music,* 604 F.2d at 763; *Marisa Christina, Inc. v. Freis,* 646 F.Supp. 252, 254 (S.D.N.Y.1986) (finding no irreparable harm where plaintiff conceded that "any injuries stemming from the termination of the licensing agreement could be readily quantified in terms of money damages"). In contrast, where we have found irreparable harm, the very viability of the plaintiff's business, *see Semmes,* 429 F.2d at 1205, or substantial losses of sales beyond those of the terminated product, *see Interphoto,* 417 F.2d at 622, have been threatened.

We believe that the governing principle is as follows. Where the availability of a product is essential to the life of the business *or* increases business of the plaintiff beyond sales of that product—for example, by attracting customers who make purchases of other goods while buying the product in question—the damages caused by loss of the product will be far more difficult to quantify than where sales of one of many products is the sole loss. In such cases, injunctive relief is appropriate. This rule is necessary to avoid the unfairness of denying an injunction to a plaintiff on the ground that money damages are available, only to confront the plaintiff at a trial on the merits with the rule that damages must be based on more than speculation. Where the loss of a product with a sales record will not affect other aspects of a business, a plaintiff can generally prove damages on a basis other than speculation. Where the loss of a product will cause the destruction of a business itself or indeterminate losses in other business, the availability of money damages

may be a hollow promise and a preliminary injunction appropriate.

It is true that TOR does not fit the usual factual scenario. TOR will not suffer any loss of existing sales and its existence will not be endangered if it is unable to publish a book based on the Power Rangers. However, the instant case is analytically the same. If preliminary relief is not available, TOR will lose an opportunity to become a major publisher of children's books—that is to say, it will lose an opportunity to become a sufficiently well-known publisher of children's books to attract additional authors and owners of characters. Our cases to date involve the loss of existing business rather than adding a unique product line that will allow the overall business to expand. Although we have never held that a loss of prospective goodwill that is both imminent and non-quantifiable can constitute irreparable injury, nothing in our cases precludes such a conclusion and their logic supports it. Here, the value of a Power Rangers book to TOR's fortunes as a children's publisher is beyond ready calculation. It is a wholly unique opportunity, and the amount of damages—in particular, the loss of prospective business from additional children's authors or owners of characters—will be largely indeterminate if the opportunity is denied.

[10] Although we hold that a loss of prospective goodwill can constitute irreparable harm, we also hold that there must be a clear showing that a product that a plaintiff has not yet marketed is a truly unique opportunity for a company. New products as yet unmarketed by anyone would simply not qualify. Nor would products that are successful but have reasonable substitutes. A "clear showing" standard incorporates the primary requirements of irreparable injury because it assures that the harm—although not quantifiable—is not speculative.

[11] We expect the "clear showing" standard to be infrequently met but conclude that TOR has made such a showing in the present case. The Power Rangers are a unique product with an established exceptional appeal to children. There are other popular children's characters, but we believe that they are not reasonably substitutable. Moreover, TOR bargained for the right to piggyback on Saban's ability to create popular children's characters. In this respect, TOR differs from the television network in ***39** *Metromedia Broadcasting Corp. v. MGM/UA Entertainment Co.,* 611 F.Supp. 415 (C.D.Cal.1985), which was denied the opportunity to broadcast a television program popular with urban youth. In *Metromedia,* the court found that the network was already a major broadcaster, that damages from lost advertising revenue were readily measurable, and that it was unlikely that the loss of the program would affect the network's momentum. *Id.* at 427. Here, the district court found that the Power Rangers are likely to transform TOR's fortunes in the children's book publishing field.

D. *TOR's Delay and Irreparable Harm*

[12] Saban next contends that the district court erred in finding irreparable harm by failing to consider TOR's delay in seeking to enforce its alleged rights.

Delay is typically relevant to both irreparable harm and to laches, although the latter doctrine relates only to permanent relief. In the instant case, delay is, as noted, also relevant to likelihood of success on the merits because it might be considered relevant to the intent of the parties in executing the Agreement.

[13] A district court should generally consider delay in assessing irreparable harm. *See Majorica, S.A. v. R.H. Macy & Co.,* 762 F.2d 7, 8 (2d Cir.1985) (per curiam); *see also Fisher–Price, Inc. v. Well–Made Toy Mfg. Corp.,* 25 F.3d 119, 124–25 (2d Cir.1994); *Citibank, N.A. v. Citytrust,* 756 F.2d 273, 277 (2d Cir.1985). Although Judge McKenna did not explicitly mention TOR's delay in connection with irreparable harm, he discussed it in connection with the merits, and his findings are directly relevant to the irreparable harm issue. We need not remand, therefore.

Most of the caselaw on this issue involves trademark and copyright disputes, where a presumption of irreparable harm arises once a plaintiff establishes a likelihood of success on a claim. In that context, we have affirmed that a delay in filing suit will not rebut the presumption of irreparable harm if the plaintiff does not know how severe the infringement is. *See Clifford Ross Co. v. Nelvana, Ltd.,* 710 F.Supp. 517, 521 (S.D.N.Y.1989), *aff'd without opinion,* 883 F.2d 1022 (2d Cir.1989); *see also Playboy Enters. v. Chuckleberry Publishing,* 486 F.Supp. 414, 434–35 (S.D.N.Y.1980) (noting that "parties should not be encouraged to sue before a practical need to do so has been clearly demonstrated"). Similarly, a delay caused by a plaintiff's good faith efforts to investigate an infringement does not rebut the presumption of irreparable harm. *See*

King v. Innovation Books, 976 F.2d 824, 831 (2d Cir.1992) (author's eight-month delay in filing claim did not rebut presumption of irreparable harm because he spent that time trying to obtain a copy of the infringing screenplay and movie). In *Fisher–Price,* the plaintiff heard a rumor that infringing dolls were being sold in toy stores. It notified its sales force to search for the competitor's doll, but the search was fruitless for some five months, and it sought an injunction approximately six months after first hearing the rumor. We held that this did not constitute unreasonable delay and that, accordingly, Fisher–Price deserved the presumption of irreparable harm. 25 F.3d at 125.

The cases in which we have found that a delay rebutted the presumption of irreparable harm are trademark and copyright cases in which the fair inference was drawn that the owner of the mark or right had concluded that there was no infringement but later brought an action because of the strength of the commercial competition. *See Majorica,* 762 F.2d at 8 (plaintiff aware of conduct for several years prior to motion for preliminary injunction and did not seek injunction until seven months after suit was filed); *Citibank,* 756 F.2d at 276 (plaintiff waited more than ten weeks after learning directly, and nine months after learning through the press, of defendant bank's plans to open a branch in its territory). In these cases, it appeared indisputable that the trademark or copyright owners were well aware of their rights and had concluded that they were not violated. Finally, in these cases, the defendant had taken costly steps during the period of delay that would be at least temporarily undone by injunctive relief.

In the instant case, the district court found that approximately four months elapsed from the time Doherty first heard of the Power ***40** Rangers in January 1994, to her attempts to contact Saban about publishing books in May. The record reveals that Doherty delayed two or three weeks after learning definitively that another publisher had produced a Power Rangers book. At that point, her calls to Saban were neither accepted nor returned, thus causing further delay. Judge McKenna noted that Doherty was not a lawyer and was not aware of, or did not appreciate, the actual terms of the contract. Given that finding, no inference can be drawn that she actually believed TOR had no right to prevent licensing of the Power Rangers. Moreover, the preliminary relief ordered does not interfere with Saban's existing licensing arrangements. We thus conclude that Judge McKenna properly considered TOR's delay with regard to the irreparable harm issue.

E. *Other Saban Properties*

Saban contends that the prohibitory portion of the injunction should not have been extended to other Saban properties because TOR has made no showing of irreparable harm with respect to these properties. We are not inclined to view this portion of the injunction as an abuse of discretion. However, in light of our discussion with respect to irreparable harm, our affirmance of this part of the injunction is made without prejudice. Saban may ask the district court, which is now informed by our views, to modify or lift the injunction on the basis of an analysis of each character that Saban seeks to license elsewhere.

CONCLUSION

The preliminary injunction entered by the district court is affirmed. The stay is vacated.

APPENDIX

For the reasons set forth in the Court's Memorandum and Order dated November 21, 1994, defendants Saban Entertainment, Inc. and Saban International, N.V. (hereinafter together "Saban") are hereby enjoined during the pendency of this action:

I.

1. To offer to plaintiff Tom Doherty Associates, Inc., d/b/a TOR Books (hereinafter "TOR"), in good faith, within 30 days of the date of this Order, the right to publish a juvenile story book based on the Mighty Morphin Power Rangers (hereinafter the "Work") daytime television series, on the terms set forth in the Rider to paragraph 16 of the contract between Saban and TOR dated as of October 15, 1991 (hereinafter the "Contract").

2. From entering into any further license, with any person or entity other than TOR, of the right to publish, within any territory set forth in the Rider to paragraph 1 of the Contract, any book (other than

a comic book, coloring book or activity book not containing any text or artwork from the Work) based on any of the characters or stories contained in the Work or on which the Work is based, or authorizing or arranging for the publication, distribution or sale within any such territory of any such book, provided, however, that Saban shall not violate the terms of this Order by entering into a long form licensing agreement with a person or entity to whom it is presently contractually bound so long as the terms of the long form licensing agreement do not expand that person's or entity's present contractual rights to publish any material Saban is prohibited from licensing, or authorizing the publication, distribution or sale of, by this Order, and provided further, however, that if TOR shall finally reject, or shall not respond to within 120 days of receipt of, an offer made in compliance with ¶ I.1 above of this Order, then this ¶ I.2 of this Order shall be of no further force and effect; and

3. In the event that Saban, during the term of the Contract, desires to license the publishing rights, within any territory set forth in the Rider to paragraph 1 of the Contract, to any book designed to appeal to children twelve years of age or younger, based on any character, artwork and/or literary, television, motion picture or theatrical property owned or controlled by Saban, then, in that event, to offer to TOR, before approaching any other publisher, the right to publish a juvenile story book based thereon as set forth in the Rider to paragraph 16 of the Contract.

***41** II.

This order shall become effective upon the giving by TOR, pursuant to Fed.R.Civ.P. 65(c), of security in the sum of $2,500,000.00.

III.

Saban's application for a stay of this Order is denied.

IV.

The Court retains jurisdiction to modify the terms of this Order (including the amount of security required) as may, in the Court's judgment, be appropriate.

SO ORDERED.

LAWRENCE M. MCKENNA

U.S.D.J.

All Citations

60 F.3d 27, 64 USLW 2051, 1995 Copr.L.Dec. P 27,475, 35 U.S.P.Q.2d 1537, 23 Media L. Rep. 2153

Footnotes

1 The full text of the Rider reads:

> During the Term of this Agreement, if [Saban] desires to license the publishing rights to additional juvenile story books based on characters, artwork and/or literary, television, motion picture or theatrical properties owned or controlled by [Saban], [Saban] shall submit such additional titles for [TOR's] consideration. [TOR] shall have a 30 day period in which to evaluate each such submission. If, upon conclusion of such 30 day evaluation period, [TOR] does not desire to license the publishing rights to such submission, subject to the rights therein controlled by [Saban], [Saban] shall have no further obligation to [TOR] with respect thereto and [Saban] shall be free to enter into any third party publishing arrangement in connection therewith; on the other hand, if [TOR] desires to license the publishing rights to such submission, then [Saban] and [TOR] shall enter into an agreement under which [Saban] agrees to create a juvenile story book (of approximately 2,500 words) on the same terms and conditions set forth in this Agreement except that if such book is based on a primetime network television series, a primetime network television special, a major motion picture or theatrical feature, [TOR] and [Saban] shall negotiate in good faith with respect to an appropriate advance in connection therewith.

