

Influencers & Brands: Contracting in the Age of Social Media Marketing

Presented by the New York Intellectual Property Law Association on July 20, 2023

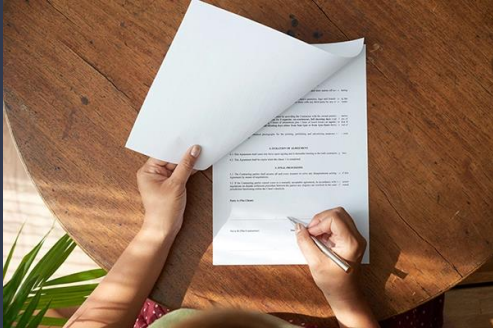
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Discussion Points

- i. Introduction: What is an influencer and what can they do for a brand?**
- ii. Key Considerations for The Influencer/Brand Relationship**
- iii. Legal Issues and Risks.**

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Major Elements of an Influencer Contract



1. **Services** – tasks to be performed
2. **Exclusivity** – restrictions on partnering with other brands
3. **Ownership** – who owns the intellectual property
4. **Compensation** – wage for the relevant period
5. **Representations & Warranties** – assertions and protections
6. **Indemnification** – compensation for harm or loss
7. **Morals Clause** – right to terminate for harmful behavior
8. **Termination** – ending the contract before full performance
9. **Regulatory** – disclosure requirements from the Federal Trade Commission

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Today's Focus

1. **Exclusivity** – restrictions on partnering with other brands
2. **Ownership** – who owns the intellectual property existing and developing during the Term
3. **Morals Clause** – right to terminate for harmful behavior
4. **Regulatory** – disclosure requirements from the Federal Trade Commission

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Exclusivity

“As of the signing of this Agreement, **Artist [Theron] commits not to wear publicly any other watches other than RW watches during the Term.** Additionally, Artist hereby agrees that during the Term **she shall not endorse or advertise watches or jewelry for any other person, entity or company**...Notwithstanding the foregoing, RW acknowledges and agrees that Artist is permitted to wear jewelry of her choice in public and to awards shows during the Term.”

Raymond Weil, S.A. v. Theron, 585 F. Supp. 2d 473, 476 (S.D.N.Y. 2008)

Charlize Theron Settles \$20 Million Lawsuit

Details of the actress and the luxury watchmaker's agreement are undisclosed

By **People Staff**

Published on November 4, 2008 10:30AM EST



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Ownership

“The Trademarks shall in perpetuity be the **exclusive property of [JLM]**, [Gutman] having consented to it being filed by [JLM] and **[Gutman] shall have no right to the use of the Trademarks, Designer's Name or any confusingly similar marks or names in trade or commerce** during the Term or any time thereafter without the express written consent of [JLM].”

JLM Couture, Inc. v. Gutman, 24 F.4th 785, 790 (2d Cir. 2022)

Bridal Designer Hayley Paige Officially Changes Her Name to Cheval Amid Ongoing Legal Battle

The designer is currently not allowed to use her former name Hayley Paige, which served as the identity for her bridal designs with JLM Couture, in any business context

By **Anna Larsson Kaplan**
Published on August 9, 2022 03:14PM EDT



Hayley Paige of 'Say Yes to the Dress' says she lost rights to use her name

The bridal designer claims she's legally banned from using her name

By **Jacqueline Laurean Yates** [GMA](#)

Wedding Dress Designer Hayley Paige Says She's Lost The Right To Her Instagram And Own Name In Court

In a tearful announcement, the designer told fans she is being sued by her old parent company, which alleges it owns everything she built.



Stephanie McNeal
BuzzFeed News Reporter

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Morals Clause

"If at any time prior to or during the Term hereof, **Talent commits and is criminally charged with any illegal act or commits an act of moral turpitude** which can reasonably be considered to bring Talent into **public disrepute, contempt, scandal or ridicule or which shocks, insults or offends the community or reflects unfavorably on Talent**, or if Talent has so conducted himself in the past and information with respect thereto becomes public during the Term, or if Talent **makes or authorizes any derogatory statements** about Company or Company's products and/or services to the general public during the Term of this Agreement, such commission, involvement or statement shall constitute a "default" under this Agreement, and at any time after the occurrence of any such event and in addition to all of its other rights and remedies, **Company may terminate this Agreement.**"