2 *Johnson v. Kay,* 860 F.2d 529 (2d Cir.1988), involved circumstances in which a preliminary order arguably gave relief beyond that required by a contract, but we did not impose the heightened standard. In that case, we ordered a union to expend funds "it perhaps otherwise would not have spent" based in part on a claim that the union had not followed its constitution and by-laws, a breach of contract under state law. *Id.* at 541. We did not apply the heightened standard, however, because the relief was "what [t]he union should have done earlier—open channels of communication to

dissenting views," *id.,* and because the alternative was a more extreme prohibitory order enjoining a referendum, *id.* at 540.

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EXHIBIT 16

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159 F.Supp.2d 51
United States District Court,
E.D. Pennsylvania.

GREEN STRIPE, INC. and Christopher Di Piazza
v.
BERNY'S INTERNACIONALE, S.A. de C.V.,
Jose Antonio Gomez Astiazaran, Individually
and as Representative of Minor Bernardo
Gomez Cubillas, and Oscar Gomez Cubillas.

No. CivA 01–CV–2360.
|
June 15, 2001.

Distributor brought action against grower for breach of contract granting it exclusive right to distribute and receive proceeds from harvest of grapes. On distributor's motion for preliminary injunction, the District Court, Surrick, J., held that distributor was likely to succeed on its claims.

Motion granted.

Attorneys and Law Firms

***52** Sherry A. Swirsky, Schnader, Harrison, Segal & Lewis, Phila, PA, Jonathan S. Liss, Schnader Harrison Segal & Lewis LLP, Philadelphia, PA, for Green Stripe, Inc., plaintiff.

George H. Newman, Newman and Mc Glaughlin, P.C., Phila, PA, Richard D. Burris, Michael Joseph Butler, Law Offices of Richard D. Burris, Tucson, AZ, for Berny's Internacionale, S.A. de C.V., defendant.

MEMORANDUM AND ORDER

SURRICK, District Judge.

This case involves a dispute over the right to distribute and receive the proceeds from the Spring 2001 harvest of grapes grown on two farms in Sonorra, Mexico. On May 14, 2001, Plaintiffs filed a Complaint for preliminary and permanent injunctive relief and damages, alleging that Defendants had breached certain agreements between the parties governing the distribution and proceeds of the grape harvest. Plaintiffs added a claim for unjust enrichment in an Amended Complaint filed June 4, 2001. On June 5, 2001, Plaintiff's filed a Motion for Temporary Restraining Order ("TRO"). Following a hearing held on June 6, 2001, this Court entered a TRO. A hearing was scheduled on Plaintiffs' Motion for Preliminary Injunction for June 12, 2001. The Court held the Preliminary Injunction hearing on June 12 and 13, 2001.[1] Upon consideration of the evidence and testimony received at the two-day hearing, the Court will grant Plaintiffs' Motion for Preliminary Injunction.[2]

I. Factual Background

Plaintiff Green Stripe, Inc. ("Green Stripe") is Pennsylvania corporation with its principal place of business in Philadelphia. Pennsylvania. Green Stripe is in the business of marketing fresh produce around the world. The president of Green Stripe is Carl DiPiazza ("DiPiazza"). Defendant Jose Gomez is a citizen of Mexico whose family has owned and farmed land in Sonorra, Mexico for several generations. Defendant Berny's Internacionale, S.A. de C.V. ("Berny's") is a Mexican corporation with its principal place of business in Hermosillo, Sonorra, Mexico. Berny's was formed in 1997 as a joint venture by Carl DiPiazza and Jose Gomez.[3] During the time period at issue here, Jose Gomez was the Sole Administrator of Berny's.[4] Defendant Oscar Gomez is the adult son of Jose Gomez and a former employee of Green Stripe. Jose Gomez and Oscar Gomez handle day-to-day operations of Berny's farms in Mexico.

Berny's was originally formed to cultivate and harvest grapes and other crops on an existing farm owned by the Gomez ***53** family. This farm is known as Berny's I or Las Malvinas ("Berny's I").[5] Pursuant to the parties' joint venture, Berny's I was leased by the Gomez family to Berny's. Prior to the formation of Berny's, although Jose Gomez farmed the Gomez family farm, he did not pay rent to other Gomez family members for that right. After Berny's was formed, it acquired a second farm ("Berny's II"). This farm was acquired and developed with money supplied by Green Stripe. The parties initially operated under an oral agreement whereby Green Stripe would provide financing for the acquisition, improvement and operation of the farms in exchange for the right to market the crops produced thereon. During the period from 1997 through late 1999, Berny's received in excess

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Carver County, MN

of $5 million dollars from Green Stripe in the form of direct loans or letters of credit used to secure loans made to Berny's by banks in Arizona. Berny's used the funds provided by Green Stripe not only to acquire Berny's II but also to fund the improvement and operation of both farms. The improvements included such things as clearing and preparing the land, constructing worker dormitories, constructing pre-cooling storage facilities, purchasing wind machines, purchasing grape vines and structures to support the vines, drilling wells and making various repairs to farm equipment and facilities. From 1997 through the 2000 harvest, Green Stripe marketed most of the crops harvested by the Berny's farms. As a result of Green Stripe's investment, the Berny's farms are state-of-the-art and produce grapes of uniquely high quality for which there is no ready substitute on the market.

It appears that in late 1999 and early 2000, the relationship between the Gomezes, Green Stripe and Green Stripe's financial backer, Joseph Procacci, had deteriorated because of disputes that arose as a result of the parties' disagreements over the timeliness of Green Stripe's financing, the appropriateness of its marketing and the terms of the parties' financial arrangements. In early 2000, Green Stripe sought to protect its investment in the Berny's farms through two written agreements, the Subrogation and Security Agreement ("Security Agreement") and the Supplement to Subordination and Security Agreement ("Supplemental Security Agreement"). These agreements, which are dated February 8, 2000, provide that Green Stripe would arrange for or provide security for additional loans to Berny's. *See* Exh. P–6 P–7, D–45A and D–46A. The agreements further provide that any Berny's debts to Oscar Gomez would be subordinated to Berny's debts owed to Green Stripe, that liens in favor of Green Stripe on all of Berny's assets, including real estate, equipment and crops would be recorded and that Green Stripe would have the right to exclusively market and collect the proceeds of all sales of Berny's crops in order to pay off its loans to Berny's. *Id.*

Specifically, the Security Agreement recites that:

> Pursuant to the agreement between GreenStripe and First Union [National Bank, Philadelphia, Pennsylvania], First Union has issued, and may issue additional, Letters of Credit for the benefit of Norwest [Bank] for the account of GreenStripe to induce Norwest to make loans to [Berny's]. If Norwest draws upon any First Union Letter of Credit, GreenStripe is obligated to reimburse First Union for any amounts First Union pays under the First Union Letters of Credit, and therefore the parties have agreed to protect the interests of GreenStripe ***54** as the ultimate party at risk on the loans made or hereafter made to [Berny's] by Norwest.

See Exh. P–6 and D–45A. Pursuant to the Supplemental Security Agreement, Green Stripe was to arrange for a loan by Norwest to Berny's of an additional $2 million supported by Green Stripe's letters of credit at First Union. The Supplemental Security Agreement specifically provides that:

> All sales by [Berny's] of any of its crop, whether for cash or credit, and whatever the intended use thereof by the purchaser, *shall be sold exclusively by and through GreenStripe, whether for cash or credit, and GreenStripe shall exclusively collect the proceeds of all such sales.* From the proceeds of sales, GreenStripe shall cause the Norwest loans to [Berny's] to be reduced and paid off, make payments directly to Borrower's vendors, including suppliers of chemicals and other farming materials, and to make advances to [Berny's], upon GreenStripe's receipt of certifications from [Berny's] as to the purpose of the advance, for payroll and other labor expenses. GreenStripe shall account to [Berny's] for receipt and the use of proceeds, and upon repayment of the Norwest Bank loans and all other expenses of the current crop year, any excess shall be disbursed for the benefit of [Berny's] and/or its stockholders.

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See Exh. P–7 and D–46A (emphasis added). Both agreements state that they are to be governed and construed according to Pennsylvania law. They also provide that they may be executed in multiple counterparts. From the evidence and testimony presented, it appears that Jose Gomez executed both agreements on behalf of Berny's after consultation with his counsel in Mexico, and then sent them to DiPiazza, who subsequently executed the agreements on behalf of Green Stripe. [6]

Between March 2000 and the end of November 2000, following the execution of the Security Agreement and Supplemental Security Agreement, Green Stripe provided Berny's with an additional $3.2 million in loans. Further, consistent with the terms of the agreements, a mortgage in the amount of $3 million was recorded in favor of Green Stripe on Berny's II. DiPiazza testified that the total amount of money that Green Stripe has advanced to Berny's since 1997 is approximately $14 million. Berny's total current debt to Green Stripe is approximately $9 million.

At the Preliminary Injunction hearing, Jose Gomez claimed that Green Stripe and Procacci refused to provide additional funds that he claims were urgently necessary to bring the Spring 2001 grape harvest to fruition. After unsuccessfully trying to obtain an agreement with other marketers to advance funds for and to market Berny's' Spring 2001 grape crop, Jose Gomez formed another company, Agricola Versatil, to buy the grapes produced by the Berny's farms. *See* Exh. D–43. In late April 2001, Jose Gomez, acting on behalf of both Berny's and Agricola Versatil, entered into purported contracts which sold all of the grapes grown on Berny's farms to Agricola Versatil for a period of 15 years. [7] These agreements ***55** provide for payments by Agricola Versatil to Berny's of $600,000 in the first year, and $120,000 in each successive year thereafter.

In April 2001, Jose Gomez entered into an agreement of behalf of Agricola Versatil with another marketer, Sales King, to market the grapes produced on the Berny's farms, which were now purportedly owned by Agricola Versatil. *See* Exh. D–42. Notwithstanding Green Stripe's exclusive right to market the grapes grown on the Berny's farms, the agreement between Agricola Versatile and Sales King gives Sales King the exclusive right to market the grapes in exchange for money it advanced for the Spring 2001 harvest. *Id.*

In reliance on its exclusive right to market the Berny's grapes, Green Stripe entered into an agreement with Costco, a U.S. company, under which Green Stripe would supply Costco with 60 percent of the Berny's Spring 2001 grape harvest. Green Stripe also entered into an agreement with Erms UK, a British company, for the remaining 40 percent of the 2001 harvest. These agreements were entered into after Carl DiPiazza had taken both Costco and Erms UK to visit and inspect the Berny's farms, and were based on Green Stripe's ability to deliver the high-quality grapes produced by Berny's. Subsequently, when Green Stripe began to suspect that Berny's and Jose Gomez might attempt to market the Spring 2001 grapes through another company, Green Stripe advised other marketing companies, including Sales King, of its claimed interest in and rights to the Berny's grapes. Thus far, Green Stripe has not received any of the Spring 2001 grapes harvested from the Berny's farms. As a result of Green Stripe's inability to obtain the Berny's grapes, Costco has advised that it will no longer take grapes from Green Stripe for this year, and Green Stripe's business relationship with Costco is in jeopardy. In addition, the present situation imminently threatens Green Stripe's current agreement and business relationship with Erms UK, which has suspended all of its agreements to purchase produce marketed by Green Stripe pending the resolution of the dispute involving the Berny's grapes.

The Spring 2001 grape harvest began on approximately May 15, 2001, and is expected to continue through mid- to late-June, 2001. Once harvested, the grapes, which are perishable, are transported to and briefly stored in Nogales, Arizona. From there they are distributed to the ultimate purchaser. According to Jose Gomez', approximately 60 percent of the approximately 100,000 boxes of grapes expected from Berny's II have already been harvested and provided to Sales King in Nogales, Arizona for distribution. The harvest of the remaining 40 percent is expected to be completed within the next three weeks. According to Jose Gomez, the harvest of the approximately 100,000 boxes of grapes expected from Berny's I was suspended three to four days ago due to a lack of sugar content in the grapes. Gomez testified that approximately 1,000 boxes had been harvested thus far. He stated that he did not know when that harvest would resume.

II Preliminary Injunction

[1] **[2]** In determining whether to grant a preliminary injunction, the court must consider (1) whether the movant has demonstrated a reasonable probability of eventual success on the merits; (2) whether the movant has demonstrated that it will be irreparably harmed if relief is not granted; (3) the possibility of harm to other interested persons from the grant or denial of the injunction; and (4) the public interest. *See e.g., Allegheny Energy, Inc. v. DQE, Inc.,* 171 F.3d 153, 158 (3d Cir.1999); *Ortho* ***56** *Pharmaceutical Corp. v. Amgen, Inc.,* 882 F.2d 806, 812–813 (3d Cir.1989). Applying these factors to the evidence presented, we find that Plaintiffs have satisfied the elements for injunctive relief.

We are satisfied that Plaintiffs have established a reasonable probability that they will prevail on their breach of contract and unjust enrichment claims. Plaintiffs produced evidence that the parties executed two written contracts which expressly gave Green Stripe the exclusive right to market the grapes produced on the Berny's farms. These grapes are a unique and perishable commodity. Within the nine months immediately following the execution of these agreements, Green Stripe invested approximately $3.2 million in Berny's. The evidence concerning these agreements, combined with evidence of the parties' course of dealing, demonstrate a likelihood that Plaintiffs can prove that enforceable contracts existed between the parties giving Green Stripe the exclusive right to market and receive the proceeds from crops harvested on the Berny's farms. *See Ebeling & Reuss Ltd. v. Swarovski Int'l Trading Corp. A.G.,* Civ. A. No. 88–4878, 1988 WL 79797, *1 (E.D.Pa. July 29, 1988). Moreover, it is apparent that Defendants have deliberately attempted to evade these agreements, and have breached them by selling Berny's Spring 2001 grapes to the newly-formed Agricola Versatil and entering into an agreement with Sales King for the marketing of the grapes. We are satisfied that Plaintiffs have made a sufficient showing that they would be entitled to specific performance as a remedy. *See Allegheny Energy,* 171 F.3d at 159–160 (damages are an inadequate remedy where the agreement concerns an unique asset the equivalent of which cannot be purchased on the market); *Campbell Soup Co. v. Wentz,* 172 F.2d 80, 82 (3d Cir.1948) (legal remedy inadequate where goods were unavailable on the open market, plaintiff had contracted for them in advance in anticipation of his needs and had built a reputation based on the goods used).

Plaintiffs' claim for unjust enrichment is also supported by the evidence. "The elements of unjust enrichment are: a benefit conferred on the defendant by the plaintiff; appreciation of such benefit by defendant; and, acceptance and retention of such benefit under circumstances making it inequitable for defendant to retain the benefit without payment of value." *F.T. Int'l, Ltd. v. Mason,* No. Civ. A. 00–5004, 2000 WL 1514881, * 1 (E.D.Pa. Oct.11, 2000). It is not disputed that over the course of the approximately three years between 1997 and 2000, Berny's received as much as $14 million from Green Stripe. Berny's currently owes Green Stripe a balance of approximately $9 million. Clearly, Green Stripe's investment in Berny's went well beyond the "typical" marketing agreement under which a marketer advances funds for a particular crop in exchange for the right to market and receive a commission on the proceeds from the sale of that crop. Green Stripe's loans financed not only the acquisition of Berny's II, they also funded the long-term improvements on both farms described above. In fact, Jose Gomez admitted that he had never dealt with any other marketer who had funded the purchase of land or such improvements and acknowledged that Berny's would not have been able to purchase and improve Berny's II without the loans from Green Stripe. Under these circumstances, we conclude that Plaintiffs would likely prevail on their claim for unjust enrichment.

With respect to the second requirement for preliminary injunction, Plaintiffs have established that they are likely to suffer imminent, irreparable harm that cannot adequately be remedied by money damages. The evidence presented at the Preliminary ***57** Injunction hearing supports Plaintiffs' contention that absent an injunction, "Green Stripe is out of the Mexican grape market." *See* Motion for Temporary Restraining Order, p. 6. Plaintiffs offered credible evidence that the grapes produced by Berny's are a unique, perishable product for which Green Stripe cannot obtain a substitute on the market. *See Kellerman v. Chase & Co.,* 101 Fla. 785, 135 So. 127 (1931) (noting the perishable nature of crop and brief harvest season, court granted injunction requiring grower to deliver tomatoes to marketing company that had advanced money in consideration for right to receive entire crop); *Ferry–Morse Seed Co. v. Food Corn, Inc.,* 729 F.2d 589 (8th Cir.1984) (granting injunction compelling

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delivery of "unique" seed corn with no to plaintiff that had contracted for exclusive license to market corn). Green Stripe has already lost the agreement with Costco for sale of the grapes from Berny's farms and is in danger of losing the Erms UK agreement. Green Stripe's inability to market grapes that it promised to its customers also threatens harm to Green Stripe's reputation and good will in the produce marketing industry. *See Cyber Promotions, Inc. v. Apex Global Information Services, Inc.,* No. Civ. A. 97–5931, 1997 WL 634384, at *3 (E.D.Pa. Sept. 30, 1997).

Defendants contend that an injunction would render Berny's unable to secure advances from other marketers to fund future crops. Although we recognize that this risk may exist, the fact remains that Berny's accepted and retains substantial benefit from more than $9 million in loans it received from Green Stripe over the past three years. That money was used to create the subject grape crop. This investment and the above-referenced contracts give Green Stripe an equitable interest in the 2001 crop, the proceeds of which are likely to be dissipated if the injunction is not granted. *See HCB Contractors v. Rouse & Assoc., Inc.,* No. 91–CV–5350, 1992 WL 176142, *8–9 (E.D.Pa. July 13, 1992) (discussing creation of equitable liens). We are satisfied that at this stage, an injunction is appropriate to restore the status quo as it existed before Jose Gomez unilaterally sold the Berny's grapes to Agricola Versatil, effectively extinguishing Green Stripe's rights to the crops and its ability to secure repayment of its loans to Berny's. *See Quantum Corporate Funding, Ltd. v. Assist You Home Health Care Services of Virginia, L.L.C.,* No. 01 Civ. 2691(RO), 2001 WL 527472, *7 n. 9 (S.D.N.Y. May 15, 2001) (collecting cases holding that where plaintiff has an equitable interest in defendant's assets, court may issue injunction freezing defendant's assets to prevent their dissipation and preserve status quo); *Ortho Pharmaceutical,* 882 F.2d at 814 (court must attempt to minimize likely harm to legally protected interests between the filing of preliminary injunction motion and the time of final hearing).

Finally, we conclude that an injunction is consistent with the public interest in requiring parties to live up to their legal contracts. *See Siemens Building Technologies, Inc. v. Camacho,* No. Civ. A. 01–1613, 2001 WL 395294, *2 (E.D.Pa. April 18, 2001) (it is in the public interest to enforce valid contracts and protect legitimate business interests); *Cyber Promotions, supra,*1997 WL 634384, at *3.

An appropriate order follows.

ORDER

AND NOW, this 15th day of June, 2001, upon consideration of Plaintiffs' Motion for Preliminary Injunction and the evidence and arguments presented at the hearing held on June 12 and 13, 2001, and for the reasons set forth in the accompanying ***58** Memorandum, it is hereby ORDERED as follows:

1. Plaintiffs' Motion for Preliminary Injunction is GRANTED.

2. Defendants are ORDERED to forthwith deliver the grapes harvested on or after June 7, 2001 from the farms known as Berny's I, also known as Las Malvinas, and Berny's II, regardless of the name under which they are currently being marketed, to Green Stripe in the same manner as Defendants would use in delivering grapes to another marketer or importer.

3. With respect to all grapes delivered to Green Stripe pursuant to Paragraph 2, above, Green Stripe shall pay to Defendants $2.00 per box on account of picking, packing and shipping charges.

4. To the extent that grapes harvested on or after June 7, 2001 from the farms known as Berny's I, also known as Las Malvinas, and Berny's II have already been sold, Defendants are ORDERED to remit to Green Stripe the proceeds of such sales for placement in an escrow account at First Union Bank, Philadelphia, Pennsylvania.

5. Defendants are enjoined from marketing, selling or otherwise transferring grapes harvested on or after June 7, 2001 from the farms known as Berny's I, also known as Las Malvinas, and Berny's II to anyone other than Green Stripe, and shall take all steps necessary to arrange for the immediate transfer to Green Stripe of any grapes currently in transit, storage, or in the possession of any other marketing agent.

6. This Preliminary Injunction shall issue upon Plaintiffs' posting of security pursuant to Fed.R.Civ.P. 65(c) in the amount of $1,200,000.00 for the payment of such costs and damages as may be incurred or suffered by any

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party who is found to have been wrongfully enjoined or restrained.

7. This Order is binding upon each Defendant and their officers, agents, servants, employees and attorneys, and upon those persons in active concert or participation with them who receive actual notice of the Order by personal service or certified mail. Counsel for Plaintiffs is directed to notify each Defendant of the existence of this Order, and to certify to the Court that such notification has been made.

7. This Order supercedes the Temporary Restraining Order entered June 6, 2001, and shall remain in effect pending further Order of this Court.

All Citations

159 F.Supp.2d 51

Footnotes

1 Three witnesses were presented at the hearing. Carl DiPiazza testified on behalf of Plaintiffs. Jose Gomez and Oscar Gomez testified on behalf of Defendants.

2 We note that because these proceedings are preliminary, the evidentiary requirements are relaxed. *See Star Creations Investment Co., Ltd. v. Alan Amron Development Inc.,* No. Civ. A. 95–4328, 1995 WL 495126, * 10 (E.D.Pa. Aug.18, 1995)

3 All of the stock in Berny's was registered to Plaintiff Christopher DiPiazza, and Defendant Bernardo Gomez, the minor son of Jose Gomez. From the testimony, it is apparent that Christopher DiPiazza's shares effectively belonged to Green Stripe and were controlled by his brother, Carl DiPiazza, on Green Stripe's behalf. The shares registered to Bernardo Gomez were controlled by Jose Gomez, acting as his son's representative.