Adidas cuts ties with rapper Kanye West over anti-Semitism

© 16 October 2022



By Faara Masud
Business reporter

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Reverse Morals Clause

"In more recent years, talent has been able to negotiate for reverse or reciprocal morals clauses. These agreements flip the traditional morals clause on its head: **instead of a brand firing an immoral celebrity, these new clauses allow a celebrity to escape a contract with an immoral brand owner.**"

'I made a mistake.' Influencer terminates Shein contract after sponsored trip

^ Hide Description

A group of American social media influencers is receiving criticism after taking a trip to China, sponsored by Shein, a hugely popular fast-fashion giant.

Emmy Rossum slams Anthropologie, Urban Outfitters for alleged racial profiling

By Nicki Gostin

June 12, 2020 | 10:13am

'We've implemented reverse morality clauses': Influencer Patrick Janelle on how 2020 changed brand partnerships

BY JILL MANOFF | MAR 10, 2021

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FTC Act § 255.5 – Disclosure of material connections

“When there exists a connection between the endorser and the seller of the advertised product...such connection must be fully disclosed.”

“[T]he advertiser should clearly and conspicuously disclose either the payment or promise of compensation prior to and in exchange for the endorsement...”

FTC Updates Endorsement Guides for First Time in 14 Years: Key Takeaways

By Nicholas Saady, Brad D. Rose, and Robert J. deBrauwere

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Brands, celebrities, and influencers should be aware that the Federal Trade Commission (FTC) recently released updated Endorsement Guides—the first time the FTC has done so since 2009. The Guides provide critical information about the FTC’s expectations for endorsements and advertising, and are therefore important to note to avoid the ire of the FTC.



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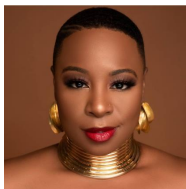
Panelists



Mitchell Stein,
Of Counsel at BraunHagey & Borden



Octavia Taylor,
Senior Direct, Legal & Business Affairs at A + E Networks



Jeannie Ferguson,
Influencer & Owner of Runway Parties



Eli Nathanson,
Partner at Pryor Cashman

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Mitchell Stein

Of Counsel at BraunHagey & Borden



Mitchell is an attorney in BraunHagey & Borden's New York office. Mitchell helps clients create, develop and protect their brands and content. He registers and protects clients' copyrights, trademarks and other intellectual property rights, negotiates licenses, endorsement and other commercial agreements, and crafts sweepstakes and contest rules. He also represents clients in intellectual property disputes, both in court and before the Trademark Trial and Appeals Board. Mitchell has extensive experience working for clients in a wide range variety of industries, including consumer packaged goods, fintech and block-chain, e-commerce, sports and entertainment, gaming, fashion, software, biotech and medical devices.

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Octavia Taylor

Senior Direct, Legal & Business Affairs
at A + E Networks



Octavia passed the New York State Bar with a singular focus: to be an advocate for artists. Before law school, she worked in the music and television industries where she learned artists and creative professionals were in need of assistance when dealing with both legal and business matters.

Octavia began her legal career at a music boutique law firm where she reviewed and negotiated music agreements for emerging producers and employment agreements for music executives. After a stint at VH1, Octavia enjoyed solving business and legal issues within the creative paradigm of a program that she decided to pursue a career as a television production attorney.

For the past fifteen years, Octavia has provided legal advice to senior creative and business executives and handled the day to day business and legal affairs for companies and for various types of programs, most often under fast-paced and hectic circumstances. She is a skilled negotiator and has experience structuring, drafting and negotiating production, development and talent agreements for television, documentaries and digital as well as other types of media related agreements such as marketing, promotional, and sponsorship. Octavia has had her own law practice, and has worked for production companies and major networks such as, Disney ABC Domestic Television, BET, HBO and Fox Television Stations. In her current position as Senior Director of Legal and Business Affairs at A+E Networks, she works on the corporate side structuring, drafting and negotiating development agreements for their unscripted production arm A+E Factual Studios. She prides herself on having great business judgment and the ability to tackle issues head on.

Octavia was on the board of New York Women in Film and Television (NYWIFT) for six years where she served as the Vice President of Programming and produced panels and workshops for NYWIFT on various topics within the TV and Film industry. She is a member of Delta Sigma Theta Sorority, Inc., a service organization.