4 As Sole Administrator, Jose Gomez exercised extensive control over Berny's farming and financial operations. *See* Exh. D–8.

5 Defendants also refer to Berny's I as “La Labor.”

6 Jose Gomez testified that the agreements were not valid because both parties did not sign the original documents. He further claims that his execution of the agreements was conditioned upon Green Stripe providing the additional funds within five days, a condition which he states Green Stripe did not satisfy. Based on the evidence presented and the parties' course of conduct, we find that Plaintiffs have established a sufficient likelihood that the agreements constituted valid contracts.

7 The issue of whether Jose Gomez had authority to take such action on behalf of Berny's is contested.

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EXHIBIT 17

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616 F.Supp. 71
United States District Court,
D. Massachusetts.

BI–RITE ENTERPRISES, INC., Artemis, Inc., Andy Taylor, John Taylor, Nick Rhodes, Simon Lebon, Bob Halford, K.K. Downing, Ian Hill, Glen Tipton, Dave Holland, Steve Harris, Dave Murray, Adrian Smith, Bruce Dickinson and Niko McBrain
v.
BRUCE MINER POSTER COMPANY, INC. and Bruce Miner.

Civ. A. No. 84–611–Z.
|
April 9, 1984.
|
Amended Order April 11, 1984.
|
On Motion to Modify Injunction
April 16, 1984.

Manufacturers and distributors of pop music novelty merchandise and three individual performing groups sought preliminary injunction against manufacture, distribution and sale by poster manufacturer of poster bearing names or likenesses of those performers or groups to whom plaintiffs exclusive rights. The District Court, Zobel, J., held that: (1) situs of right of publicity is where "commercial value" of one's persona is exploited for purpose of determining whether "right of publicity" exists, and (2) poster manufacturer would be enjoined from distributing posters bearing names or likenesses of performers to whom plaintiffs held exclusive publicity rights.

Injunction entered.

Attorneys and Law Firms

***73** Wendy E. Parmet, Hill & Barlow, Boston, Mass., Jules Zalon, David O'Driscoll, South Orange, N.J., for plaintiffs.

M. Lawrence Oliverio, Mark A. Fischer, Jerry Cohen, Cohen & Berg, P.C., Boston, Mass., for defendant.

MEMORANDUM OF DECISION AND ORDER

ZOBEL, District Judge.

Plaintiffs Bi-Rite Enterprises, Inc. ("Bi-Rite") and Artemis, Inc. ("Artemis") are in the "popular music novelty merchandise" business. They are major manufacturers and distributors of novelty merchandise, such as posters, buttons, patches, stickers, emblems, and transfers bearing the names, trademarks, logos and likenesses of major popular musical performers and groups. Bi-Rite and Artemis obtained the rights to market this merchandise pursuant to licensing agreements with various performers and groups. The members of three of these groups, Duran Duran, Judas Priest, and Iron Maiden, are here named as individual plaintiffs.

Plaintiffs claim that defendant Bruce Miner Poster Co., a poster distributor, and its principal have infringed plaintiffs' exclusive rights to commercially exploit the names and likenesses of various performers and groups in North America by distributing posters without proper authorization. On March 5, 1984, plaintiffs obtained an ex parte temporary restraining order and seizure order. They now seek a preliminary injunction against the manufacture, distribution and sale by defendants of posters bearing the names orlikenesses of those performers or groups to whom plaintiffs claim exclusive rights. [1]

[1] Plaintiffs must satisfy a four part test in order to be entitled to injunctive relief. As recently set out by the First Circuit, plaintiffs must establish:

> (1) that the plaintiff will suffer irreparable injury if the injunction is not granted; (2) that such injury outweighs any harm which granting injunctive relief would inflict on the defendant; (3) that plaintiff has exhibited a likelihood of success on the merits; and (4) that the public interest will not be adversely affected by the granting of the injunction.

Planned Parenthood League of Massachusetts v. Bellotti, 641 F.2d 1006, 1009 (1st Cir.1981); *Georgi v. Doody,* 537 F.Supp. 1251, 1253 (D.Mass.1982).

A. *Likelihood of Success on the Merits*

[2] Plaintiffs' chief claim is that defendants have misappropriated plaintiffs' rights of publicity. The right of publicity, where recognized, "grants a person an exclusive right to control the commercial value of his name and likeness and to prevent others from exploiting that value without permission." *Bi-Rite Enterprises v. Button Master,* 555 F.Supp. 1188, 1198 (S.D.N.Y.1983); *see, e.g., Martin Luther King, Jr. Center for Social Change v. American Heritage Products,* 694 F.2d 674, 676 (11th Cir.1983); *Memphis Development Foundation v. Factors Etc., Inc.,* 616 F.2d 956, 958 (6th Cir.), *cert. denied,* 449 U.S. 953, 101 S.Ct. 358, 66 L.Ed.2d 217 (1980); *Haelan Laboratories v. Topps Chewing Gum,* 202 F.2d 866, 868 (2d Cir.1953).

[3] The right of publicity is assignable and may be licensed by its owner. *American Heritage Products,* 694 F.2d at 680–81; *Button Master,* 555 F.Supp. at 1199–1200. Thus, in the instant case, Bi-Rite and Artemis, Inc. assert their rights as exclusive licensees of various performers, while the individual plaintiffs assert their own rights of publicity.

Bi-Rite and Artemis, Inc. claim that their rights of publicity have been violated by ***74** virtue of exclusive licenses with the following groups and performers: [2]

Closer examination of these licenses reveals, however, that many are nonexclusive, or, at most, exclusive with respect only to particular photographs to be designated by the licensors. Bi-Rite and Artemis seek a preliminary injunction extending only to its exclusive licenses (*see* note 1, *infra*). I find that Bi-Rite and Artemis hold exclusive rights to the following groups or performers:

Bi-Rite	Artemis, Inc.
-------	-------------
Billy Squier	Thomas Dolby
Asia	
Fastway	
Quiet Riot	
The Who	
Stray Cats	
Motley Crue	
Donna Summers	

As to these, plaintiffs have shown a likelihood of success on the merits. The parties agree that nearly all states in the United States recognize the right of publicity, but that no such right exists in Great Britain, where many of the performers or groups listed above are domiciled. Defendants argue that domicile is determinative of choice of law in right of publicity cases. As a result, they say, the British performers have no protected right of publicity. The parties agree that, because a right of publicity is a proprietary interest, property conflict of laws rules apply in determining whether such a right exists. *See Groucho Marx Productions v. Day and Night Co.,* 689 F.2d 317, 319 (2d Cir.1982); *Factors Etc., Inc. v. Pro Arts, Inc.,* 652 F.2d 278, 281 (2d Cir.1981), *cert. denied,* 456 U.S. 927, 102 S.Ct. 1973, 72 L.Ed.2d 442 (1982); *Bi-Rite Enterprises v. Button Master,* 555 F.Supp. 1188, 1197 (S.D.N.Y.1983). They also agree that Massachusetts courts would look to the law of the situs of the property in property cases. The only question, therefore, is how to determine the situs of a right of publicity.

[4] In Massachusetts, the right of publicity is protected statutorily by Mass.Gen.Laws Ann. ch. 214, § 3A. The Supreme Judicial Court has said that the statute protects "the interest in not having the *commercial value* of one's name, portrait or picture appropriated to the

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benefit of another." *Tropeano v. Atlantic Monthly Co.,* 379 Mass. 745, 400 N.E.2d 847, 850 (1980) (emphasis added). Although the Massachusetts courts have not addressed the issue now before me, I hold that the situs of the right of publicity is where the "commercial value" of one's persona is exploited. While in some cases, the plaintiff's domicile may be a relevant factor, it will generally be more important to consider where the plaintiff has developed and exploited his right of publicity through licensing agreements, assignments or merchandising schemes. Indeed, the New York courts have held that to establish a violation of his right of publicity, a plaintiff must show "(1) that his name or likeness has publicity value; [and] (2) that he himself has 'exploited' his name or likeness by acting 'in such a way as to evidence his ... own recognition of the extrinsic commercial value of his ... name or likeness, and manifested that recognition in some overt manner ...," *Lerman v. Chuckleberry Publishing,* 521 F.Supp. 228, 232 (S.D.N.Y.1981), in addition to showing unauthorized appropriation by the defendant.

This conflicts rule is in accord with the outcome of the few cases which have addressed the choice of law issue in right of ***75** publicity cases. In *Groucho Marx Productions v. Day and Night Co.,* 689 F.2d 317 (2d Cir.1982), the court applied California law to determine whether the Marx Brothers' rights of publicity survived their deaths. The court noted that the Marx Brothers were California residents at their death, the plaintiff corporation to which Groucho assigned his right of publicity was a California corporation, and the assignment contract was executed in California. *Id.* at 321. Thus, the right of publicity was exercised in California.

Similarly, in *Factors Etc., Inc. v. Pro Arts, Inc.,* 652 F.2d 278 (2d Cir.1981), *cert. denied,* 456 U.S. 927, 102 S.Ct. 1973, 72 L.Ed.2d 442 (1982), the court applied the law of Tennessee in a case involving Elvis Presley's right of publicity. The court considered that Presley was a Tennessee domiciliary, that he assigned his rights to a Tennessee corporation, which in turn licensed the rights in Tennessee to plaintiff corporation, the agreement to be construed in accordance with Tennessee law.

Finally, the court in *Bi-Right Enterprises, Inc. v. Button Master,* 555 F.Supp. 1188 (S.D.N.Y.1983), stated that "the law of the states in which plaintiffs or their exclusive licensees reside controls." *Id.* at 1197. In that case, the court applied Illinois law to Bi-Rite, an Illinois corporation. The court determined that Georgia law controlled the rights of the musical groups Judas Priest and Iron Maiden; although the group members resided in Great Britain, they marketed themselves through a Georgia-based merchandising representative. Bi-Rite and the members of Judas Priest and Iron Maiden are plaintiffs in the case before me.

[5] **[6]** I reach the same result in the instant case. Although the members of the groups at issue here reside both in the United States and abroad, they have all exploited their rights in the United States through licensing agreements with Artemis, Inc. and Bi-Rite. The law of Georgia governs the rights of Judas Priest, Iron Maiden, and Duran Duran, the members of which are named as individual plaintiffs. Although all of the members live in Great Britain, their merchandising representative is located in Macon, Georgia and is responsible for policing and protecting the use of the groups' names, logos, and likenesses. Bi-Rite is an Illinois corporation; the law of Illinois governs with respect to it. Finally, Artemis is a Connecticut corporation; the law of that state, therefore, controls its rights.