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Jeannie Ferguson

Influencer & Owner of Runway Parties



Plus Petite Powerhouse Jeannie Ferguson has over a decade as a fixture behind the scenes as a Buyer, Merchandiser, Allocator, and Product Development Coordinator. In her present position as Production Manager, she is an asset to the fashion biz. However, while taking notice of fashion industry standards in comparison to what society considers "real women", she recognized a desire to see something different. And as the go getter she is, Jeannie made the decision to be the difference.

Jeannie was thrown onto the runway as a last-minute replacement for a no-show model. As soon as the crowd laid eyes on the 5'3, size 14 strutting her stuff they took to their feet and the roar was deafening. At that moment, Jeannie knew there was no turning back. With her signature walk, Jeannie Ferguson has gone on to grace the runways for numerous designers including Ashley Stewart, B&G, Marco Hall, Robert E Knight, Monif C., Tru diva Designs, New Jersey Full Figured Fashion Week, Full Figured Fashion Week New York, Maryland Fashion Week & Plus Night Out. She has appeared on several television shows such as Tyra, E! News, Food Network's Worst Bakers In America, and BET's Rip The Runway, and has also made her nationwide commercial debut with the Slim & Tone Leggings, 9West Online, and most recently in a full length commercial for Always.

But as immortalizing as the TV screen is, Ms. Ferguson didn't stop there. She has made appearances in National Campaigns for Ashley Stewart, and countless appearances in both Print and online publications such as Black Elegance, Glamour, People Magazine for the Nivea Challenge, Plus Model Magazine, Manik, Belle Noir, Full Blossom, POSE Magazine, Moda Mantra Magazine, and Queen-size Magazine. With her ever-expanding knowledge in runway, Jeannie has taught her Annual Walk This Way Runway Class all around the US for the past 12 Years. It has fueled the passion of up and coming models, as well as her own to continue to always be a student of the craft herself. She studies new and old techniques and presents them in ways for a model of any level of experience to master and execute in castings to secure first and consecutive gigs thereafter.

As an important factor in Kurvacious Boutique's Annual Model Competition, Jeannie is the runway coach for model contestants for The Face of Kurvacious Model Competition and has remained steadfast over the past eight years. Her knowledge and years of expertise has transcended the expectations of so many around her. In the last three years, she has begun to train models who are visually impaired for not only the Kapable Kurves portion of the Kurvacious Model Competition, but also to secure spots in various runway shows and for print work.

Though the runway will always be her first love, she tapped into her go getter mentality and added acting to her resume. Jeannie made her debut in 2017 as Vernette Johnson in "The Vish Merrick" project. Her latest projects are the short films, "Prepare Your Table", "Coming for The King", and "Touched", with several more in production.

Jeannie Ferguson is steadily cementing her place in the fashion industry and has no intention of slowing down anytime soon. Her and her sister are currently celebrating their new business Runway Parties that celebrates the joy and confidence that can be found on the runway for adults and children alike. She continues to be an influential member of the plus size community on social media platforms and as a key member of teams for various runway productions.

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Eli Nathanson

Partner at Pryor Cashman



Pryor Cashman partner Eli Nathanson, a member of the firm's Media + Entertainment, Corporate, and Intellectual Property Groups, works on a variety of celebrity branding, licensing, and endorsement deals.

He represents individuals and companies around the world seeking to either exploit their intellectual property rights or obtain third-party rights in connection with a broad spectrum of consumer products and services, including for high-profile recording artists, models, athletes, and other celebrities; manufacturers, retailers, brand owners, and designers; media companies and executives; management consultants and agents; and advertising agencies and public relations firms, among others.

Eli advises on trademark licensing from the perspective of both brand owners and licensees. He also works on intellectual property-driven joint ventures, strategic alliances and collaborative arrangements, celebrity endorsements, design and other consultancies, and related transactions. Additionally, Eli handles general corporate work, including private equity, corporate governance, and other corporate and contractual matters.

Drawing on his deep experience in brand development and protection, Eli identifies complex issues and opportunities in both the domestic and international markets. His clients appreciate his ability to develop appropriate strategies that enable them to capture and monetize the potential of their brand assets. Known for his negotiation skills and ability to close and secure highly favorable deals for his clients, Eli's transactions are also recognized for their meticulous attention to detail, which leaves little opportunity for challenge or misinterpretation.