[7] Defendants argue that, notwithstanding any rights of publicity, because the groups and performers at issue authorized photographers to photograph them and imposed no explicit restrictions, the photographers were free to commercially exploit these photographs in any way that they chose. This argument, tantamount to a claim that by allowing himself to be photographed, a performer gives up his right of publicity, falls of its own weight. The right to control the use and exploitation of one's name and likeness through sale of merchandise is an extremely valuable asset to popular performers and groups. By authorizing photographs, a performer does not, without more, license their commercial exploitation. *See Ali v. Playgirl, Inc.,* 447 F.Supp. 723, 727 (S.D.N.Y.1978) ("That [plaintiff] may have voluntarily on occasion surrendered [his] privacy, for a price or gratuitously, does not forever forfeit for anyone's commercial profit so much of [his] privacy as [he] has not relinquished.") As the Supreme Court has said, "No social purpose is served by having the defendant get free some aspect of the plaintiff that would have market value and for which he would normally pay." *Zacchini v. Scripps-Howard Broadcasting Co.,* 433 U.S. 562, 576, 97 S.Ct. 2849, 2857, 53 L.Ed.2d 965 (1977) (quoting Kalven, *Privacy in Tort Law—Were*

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Warren and Brandeis Wrong?, 31 Law & Contemp.Probs. 326, 331 (1966)).

[8] Defendants concede that Georgia, Connecticut and Illinois all recognize a right of publicity. Accordingly, plaintiff has demonstrated a likelihood of success on the merits.

***76** B. *Irreparable Injury*

[9] As was previously noted, plaintiffs' rights of publicity are extremely valuable proprietary rights. The value of these rights depend, in large part, on plaintiffs' ability to maintain their exclusivity. *See Haelan Laboratories v. Topps Chewing Gum,* 202 F.2d 866, 868 (2d Cir.1953). In light of the ephemeral nature of stardom in the popular music industry, plaintiffs' rights of publicity may be commercially valuable for only a short period of time. Moreover, courts have repeatedly noted the difficulty of proving monetary damages in cases involving violation of rights of publicity. *See, e.g., Factors Etc., Inc. v. Creative Card Co.,* 444 F.Supp. 279, 285 (S.D.N.Y.1977); *Ali v. Playgirl, Inc.,* 447 F.Supp. 723, 729 (S.D.N.Y.1978); *Uhlaender v. Hendrickson,* 316 F.Supp. 1277, 1283 (D.Minn.1970). Finally, plaintiffs are unable to approve defendants' posters to assure that they are in keeping with the carefully crafted public images of the performers and groups depicted. I find, therefore, that plaintiffs will be irreparably harmed if no injunctive relief is granted.

C. *Weighing of the Potential Harms*

[10] Defendants claim that they will be irreparably harmed if injunctive relief is granted. In light of the small number of groups or performers exclusively controlled by plaintiffs, and the rapid turnover in "hot" groups, I find that the potential harm to defendants is, in fact, small. The harm to plaintiffs in being unable to reap the benefits of their exclusive rights outweighs the harm to defendants that may be caused by curtailing the sale of certain posters.

D. *Public Interest*

[11] I find that the public interest is best served by protecting "the right of the individual to reap the reward of his endeavors." *Zacchini v. Scripps-Howard Broadcasting Co.,* 433 U.S. 562, 573, 97 S.Ct. 2849, 2856, 53 L.Ed.2d 965 (1977). The public interest will not be adversely affected by injunctive relief.

In light of the foregoing, plaintiffs' motion for a preliminary injunction is granted with respect to the following groups or performers:

Thomas Dolby	Billy Squier
Asia	Fastway
Quiet Riot	The Who
Stray Cats	Donna Summers
Motley Crue	Judas Priest
Iron Maiden	Duran Duran

Defendants, their agents, servants, employees, attorneys, officers, directors, successors, assigns and/or any other individual or entity within their control or supervision and/or all other individuals or entities acting in concert with the defendants or on their behalf are hereby enjoined from:

(a) manufacturing, distributing, selling, offering for sale or advertising posters bearing the names or likenesses of the aforementioned performers or groups;

(b) effecting assignments, issuing licenses, forming new entities or associations or utilizing any other devices for the purpose of circumventing or otherwise avoiding the prohibitions set forth in subparagraph (a) above; and

(c) aiding, abetting, encouraging or inducing any other parties, including customers of the defendants, to do any of the aforementioned acts.

Plaintiffs' motion for preliminary injunction is denied with respect to all other performers and groups.

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Plaintiffs are ordered to return to defendants forthwith all materials seized from defendants not pertaining to the performers and groups that are the subject of this preliminary injunction.

AMENDED ORDER

The order dated April 9, 1984, requiring plaintiff to return to defendants all materials seized from defendants not pertaining to the performers and groups that are the subject of the April 9 preliminary injunction, is amended to exclude posters bearing the name and/or likeness of Michael Jackson ("Michael Jackson posters"). Michael ***77** Jackson posters need not be returned, defendants having conceded that they have no rights to them.

ON MOTION TO MODIFY INJUNCTION

On April 9, 1984, this Court issued a preliminary injunction enjoining defendants from manufacturing or selling posters bearing the names or likenesses of those popular music performers and groups to which I found plaintiffs hold exclusive "poster rights." With respect to those performers and groups to which plaintiffs had failed to prove their exclusive rights, I ordered plaintiffs to return to defendants all materials seized from defendants. On April 11, 1984, I amended this order to exclude the return of posters bearing the name or likeness of Michael Jackson, defendants having conceded at the evidentiary hearing that they had no rights to Michael Jackson posters. Plaintiffs now move for relief from my Order of April 9, 1984. They seek to expand the preliminary injunction to include Michael Jackson and Rick Springfield. In addition, they request an opportunity to present evidence to prove the existence of oral exclusive licenses with other performers and groups and to prove the exclusivity of licenses previously submitted so that these performers and groups too can be added to the preliminary injunction.

Defendants have represented to this Court that it will cease to merchandise Michael Jackson posters. In light of this representation and the Amended Order of April 11, 1984, no further action need be taken with respect to Mr. Jackson.

As for plaintiffs' other requests, the parties in this case had approximately five hours, over the course of three days, to present evidence and argument in this case. The hearing was held on a priority basis. At that time no evidence was presented as to the existence of oral contracts or to explain ambiguities in the written contracts introduced into evidence. Moreover, no licensing agreement between plaintiffs and Rick Springfield was entered into evidence. The Court addressed in its April 9, 1984 Order, as amended, all of the contracts that were before it. Accordingly, plaintiffs' motion to modify the Order of April 9, 1984 is denied. To the extent that plaintiffs seek to reopen this matter for the introduction of additional evidence, the Court will schedule a hearing as its calendar permits.

All Citations

616 F.Supp. 71

Footnotes

1 Although Bi-Rite and Artemis, Inc. assert rights to market merchandise pursuant to exclusive licenses for some groups and nonexclusive licenses for others, in this proceeding they seek a preliminary injunction against defendants with respect only to the groups from whom they claim to have exclusive licenses.

2 Plaintiffs' complaint lists eleven other groups and performers with whom it claims to have exclusive licenses. These licenses were not introduced into evidence and so are not before me.

Bi-Rite	Artemis
Billy Squier	Barry Manilow
Asia	Belle Stars
Fastway	Thomas Dolby
Quiet Riot	Culture Club
The Who	
Stray Cats	

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Quarter Flash
Nazareth
Phil Collins
Genesis
Doobie Brothers
Rainbow
Motley Crue
Donna Summers

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EXHIBIT 18

444 F.Supp. 279
United States District Court, S. D. New York.

FACTORS ETC., INC. and Boxcar Enterprises, Inc., Plaintiffs,
v.
CREATIVE CARD COMPANY, the Postermat Inc., Special Card & Gift Mall, Inc., and the Card Center, Defendants.

No. 77 Civ. 4400 (CHT).
|
Oct. 12, 1977.

A preliminary injunction was sought to restrain defendant from the manufacture, distribution and sale of any poster or other commercially exploited souvenir merchandise bearing likeness of deceased popular entertainer; plaintiffs claimed possession of an exclusive right to that activity based on a "right of publicity" assigned by deceased entertainer in his lifetime. Defendant moved for dismissal. The District Court, Tenney, J., held that: (1) a recognized property right, the "right of publicity," inhered in popular entertainer during his lifetime and was assignable by him and, after exercise of such right and its assignment, it survived entertainer's death and was capable of further assignment; (2) record required conclusion that there was rush to capitalize on image of deceased entertainer, so that possible irreparable damage was established as basis for preliminary injunction; (3) district court in New York had jurisdiction over defendant foreign corporation on the basis of the sale of its infringing merchandise in New York, and (4) unrefuted allegations and documents submitted by plaintiffs which added contacts beyond mere sales were sufficient to lay venue in New York.

Order for plaintiffs accordingly.

See also 444 F.Supp. 288.

Attorneys and Law Firms

***280** Golenbock & Barell, New York City, Ervin, Cohen & Jessup, Beverly Hills, Cal., for plaintiffs.

Blum, Moscovitz, Friedman & Kaplan, New York City, for defendant Creative Card Co.; James K. Silberman, Steven B. Pokotilow, New York City, of counsel.

OPINION

TENNEY, District Judge.

Plaintiffs have moved this Court for a preliminary injunction pursuant to Rule 65 of the Federal Rules of Civil Procedure ("Rules") to restrain defendant Creative Card Company from the manufacture, distribution and sale of any poster or other commercially exploitive souvenir merchandise bearing the likeness of the late entertainer Elvis Presley. Plaintiffs claim possession of an exclusive right to that activity, based on a "right of publicity" assigned by Elvis Presley in life. Defendant Creative Card Company, an Illinois corporation, disputes the existence and assignment of this right, and has also moved for dismissal under Rule 12(b) on the grounds of lack of personal jurisdiction and/or improper venue in the Southern District of New York. The Court has determined that it has jurisdiction over defendant Creative Card Company and that venue is properly laid here. Accordingly, the motion to dismiss under Rule 12(b) is denied. In addition, by the tests for preliminary relief articulated in this circuit, I conclude that plaintiffs have made "a clear showing of . . . probable success on the merits and possible irreparable injury." Sonesta International Hotels Corp. v. Wellington Associates, 483 F.2d 247, 250 (2d Cir. 1973) (emphasis in the original). Therefore, plaintiffs' motion under Rule 65 is granted. The reasons for the Court's conclusions are set forth below.

THE FACTS

On August 16, 1977, Elvis Presley, without doubt a world famous celebrity-entertainer, died at the age of forty-two. During life his professional career and the commercial exploitation of his person were managed exclusively by "Colonel" Tom Parker, [1] as demonstrated by the deposition of Col. Parker begun on September 30, 1977 and continued on October 1, 1977, and the documents appended thereto. On March 26, 1956, Presley and Parker entered into a written management contract which, although ***281** it does not specifically allude to souvenir merchandise, authorizes Parker to act exclusively for Presley "in any and all fields of public and private entertainment . . . embracing any and all branches thereof now known or hereafter coming into existence." Plaintiffs' Supplemental Memorandum, Exhibit C. However, that

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items of merchandise were clearly contemplated by the parties becomes apparent in later agreements including, inter alia, one concluded a few months later among Parker, Presley and a Mr. Saperstein of Special Projects, Inc., a merchandising company. Id., Exhibit D. The Special Projects organization was made "exclusive agent" for a period of time to license other firms "in connection with the sale, marketing and exploitation of consumer items." Id.