He received a J.D. from Brooklyn Law School and a B.A., cum laude, from the State University of New York at Stony Brook.

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Exclusivity

Raymond Weil, S.A. v. Theron, 585 F.Supp.2d 473 (2008)



KeyCite Yellow Flag - Negative Treatment

Declined to Follow by [Godson v. Eltman, Eltman & Cooper, P.C.](#),
W.D.N.Y., September 11, 2012

585 F.Supp.2d 473

United States District Court, S.D. New York.

RAYMOND WEIL, S.A., Plaintiff,

v.

Charlize THERON and Denver &
Delilah Films, Inc., Defendants.

No. 07 Civ. 1786(CM)

|

Sept. 30, 2008.

Synopsis

Background: Swiss watchmaker brought action against actress and film production company, stemming from purported breach of endorsement agreement. Parties cross-moved for summary judgment.

Holdings: The District Court, [McMahon, J.](#), held that:

[1] watchmaker failed to establish existence of legal duty separate from contract at issue;

[2] actress intended to be personally bound by agreement;

[3] breach stemming from poster of actress holding necklace was cured;

[4] actress' wearing of competitor's watch at film festival constituted material breach; and

[5] fact issues existed whether alleged breach resulted in non-rescissionary damages to watchmaker.

Motions granted in part and denied in part.

Procedural Posture(s): Motion for Summary Judgment.

West Headnotes (13)

[1] **Fraud** 🔑 Elements of Actual Fraud

To establish fraud under New York law, plaintiff must show that: (1) defendant made material false representation; (2) defendant intended to defraud plaintiff thereby; (3) plaintiff reasonably relied upon representation; and (4) plaintiff suffered damage as result of such reliance.

12 Cases that cite this headnote

[2] **Fraud** 🔑 Effect of existence of remedy by action on contract

Under New York law, in breach of contract claim which also alleges fraud, plaintiff must either: (1) demonstrate legal duty separate from duty to perform under contract; or (2) demonstrate fraudulent misrepresentation collateral or extraneous to contract.

1 Case that cites this headnote

[3] **Fraud** 🔑 Effect of existence of remedy by action on contract

Swiss watchmaker that sued actress and film production company, stemming from purported breach of endorsement agreement, failed to establish existence of legal duty separate from contract at issue, as required to maintain fraud claim under New York law; actress' intent to abide by terms of agreement, in light of existing relationships with other jewelry and watch manufacturers, was inseparable from her contractual duties.

[4] **Fraud** 🔑 Effect of existence of remedy by action on contract

Under New York law, claim for fraud that merely alleges undisclosed intention from outset of agreement not to comply with its terms is insufficient as matter of law.

Raymond Weil, S.A. v. Theron, 585 F.Supp.2d 473 (2008)

5 Cases that cite this headnote

[5] **Principal and Agent** ➡ Contracts in name of or for benefit of principal

Under New York law, agent signing agreement on his principal's behalf will not be found personally liable under terms of agreement unless there is a clear and explicit evidence of agent's intention to substitute or superadd his personal liability for, or to, that of his principal.

5 Cases that cite this headnote

[6] **Principal and Agent** ➡ Agent's Contracts

Actress sued by Swiss watchmaker, stemming from purported breach of endorsement agreement, intended to be personally bound by agreement, rather than acting solely as agent for film production company under New York law; primary object of agreement, although created through medium of company, was for actress to lend her celebrity to watchmaker.

1 Case that cites this headnote

[7] **Contracts** ➡ Contract not to engage in or injure business carried on by another

Purported breach of endorsement agreement, stemming from poster of actress holding competitor's necklace, was cured under New York law, with respect to Swiss watchmaker's contract-based claim against actress and film production company; public display of poster with actress' image and necklace at event promoting competitor's products was taken down within 5 days after notification.

[8] **Contracts** ➡ Contract not to engage in or injure business carried on by another

Actress' wearing of competitor's watch at film festival constituted material breach of endorsement agreement, for purposes of Swiss watchmaker's contract-based claim under New

York law against actress and film production company; although actress only wore watch for approximately one hour, photographs were placed on Internet, where they were sold to competitor and used to promote its products.

[9] **Cancellation of Instruments** ➡ Nature and scope of remedy

Under New York law, remedy of rescission is to be invoked only when there is lacking complete and adequate remedy at law and where status quo may be substantially restored.

2 Cases that cite this headnote

[10] **Contracts** ➡ Rights and Liabilities on Breach

Under New York law, absent grounds for rescission, plaintiff has only right to compensatory damages for breach of agreement.

3 Cases that cite this headnote

[11] **Damages** ➡ Award irrespective of actual damage

Damages ➡ Extent of damage not shown

Under New York law, even if breach of contract caused no loss or if amount of loss cannot be proven with sufficient certainty, injured party is entitled to recover, as nominal damages, small sum fixed without regard to amount of loss, if any.

3 Cases that cite this headnote

[12] **Contracts** ➡ Questions for Jury
Summary Judgment ➡ Contracts in general

Genuine issues of material fact, regarding whether actress's purported breach of endorsement agreement resulted in any non-rescissionary damages to Swiss watchmaker, precluded summary judgment on watchmaker's claim against actress and film production company, alleging breach of contract under New York law.

Raymond Weil, S.A. v. Theron, 585 F.Supp.2d 473 (2008)

[1 Case that cites this headnote](#)

[13] Damages  Express declaration as to nature of provision

Under New York law, liquidated damages clause must be result of express agreement between parties; courts will not read such clause into contract by implication.

[1 Case that cites this headnote](#)

Attorneys and Law Firms

***475** [David Jaroslawicz](#), Jaroslawicz & Jaros, LLC, New York, NY, for Plaintiff.

[Douglas F. Broder](#), [Rebecca Louise Misner](#), K&L Gates LLP (NYC), New York, NY, [Mark D. Baute](#), [David Crochetiere](#), [Jeffrey A. Tidus](#), [Patrick M. Maloney](#), [William T. Drescher](#), Baute & Tidus LLP, Los Angeles, CA, for Defendants.

MEMORANDUM DECISION AND ORDER DISPOSING OF ALL PENDING MOTIONS AND CROSS MOTIONS FOR SUMMARY JUDGMENT

[McMAHON](#), District Judge.

Plaintiff Raymond Weil, S.A. filed this suit against defendants Charlize Theron and Denver & Delilah Films, Inc. seeking damages for alleged breaches of an endorsement contract and for fraud.

Before this Court are the parties' cross motions for summary judgment. Raymond Weil moves for judgment in its favor on its claim for breach of contract. Theron and Denver & Delilah Films move for summary judgment dismissing all the claims asserted against them.

Both motions are granted in part and denied in part.

I. Background

Unless otherwise indicated, the following facts are undisputed.

A. The Parties

1. Plaintiff Raymond Weil

Raymond Weil (“RW”) is a Swiss corporation, with its general place of business in Geneva, Switzerland. It manufactures and sells high-end luxury watches in countries around the globe. (Pl.’s Rule 56.1 Statement ¶ 1; Eilender Decl. Ex. A (hereinafter “Compl.” ¶ 2)).

2. Defendant Charlize Theron

Charlize Theron (“Theron”) is an Oscar-winning actress and entertainer. (Defs.’ Rule 56.1 Statement ¶¶ 2, 3).

3. Defendant Denver & Delilah Films, Inc.

Denver and Delilah Films (“DDF”) is a California corporation owned and operated by Theron. (Defs.’ Resp. to Pl.’s Rule 56.1 Statement ¶ 3). It acts as both a film production company and a so-called “loan-out” corporation. A loan-out corporation enters into agreements whereby Theron (the “Artist”) renders services of various kinds to third-parties (*i.e.* is “loaned out” to them). (Defs.’ Rule 56.1 Statement. ¶¶ 3, 4.)

B. The Agreement

On or about May 17, 2005, Raymond Weil entered into an agreement (the “Agreement”) with DDF, whereby RW agreed to pay to DDF three million dollars in exchange for the use of Theron’s image in a world-wide print media advertising campaign for Raymond Weil’s “Shine” watch collection. (Pl.’s Rule 56.1 Statement. ¶ 4).