All manner of merchandise was thereafter covered by numerous licensing agreements with sub-licensees. E. g., id., Exhibits E, F & G. Although these and the Special Projects agreement, supra, refer to the late 1950's, an early period in the Presley career, a subsequent merchandising agreement between Presley and Parker, the latter doing business as "All Star Shows," dated May 25, 1963, id., Exhibit H, refers to the production of and distribution of profits from "Merchandising Special Souvenir Folios and Pictures." Later signed agreements between Parker and Presley specifically allude to "merchandising agreement(s)." The last of these is dated January 22, 1976. Id., Exhibits I & J.

Plaintiff Boxcar Enterprises, Inc. ("Boxcar") entered into the Presley-Parker relationship as a corporation formed in January 1974. The Court does not have before it the certificate of incorporation, but Col. Parker has testified that he owned 56% Of the shares and that Presley and one Tom Diskin, President of Boxcar, each owned 22%. Parker Depos. at 49, lines 21-26. There is, from this point on, some confusion as to which entity Boxcar or Col. Parker doing business as All Star handled merchandising, but there are numerous exhibits of checks issued from Boxcar to Elvis Presley bearing such notations as "For Royalty Earnings From Sales of Elvis Presley Souvenir Material On Tour June 25th through July 5th, 1976 as per contractual agreement." Plaintiffs' Supp. Mem. Exhibit L. (Further checks and royalty statements from Boxcar to the Elvis Presley Estate have also been submitted. Id. Exhibit L.) On August 18, 1977, two days after the entertainer's death, plaintiff Boxcar entered into an agreement with plaintiff Factors Etc., Inc. ("Factors") which purported to afford the latter an exclusive license to use the Presley likeness in connection with all souvenir merchandise. Complaint, Exhibit A. On August 24, 1977, Vernon Presley, father of the deceased and executor of his estate, agreed to a royalty arrangement with Boxcar as "Merchandising Representatives for the Elvis Presley Estate." Plaintiffs' Supp. Mem. Exhibit N. Vernon Presley also wrote to Col. Parker on August 23, 1977 asking Col. Parker to "carry on according to the same terms and conditions as stated in the contractual agreement you had with Elvis dated January 22, 1976." Id., Exhibit M.

DEFENDANT'S POSITION

Defendant argues along several lines, the most germane of which are: (1) that plaintiff Boxcar never acquired the exclusive right to merchandise the Presley name and image; (2) that even if Boxcar did have such a right in Presley's lifetime, that right died with the entertainer; (3) that this Court has no jurisdiction of defendant and/ or venue is improperly laid here. Although the Court would normally dispose of the procedural questions of jurisdiction and venue before moving to the substantive issues, in this particular case the latter must be considered first because the procedural issues depend on a clear definition of the applicable substantive rights.

THE MERITS

The Presley/Parker/Boxcar/Factors Relationship

[1] **[2]** It is hornbook law that where there is ambiguity in a contract the intent of the parties may be ascertained by reference ***282** to their subsequent course of conduct. Gordon v. Vincent Youmans, Inc., 358 F.2d 261 (2d Cir. 1965); Portsmouth Baseball Corp. v. Frick, 278 F.2d 395 (2d Cir.), cert. denied, 364 U.S. 831, 81 S.Ct. 71, 5 L.Ed.2d 58 (1960); 1 Corbin, Contracts s 101 (1964). For more than twenty years, Elvis Presley and Col. Parker had a working relationship where the division of labor was apparent: one performed, the other promoted. If some of the documents memorializing this activity are less artful than those which some professional counsel can draft, they are no less valid. Defendant points to inconsistencies in the statements of Col. Parker and others as to who held the right to "merchandise" the Presley image during his lifetime Presley himself, Parker, or, eventually, Boxcar. In view of the Parker-Presley agreements, the uncontested allegation that Presley himself was a 22% Shareholder of Boxcar and the fact that Boxcar paid royalties to Elvis Presley for souvenir merchandise sold, it seems clear enough, at least for purposes of a preliminary injunction, that Presley gave Parker leave to exploit his image through merchandise and that Boxcar was, in recent years, the vehicle through which such merchandising was carried on. Defendant's allusions to defective links in the chain of title in Boxcar, Defendant's Mem. in Oppos. 15-18, lose

sight of the true facts: these entities involved the same people. With the exception of Diskin they had been doing business together for twenty years. [2] None of the parties to the Presley-Parker business relationship appears to have been dissatisfied. Vernon Presley stated on CBS television on October 3, 1977: "Colonel Parker is an honest man. And I think that's where the big organization and the big togetherness comes, you know. Once you find out you don't have to worry about a guy being your manager, what he can do for you, he handles it. You do the show. Everything works fine." Plaintiffs' Supp. Mem. at 4. The Court takes note of the fact that these remarks were represented as having been recorded prior to Presley's death.

The Right of Publicity

[3] By far the most interesting issue in this case is whether Boxcar had anything to transfer to Factors when it entered into the August 18, 1977 " exclusive licensing" contract. After consulting the case law and certain commentaries in this field, e. g., Gordon, Right of Property in Name, Likeness, Personality and History, 55 Nw.U.L.Rev. 553 (1960); Nimmer, The Right of Publicity, 19 Law & Contemp. Probl. 203 (1954); Note, The Right of Publicity Protection for Public Figures and Celebrities, 42 Brooklyn L.Rev. 527 (1976), I have concluded that it did. It appears that a recognized property right, the "right of publicity," inhered in and was exercised by Elvis Presley in his lifetime, that it was assignable by him and was so assigned, that it survived his death and was capable of further assignment.

[4] The "right of publicity" is not a new concept, but, to the detriment of legal clarity, it has often been discussed only under the rubric "right of privacy." It is said that the right of privacy embraces "four distinct kinds of invasion of four different interests of the plaintiff, which are tied together by the common name, but otherwise have almost nothing in common except that each represents an interference with the right of the plaintiff 'to be let alone.' " W. Prosser, Torts 804 (4th ed. 1971) (emphasis added). It is this language which is at the root of the conceptual difficulty in the "right of publicity" area. Dean Prosser recognized that the fourth species of right of privacy tort, i. e., the appropriation of plaintiff's name or likeness for defendant's benefit, is distinct from "intrusion upon the plaintiff's physical solitude or seclusion," "public disclosure of private facts," or "false light in the public eye," id. at 807, 809, 812, in that "appropriation" is the only ***283** one which "involves a use for the defendant's advantage." Id. at 814. However, Prosser has failed to discuss the fact that appropriation of plaintiff's name and likeness for defendant's financial advantage has different consequences in a case where the celebrity himself has attempted to commercialize his own name and face. It is evident that courts address intrusions on feelings, reputation and privacy only when an individual has elected not to engage in personal commercialization. By contrast, when a "persona" is in effect a product, and when that product has already been marketed to good advantage, the appropriation by another of that valuable property has more to do with unfair competition than it does with the right to be left alone. See Ettore v. Philco Television Broadcasting Corp., 229 F.2d 481, 490 (3d Cir. 1956); Uhlaender v. Henricksen, 316 F.Supp. 1277, 1282 (D.Minn.1970).

This distinction was recognized recently in the United States Supreme Court. Zacchini v. Scripps-Howard Broadcasting Co., —- U.S. ——, 97 S.Ct. 2849, 53 L.Ed.2d 965 (1977). A television station had broadcast plaintiff's 15-second "human cannonball" act in its entirety and, in response to plaintiff's suit for invasion of his "right of publicity," claimed the first amendment privilege to report newsworthy events. The constitutional argument was persuasive to the Ohio Supreme Court, but the United States Supreme Court reversed. In its discussion the Zacchini Court stated:

"(T)he State's interest in permitting a 'right of publicity' is in protecting the proprietary interest of the individual in his act in part to encourage such entertainment. As we later note, the State's interest is closely analogous to the goals of patent and copyright law, focusing on the right of the individual to reap the reward of his endeavors and having little to do with protecting feelings or reputation. . . . An entertainer such as petitioner usually has no objection to the widespread publication of his act so long as he gets the commercial benefit of such publication.

" 'The rationale for (protecting the right of publicity) is the straightforward one of preventing unjust enrichment by the theft of good will. No social purpose is served by having the defendant get for free some aspect of the plaintiff that would have market value and for which he would normally pay.' Kalven, Privacy in Tort Law Were Warren and Brandeis Wrong?, 31 Law and Contemporary

Problems, 326, 331 (1966)." Id. at ——, 97 S.Ct. at 2856-57 (footnote omitted). [3]

This circuit was in the vanguard in recognizing the right of publicity and its assignability. In Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc., 202 F.2d 866 (2d Cir.), cert. denied, 346 U.S. 816, 74 S.Ct. 26, 98 L.Ed. 343 (1953), plaintiff manufacturer held a baseball player's exclusive product endorsement contract and sued a rival manufacturer for infringement. In finding for the plaintiff, the court stated:

"We think that, in addition to and independent of that right of privacy (which in New York derives from statute), a man has a right to the publicity value of his photograph, i. e., the right to grant the exclusive privilege of publishing his picture, and that such a grant may validly be made 'in gross,' i. e., without an accompanying transfer of a business or of anything else. Whether it be labelled a 'property' right is immaterial . . . .

***284** "This right might be called a 'right of publicity.' . . ." Id. at 868.

More recent decisions have clearly labelled the "right of publicity" a species of "property." Cepeda v. Swift & Co., 415 F.2d 1205 (8th Cir. 1969); Price v. Hal Roach Studios, Inc., 400 F.Supp. 836 (S.D.N.Y.1975); Sharman v. C. Schmidt & Sons, Inc., 216 F.Supp. 401 (E.D.Pa.1963); cf. Ettore v. Philco Television Broadcasting Corp., supra; O'Brien v. Pabst Sales Co., 124 F.2d 167 (5th Cir. 1941), cert. denied, 315 U.S. 823, 62 S.Ct. 917, 86 L.Ed. 1220 (1942); id. at 170-71 (Holmes, J., dissenting); Grant v. Esquire, Inc., 367 F.Supp. 876 (S.D.N.Y.1973).

[5] Price v. Hal Roach Studios, Inc., supra, a case decided in this district, is particularly interesting because it is the only reported decision known to this Court where the right of publicity was deemed descendible. In that case the widows of Stan Laurel and Oliver Hardy and another party claiming the right to exploit the Laurel and Hardy image through merchandise sued to restrain defendants from infringing on that right. Plaintiffs set up the exclusivity of a prior contract covering commercial merchandise which had been entered into by Stan Laurel, Hardy's widow, and the plaintiff licensee. Although there was no evidence to show that the comedians had ever exploited their own personalities through merchandising efforts, the Price court, relying on the distinction between a personal right of privacy which is extinguished at death and a valuable, alienable property right in name and image, i. e., the " right of publicity," asked "what policy should operate to cut off this (latter) right at death?" 400 F.Supp. at 844. The Price court could find none, and on the much stronger facts here presented, this Court adopts that view. There is no reason why the valuable right of publicity clearly exercised by and financially benefiting Elvis Presley in life should not descend at death like any other intangible property right.