***476** For our purposes, the relevant provisions of the Agreement are as follows:

Paragraph 8. Exclusivity

As of the signing of this Agreement, Artist [Theron] commits not to wear publicly any other watches other than RW watches during the Term. Additionally, Artist hereby agrees that during the Term she shall not endorse

Raymond Weil, S.A. v. Theron, 585 F.Supp.2d 473 (2008)

or advertise watches or jewelry for any other person, entity or company. Furthermore, Artist agrees that she will not endorse or advertise watches or jewelry for any other person, entity or company, including for charity....

Notwithstanding the foregoing, RW acknowledges and agrees that Artist is permitted to wear jewelry of her choice in public and to awards shows during the Term.

Additionally, Artist may be asked to wear non-RW watches as part of her performance in a feature film and/or television show and that such action by Artist shall not be deemed a breach by Artist, provided however, no merchandising or commercial tie-in campaign shall be allowed in connection with non-RW watches utilizing her name, voice and/or likeness in connection with such film or television show that is released and/or broadcast during the Term.

This contract does not prevent RW for [sic] using other artists or celebrities to endorse its products. However, RW agrees that Artist shall be the sole female artist to endorse RW during the Term in Europe and the United States. (Eilender Decl. Ex. F. (hereinafter the “Agreement”) ¶ 8.)

In the event of a breach of the Agreement by either party, the Agreement provides that:

No party shall have the right to terminate this Agreement or sue for breach of this Agreement until it gives written notice of the alleged breach to the other party and a period of five (5) business days (in the country wherein the breach occurred) to cure the breach and such period elapses period elapses without such cure, unless the breach is of such a nature that it cannot be cured. In that case, termination or suit may proceed immediately.... (*Id.* ¶ 16.)

The term of Agreement ran from the date of the “publication of the October 2005 issue of major print media through December 31, 2006.” (*Id.* ¶ 1.) The parties had a mutual option to renew the Agreement on the same terms and conditions

for an additional fifteen months—that is, either party could elect to renew, and if the other party agreed, the term of the Agreement would be extended for an additional fifteen months. (*Id.* ¶ 6.) If the parties did not both agree to renew on the same terms and conditions, the Agreement would expire at the end of 2006.

The Agreement contained a very limited non-compete. If RW offered to renew on the same terms and conditions but Theron declined, then Theron agreed not to endorse or advertise any brand of watch, and any watches or jewelry produced by an enumerated list of high-end watch brands, for a period of for one year, or until the end of 2007. (*Id.*)

The Agreement was signed by both parties. Theron signed the document “On behalf of Denver & Delilah Films (Artist).” Olivier Bernheim (“Bernheim”), Raymond Weil’s CEO, signed “On behalf of Raymond Weil (RW).”

Neither party sought to exercise the extension option under the Agreement. Instead, the parties opened negotiations in the spring of 2006 about terms for a new agreement. (Drescher Aff. Ex. 5 (hereinafter “Rush Dep.”) at 90:1–18.) According to Bernheim, RW did not seek to extend the terms of the old deal because there were terms RW wanted to modify if it *477 went forward with Theron. (Drescher Decl. Ex. 52 (hereinafter “Bernheim Dep.”) at 182:11–18.) However, negotiations broke off in August 2006 and no new deal was signed. (Rush Dep. at 92:19–23.)

The original Agreement was allowed to expire on December 31, 2006.

Since RW had not sought to extend the Agreement, Theron’s one year non-compete was never triggered.

II. The Instant Action

RW sued Theron and DDF (collectively, “Defendants”) on February 5, 2007, well after the Agreement had expired by its terms. It alleged that Theron had breached the agreement on several occasions during its term, and that Defendants had fraudulently induced RW to enter into the Agreement in the first place. RW sought to recover all sums previously paid to Theron under the Agreement, as well as all monies expended by RW for the Shine watch advertising campaign, all monies paid to Defendants by competing manufacturers to promote

Raymond Weil, S.A. v. Theron, 585 F.Supp.2d 473 (2008)

their products, and such other damages as may appropriately be awarded in a case of this nature. (Compl. ¶ 30.)

Defendants filed an answer denying the allegations in the complaint and asserting eleven boilerplate affirmative defenses like failure to state a claim, improper venue, and laches. (Eilender Decl. Ex. B (hereinafter “Answer”).)