One of the cases upon which defendant relies is thus easily distinguishable. In Guglielmi v. Spelling-Goldberg Prods., 140 Cal.Rptr. 775 (Cal.Ct.App., 2d App.Dist.1977), the heir of Rudolph Valentino laid exclusive claim to the actor's surviving right of publicity and protested the contents of a Valentino biography produced by defendants. Although the court determined that biographical material about Valentino was protectible under the first amendment (a conclusion with which this Court agrees) and that the right-of-publicity action was merely a ploy for bringing an otherwise impermissible defamation action, the court nevertheless addressed the right-of-publicity claim:

"(W)e hold that the right to exploit name and likeness is personal to the artist; if not exploited by him during his life, his name and likeness may be used by another without liability . . . ." Id. at 779 (emphasis added).

Although the facts of this case dictate a different outcome, this Court's legal conclusion is in complete harmony with the holding in the Guglielmi case: Elvis Presley did in life actively exploit protectible commercial rights which defendant here seeks to invade. [4]

[6] The other cases cited by defendants are far off the mark. Paulsen v. Personality Posters, Inc., 59 Misc.2d 444, 299 N.Y.S.2d 501 (Sup.Ct.1968), involved a comedian ***285** who thrust himself into a political campaign as a bogus presidential candidate and whose picture in that guise was widely circulated as a poster. The case appears to have been decided in favor of the unlicensed poster manufacturer because Paulsen's choice of the political arena for satire made him "newsworthy" in the first amendment sense. [5] There is no constitutional protection for selling posters of Elvis Presley as Elvis Presley.

Finally, defendants cite Maritote v. Desilu Productions, Inc., 230 F.Supp. 721 (N.D.Ill.1964), aff'd, 345 F.2d 418

(7th Cir.), cert. denied, 382 U.S. 883, 86 S.Ct. 176, 15 L.Ed.2d 124 (1965), where the widow and son of Al Capone sued the producers of a television series which depicted Capone in dozens of episodes, purported to quote him in conversation and so on. Both the trial court and the appellate court in Maritote refused to consider the claim of "unjust enrichment" advanced by plaintiffs, a claim which may be construed as a poorly articulated "right of publicity" assertion. In the opinion of this Court, the decision against plaintiffs was quite correctly taken in that any "right of privacy" died with Al Capone and could not thereafter be invaded. Furthermore, there could be no valid, surviving claim based on a right of publicity as this Court construes it. Whatever else Al Capone was doing in life, he was not trying to create an image with widespread commercial appeal.

On the basis of the foregoing, the Court concludes that the facts of the instant case demonstrate a strong likelihood that plaintiffs will prevail on the merits at trial.

Irreparable Harm

Having satisfied one of the Sonesta mandates, i. e., that a preliminary injunction may not issue absent probable success on the merits, the Court must address the second aspect of that test: whether plaintiff is exposed to possible irreparable injury. The market for Presley memorabilia has been described by defense counsel in the companion action to this one, Factors Etc., Inc. v. Pro Arts, Inc., D.C., —- F.Supp. —— (CHT), as "evanescent," and while the Court will not ascribe to one defendant the opinion of another, the word is probably apt. Furthermore, while defendant in this case has suggested that it is easily capable of responding in damages, using as a measure the number of allegedly infringing Elvis Presley posters that it sells during the period of litigation on the merits, this argument assumes that any consumer bent on acquiring an Elvis Presley poster will, if plaintiffs' similar merchandise is not before him, purchase defendant's merchandise rather than abandon the whole project. Suffice it to say that the vagaries of consumer buying are such that proof of damages would be extremely difficult. See Omega Importing Corp. v. Petri-Kine Camera Co., 451 F.2d 1190 (2d Cir. 1971).

[7] However, the Court need not determine possible irreparable damage by speculating on the caprice of the consumer market. Plaintiff Factors claims that its licensing program for articles other than posters is jeopardized by its inability to grant exclusive rights. In support of this proposition, it submits the affidavit of Daniel H. Lidman, one of the attorneys representing plaintiffs, whose detailed assertions, apparently made on personal knowledge, reveal that a prominent toy manufacturer with plans to market an Elvis Presley jigsaw puzzle as a sublicensee of Factors has already been beaten to the marketplace by another "unlicensed" manufacturer. The Court concludes that there is a rush to capitalize on the Presley image in this postmortem period, [6] and that if Factors has ***286** exclusive property rights in the manufacture and marketing of Presley souvenir merchandise, as it so appears, then it must be protected at this time.

JURISDICTION

[8] **[9]** Having identified the right asserted here as "property" and its infringement as a species of unfair competition, it is to the law of that tort that the Court looks to determine the correctness of jurisdiction in this district. Jurisdiction is based on diversity of citizenship, 28 U.S.C. s 1332, and in a diversity action a federal court must determine a question of personal jurisdiction according to the laws of the state in which it is sitting. Arrowsmith v. United Press Int'l, 320 F.2d 219 (2d Cir. 1963) (en banc). In this case the applicable law is that of New York, specifically the provision of its "long-arm" statute which gives New York courts jurisdiction over any nondomiciliary who commits "a tortious act within the state." N.Y.C.P.L.R. s 302(a)(2). As to the tort of unfair competition "the wrong takes place . . . where the passing off occurs." Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 639 (2d Cir. 1956), cert. denied, 352 U.S. 871, 77 S.Ct. 96, 1 L.Ed.2d 76; see Car-Freshner Corp. v. Broadway Mfg. Co., 337 F.Supp. 618 (S.D.N.Y.1971); Carter-Wallace, Inc. v. Ever-Dry Corp., 290 F.Supp. 735 (S.D.N.Y.1968). Clearly the Court has jurisdiction over the defendant on the basis of the sale of its infringing merchandise in New York.

VENUE

Venue in this district is less clear. In a diversity case venue is covered by 28 U.S.C. s 1391(a), which reads:

> "A civil action wherein jurisdiction is founded only on diversity of

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> citizenship may, except as otherwise provided by law, be brought only in the judicial district where all plaintiffs or all defendants reside, or in which the claim arose."

Defendant contends that this district is not "where the claim arose," as that phrase has been construed, despite the fact that its allegedly infringing goods are sold here. It is true, as defendant asserts and courts have recognized, that in a "transitory" cause of action like the instant one, where the tort arises at the point of purchase, there is a danger that the "claim arose" language in section 1391(a) might be construed to permit a plaintiff to sue in any district into which the defendant has shipped infringing goods. In Honda Associates, Inc. v. Nozawa Trading, Inc., 374 F.Supp. 886, 890 (S.D.N.Y.1974), a trademark action, the court quite correctly would not infer any such legislative intent. It therefore framed the issue thusly: does " 'the claim' . . . mean the largest part of the claim, a substantial part thereof, or any part thereof"? Because the defendant in Honda had sent only 20 of the allegedly infringing mail order catalogues into New York in five years and had sold a total of only $37 worth of allegedly infringing goods in New York in four years, the Honda court concluded that defendant's contacts with this district, for venue purposes, were "miniscule" and that the claim did not "arise" here in the statutory sense. Although it analogized its method to a "weighing of contacts" analysis used in securities and antitrust cases, the court in Honda refused to determine whether "the largest part of the claim" or "a substantial part thereof" was necessary to support venue, and specifically rejected a standard by which trademark infringement cases could only be brought where the greatest volume of infringing actively occurred. Id. at 892.

Other courts have found the Honda "more than miniscule contacts" test appropriate for determining venue in situations similar to that at bar. In Tefal, S.A. v. Products Int'l Co., 529 F.2d 495 (3d Cir. 1976), the court found venue proper on the basis of five percent of defendant's infringing sales having been made in the district (although no dollar volume of sales was adduced in evidence) and because live sales demonstrations had been conducted in the district. In ***287** Transamerica Corp. v. Transfer Planning, Inc., 419 F.Supp. 1261 (S.D.N.Y.1976), venue was held improper where defendant had never earned a cent from New York sales, had no sales representative in New York and never sent an employee or agent into the district for business purposes. Both cases were decided by the yardstick of the Honda test.

The facts in this case clearly show "more than miniscule contact" with this district. By the affidavits of Mr. Burton Wall, president of defendant Creative Cards, the sales of that corporation for the year ending July 1977 exceeded seven million dollars, Wall Affidavit, sworn to September 27, 1977, P 24; approximately 10% of that business (or $700,000 for that period) was in posters, Wall Affidavit, sworn to October 4, 1977, P 3; New York accounted for 3% of poster sales (which, assuming nationwide sales for defendant's posters, makes New York, if not the most substantial market, then certainly not a miniscule one); and sales of Elvis Presley posters "through distributors, jobbers and retailers" in New York accounted for 0.8% of all poster sales for the eight months ending August 31, 1977. Id.

The jumble of figures may be reduced to this: Creative Card, through its C/C Sales Division, sold approximately $7,000 worth of Elvis Presley posters in New York in the first eight months of 1977. Defendant does not tell us whether any of its other markets for Elvis Presley posters is more substantial than New York. Furthermore, these figures do not convey whether there was an increase in demand for Elvis Presley posters in New York after the entertainer's death, nor are they enlightening as to projected sales in New York alone and as compared to other districts.

[10] Even were this Court to conclude that $7,000 of sales to the New York public in the first eight months of 1977 is "miniscule" and such a conclusion cannot be reached in the absence of evidence demonstrating much greater sales of that merchandise in other districts there are unrefuted allegations in the documents submitted by plaintiffs which add contacts beyond mere sales and harmonize the case more closely with Car-Freshner Corp. v. Broadway Mfg. Co., supra. In that case venue was held proper in this district where defendant had a sales representative in New York and its allegedly infringing products were sold in many retail outlets in the state. Plaintiffs allege similar facts here. They have submitted a sales order placed with David Oestreich, Inc., 225 Fifth Avenue, New York, N.Y. 10010, covering the purchase of six dozen of defendant's Elvis Presley posters. In the order form space marked "Factory Represented" is written "C & C Sales" (sic). Rohner Affidavit, sworn to October 4, 1977, Exhibit B. Defendant's poster is apparently being sold in New York

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through the Woolworth chain. Adler Affidavit, sworn to October 4, 1977, P 3. In addition, plaintiffs initially joined several other retail outlets in this action, all of whom were purportedly selling defendant's poster. Rohner Affidavit, sworn to September 1, 1977, PP 4-7. (These named defendants have apparently defaulted.) Finally, plaintiffs have submitted the catalog from the New York Gift Show held August 14-19, 1977. Rohner Affidavit, sworn to October 4, 1977, Exhibit C. The catalog identifies both Creative Card Company and David Oestreich, Inc. as exhibitors and, on the David Oestreich, Inc. descriptive page, states that Oestreich is "represented by" one Bill Dustin, who plaintiffs allege is connected with defendant Creative Card. Id. P 4. Defendant acknowledges that Bill Dustin is "an employee of C/C Division of Creative Card." Wall Affidavit, sworn to September 21, 1977, P 16.

[11] The Court is satisfied that on the facts presented venue is fairly laid in this district. Before leaving the subject, however, it is necessary to address defendant's general argument against venue here. Creative Card states that it does all of its sales through independent distributors, jobbers or retailers in New York whose only contacts with the Illinois corporation are by phone or mail; that it is these independent entities who sell the allegedly infringing goods in the New York market; that Creative ***288** Card ships f. o. b. Chicago with the result that title to the goods passes in Illinois. Wall Affidavit, sworn to October 4, 1977, PP 2-9. A fortiori, the argument goes, defendant has no "contacts" with this district in the venue sense and therefore the instant suit "could and should" have been brought in the Northern District of Illinois. Defendant's Mem. 41. The evil in this contention is the converse of that addressed in Honda, where the concern was that a too-broad interpretation of "where the claim arose" could expose a multi-state tortfeasor to suit in any forum. Were the Court to accept the defendant's argument that the structure of its business insulates it from suit anywhere except in its resident forum, it would be sanctioning a construction of section 1391(a) that gives plaintiff no choice at all in a multi-state tort, and it would be impermissibly cancelling the words "where the claim arose" from that statute. This cannot be done.

CONCLUSION

Based on the foregoing analysis, defendant's motion to dismiss the instant claim for want of personal jurisdiction and/or improper venue under Rule 12(b) is denied, and plaintiffs' request for preliminary relief pursuant to Rule 65 is granted. Defendant Creative Card Company will be enjoined from manufacturing, distributing, selling or by any other means profiting from souvenir merchandise bearing the name or likeness of the late Elvis Presley until the merits of the case are determined.

Order is being filed simultaneously herewith.

All Citations

444 F.Supp. 279, 3 Media L. Rep. 1290

Footnotes

1 Col. Parker acknowledges that his title is of the Southern rather than the military variety in his deposition, September 30, 1977, page 4, line 27.

2 Defendant has no standing to attack the administration of Boxcar's financial affairs or to raise inferences of self-dealing; that is the province of the state of incorporation in a quo warranto proceeding. American Co-op Serum Association v. Anchor Serum Co., 153 F.2d 907 (7th Cir.), cert. denied, 329 U.S. 721, 67 S.Ct. 57, 91 L.Ed. 625 (1946).

3 While the Court stated that the facts in Zacchini present

"what may be the strongest case for a 'right of publicity' involving not the appropriation of an entertainer's reputation to enhance the attractiveness of a commercial product, but the appropriation of the very activity by which the entertainer acquired his reputation in the first place," id.,

the instant action does not present the Presley name or his fact enhancing a product Presley is the product. Furthermore, it is not unreasonable to conclude that Elvis Presley's act included the totality of his persona performance, image and name. At the very least the Presley visage is obviously an aspect of the performer having a high market value, as evidenced by the competition which has given rise to this case.

4 Defendant relied as well on another California case in which the heirs of Bela Lugosi asserted a right-of-publicity claim based on the actor's image as Dracula. Examination of the intermediate appellate opinion in that case reveals that while plaintiff was denied relief on the facts (after prevailing at trial), the court recognized a right of publicity, provided it was actively exploited by the celebrity in life. However, the California Supreme Court has now accepted the case for

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hearing, Lugosi v. Universal Pictures, Cal.App. 139 Cal.Rptr. 35 (1977), and that procedural step operates to render the intermediate appellate opinion a nullity, having no force or effect as a judgment or authority as a statement of legal principle. Knouse v. Nimocks, 8 Cal.2d 482, 66 P.2d 438 (1937). Therefore, the intermediate appellate opinion cannot be considered, either by defendant which relies on it, or by this Court, which can distinguish it.

5 The Paulsen case was held “unique to its facts” only a few years later by Rosemont Enterprises, Inc. v. Urban Systems, Inc., 72 Misc.2d 788, 340 N.Y.S.2d 144 (Sup.Ct.), modified, 42 A.D.2d 544, 345 N.Y.S.2d 17 (1st Dep't 1973) (impermissible infringement on an exclusive license to exploit the name and personality of Howard Hughes).

6 The cover of People magazine for October 10, 1977 depicts all manner of Elvis Presley souvenir merchandise under the headline “Remembering Elvis/Imitators, fans & rip-offs launch a billion dollar industry.”

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EXHIBIT 19

279 A.D.2d 301, 719 N.Y.S.2d 41, 2001 N.Y. Slip Op. 00137

Harry Terrell, Appellant,
v.
Felicia Terrell, Respondent.

Supreme Court, Appellate Division, First Department, New York
2045N
(January 11, 2001)

CITE TITLE AS: Terrell v Terrell

HEADNOTE

INJUNCTIONS
PRELIMINARY INJUNCTION

([1]) Order which denied plaintiff's motion for preliminary injunction staying defendant from taking any action to enforce or execute upon judgment or warrant of eviction arising out of certain Housing Court proceedings reversed and preliminary injunction granted; decedent devised property to her plaintiff; subsequently, decedent executed quitclaim deed conveying same property to defendant; to obtain preliminary injunction, plaintiff was required to establish (1) likelihood of success on merits of his claim that his mother lacked mental capacity to execute quitclaim deed; (2) irreparable injury in absence of injunction; and (3) balancing of equities in his favor; plaintiff submitted medical records describing decedent as confused, disoriented, and suffering from dementia during her hospitalization; she executed quitclaim deed twelve days after her release from that hospitalization; while not conclusive, plaintiff's proof was sufficient for purpose of obtaining provisional relief; second element required for injunction, irreparable injury, was also sufficiently set forth; given plaintiff's disability and his financial constraints, eviction would place him under extreme hardship of finding new place to live; finally, balancing of equities favors granting preliminary injunction; issue of whether, and to what degree, plaintiff may have been unjustly enriched at defendant's expense can be raised at trial; thus, despite evidence of question of fact as to decedent's mental capacity IAS Court abused its discretion in failing to grant preliminary injunction to maintain status quo during pendency of action.

Order, Supreme Court, Bronx County (Gerald Esposito, J.), entered July 17, 2000, which, to the extent appealed, as limited by the briefs, denied plaintiff's motion for a preliminary injunction staying defendant from taking any action to enforce or execute upon the judgment or warrant of eviction arising out of certain Housing Court proceedings, unanimously reversed, on the law, the facts, and in the exercise of discretion, without costs, and the preliminary injunction granted. ***302**

The parties, uncle and niece, dispute ownership of a house located at 3531 Grace Avenue, Bronx, New York. Zula Mae Terrell owned the house until her death on July 17, 1997. On September 9, 1995 Zula Mae executed a will in which she devised the property to her son, plaintiff Harry Terrell. She also named him executor of her will. On April 15, 1997, Zula Mae executed a quitclaim deed conveying the same property to her granddaughter, defendant Felicia Terrell, plaintiff's niece. Both Harry and Felicia lived in the house with Zula Mae for various periods of time preceding her death.

In February 1999, Felicia commenced a licensee holdover proceeding against Harry in Housing Court which was settled. In the stipulation of settlement, Harry agreed to the entry of a warrant of eviction against him, which was stayed until September 9, 1999. The stipulation was without prejudice to Harry's claims of ownership, and permitted him to remain in the house during the stay without paying use and occupancy. It also provided that Harry would bring an action in Supreme Court within three months of the settlement to challenge the validity of the quitclaim deed.

The complaint in this action alleges that Zula Mae did not have the mental capacity to execute the quitclaim deed when she signed it. Harry also moved for a preliminary injunction staying Felicia from evicting him during the pendency of the action. In support of his motion, plaintiff cited Bridgeport Hospital records, where Zula Mae was treated from March 10, 1997 to April 3, 1997. These records contained numerous references to Zula Mae's periodic confusion as to person, place and time, and to her lack of understanding as to why she was in the hospital. The medical history portion of Zula Mae's hospital records also contains references to dementia, impaired memory, the onset of slurred speech and “mental

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status changes." Notes from the hospital discharge planning conferences also reveal that Zula Mae's family members, including Felicia, were explicitly made aware of her declining mental status. Harry, however, did not participate in these conferences.

In opposition to the motion for a preliminary injunction, Felicia submitted an affidavit in which she asserted that Zula Mae was fully competent when she deeded the house to her, and that Zula Mae did so because Harry was mistreating her [1] ***303** and stealing her money. [2] The quitclaim deed to Felicia was signed before two witnesses and a notary public. Defendant also asserted that she has taken care of the house and paid taxes on it since April 1997, while Harry, who is disabled, [3] has allowed it to deteriorate and may not be able to afford to keep it. The IAS Court denied plaintiff's motion, finding that Harry did not adequately demonstrate a likelihood of success on the merits of his claim that Zula Mae lacked the mental capacity to deed the house to her granddaughter. This was an improvident exercise of discretion.

To obtain a preliminary injunction, Harry was required to establish (1) a likelihood of success on the merits of his claim that his mother lacked the mental capacity to execute the quitclaim deed; (2) irreparable injury in the absence of the injunction; and (3) a balancing of the equities in his favor (*see, Aetna Ins. Co. v Capasso,* 75 NY2d 860). While we agree with the IAS Court that the second and third elements were met here, we also conclude that plaintiff has made a sufficient showing on the first element, a likelihood of success on the merits of his claim that his mother lacked the mental capacity to execute the quitclaim deed to Felicia (*see, Demartini v Chatham Green,* 169 AD2d 689 [evidence demonstrating a likelihood of success on the merits need not be conclusive]; *Sau Thi Ma v Lien,* 198 AD2d 186, 187, *lv dismissed* 83 NY2d 847; *McLaughlin, Piven, Vogel v Nolan & Co.,* 114 AD2d 165, 172-173, *lv denied* 67 NY2d 606 ["(a)s to the likelihood of success on the merits, a prima facie showing of a right to relief is sufficient; actual proof of the case should be left to further court proceedings"]). In support of his motion, plaintiff submitted medical records describing the decedent as confused, disoriented, and suffering from dementia during her hospitalization. She executed the quitclaim deed twelve days after her release from that hospitalization. While not conclusive, plaintiff's proof was sufficient for the purpose of obtaining provisional relief.

The second element required for an injunction, irreparable injury, was also sufficiently set forth. Given plaintiff's disability and his financial constraints, eviction would place him under the extreme hardship of finding a new place to live. Further, ***304** while defendant has title to the property and wishes to sell it, plaintiff has lived in the house for at least the last 8 years and has no other place to live.

Finally, a balancing of the equities favors granting the preliminary injunction. While the record is unclear whether plaintiff has been paying use and occupancy, the issue of whether, and to what degree, plaintiff may have been unjustly enriched at his niece's expense can be raised at trial. Thus, despite the evidence of a question of fact as to the decedent's mental capacity (*US Reins. Corp. v Humphreys,* 205 AD2d 187, 192), we find that the IAS Court abused its discretion in failing to grant a preliminary injunction to maintain the *status quo* during the pendency of the action (*Board of Mgrs. of 193 Second Ave. Condominium v End Real Estate Corp.,* 253 AD2d 587, 588; *Sforza v Nesconset Fire Dist.,* 184 AD2d 631).

Concur--Tom, J. P., Mazzarelli, Andrias, Ellerin and Lerner, JJ.

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Footnotes

1. In opposition to plaintiff's motion, Sheila Wimbush Bowles, Zula Mae's niece, submitted an affidavit stating that on March 10, 1997, she found the decedent in her house, semi-conscious and soaked in vomit and that she had her taken to the hospital. Sheila attested that Harry was also in the house at the time, but that he had left his mother unattended.
2. Felicia attested that Harry had been using his mother's MAC card without her permission, and that he had run up approximately $25,000 in credit card debt under her name without her permission.
3. Harry has multiple sclerosis. He is confined to a wheelchair and requires 24 hour care by home attendants. He receives Medicaid benefits and $587/month in Supplemental Security Income.

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