A. Alleged Breaches of the Agreement

In the Complaint, Plaintiff alleged four instances of breach of the Agreement. RW has since abandoned two of the four: Theron's posing with faux canary diamond earrings for a J'adore Dior Perfume advertisement, and her wearing a dog-tag type necklace for the ALDO Fights AIDS Campaign. (Pl.'s Opp'n. Mem. at 14.) The other two alleged instances of breach are described more fully below.

1. The Montblanc Incident

Montblanc sells luxury goods, primarily writing instruments, but also watches, leather goods and, more recently, women's jewelry. (Eilender Decl. Ex. V (hereinafter “Bostel Dep.”) at 6:7–15.) In the fall of 2006, Montblanc launched a line of silver jewelry. (*Id.* at 18:13–22.) As a promotional device for this launch, Montblanc partnered with the Entertainment Industry Foundation (“EIF”), a charity. EIF promised to secure the participation of a celebrity to be part of Montblanc's advertising campaign, in exchange for a donation to EIF from Montblanc. (*Id.* at 11:13–12:11.) Theron agreed to appear in a promotional piece for EIF, which would identify Montblanc as the sponsor. (Defs.' Rule 56.1 Statement ¶ 26; Bostel Dep. at 12:19–13:14.) In exchange, Montblanc agreed to pay EIF two-hundred and fifty thousand dollars. (Bostel Dep. at 12:12–16.) This agreement was never reduced to writing. (*Id.* at 77:12–78:19.) Nonetheless, Theron participated in a photo shoot with the purpose of creating an image for the venture. (*Id.* at 38:19–21.)

After looking at test Polaroid photographs of Theron wearing a Montblanc necklace during the photo shoot, Montblanc decided to photograph the actress without jewelry and then later superimpose a necklace, believing that this would produce this most in-focus image of both Theron and the Montblanc necklace. (*Id.* at 50:11–51:8.) The finished product

was incorporated into an approximately fourteen foot high poster. (*Id.* at 85:7–8.)

Montblanc believed that it had received permission through EIF to display that poster of Theron with the Montblanc necklace draped over her forearm at the 2006 Salon International de La Haute Horlogerie (“SIHH”) in Switzerland. (*Id.* at 74:11–75:23.) *478 The SIHH is a prestigious watch and jewelry trade show and exhibition, lasting six days, at which a select number of jewelers and watch makers display their new products. (*Id.* at 66:24–67:15.) From about April 3, 2006 to April 5, 2006, the poster was hanging up at the Montblanc booth. (Defs.' Rule 56.1 Statement ¶ 30.) According to Montblanc, the image was only displayed inside booth, such that it was not visible to visitors passing by and was exposed only in one key entrance area. (Eilender Deck Ex. N, E-mail from Bostel to EIF employee Judi Ketch.) Nonetheless, the poster was up and people at the SIHH undoubtedly saw it.

After the poster had been on display for about two or three days, RW notified DDF that defendants were in breach of paragraph 8 of the Agreement. (Rush Opp'n. Decl. ¶¶ 37–41.) DDF immediately mobilized its lawyers, who persuaded Montblanc to take the poster down. (*Id.*) The poster was removed sometime between fourteen and thirty-six hours later—within the five day cure period provided for in the Agreement. (Defs.' Rule 56.1 Statement ¶ 31; Bernheim Dep. at 332:3–10.)

As far as the court knows, RW made no effort to terminate the Agreement once the poster was removed.

2. The South by Southwest Film Conference and Festival

On March 14, 2006, Theron attended a screening of *East of Havana*, a documentary film Ms. Theron produced through DDF, at the South by Southwest Film Festival (“SXSW”), an annual, regional film festival held in Austin, Texas. (Defs.' Rule 56.1 Stmt. ¶ 38.) Theron, together with the producers of other films featured at the festival, participated in a panel discussion before an audience that included members of the public and professional photographers. (Eilender Decl. Exhibit X (hereinafter “Kerver Dep.”) at 23:22–24:3.) Theron wore a Christian Dior (“Dior”) watch to the press conference

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(*Id.* ¶ 40; Pl.'s Rule 56.1 Stmt ¶ 19.)—a decision she now calls “regrettable.” (Drescher Aff. Ex. 4 (hereinafter “Theron Dep.”) 83:10–13.)

Theron is one of the world's most beautiful women—she has even been named “The Sexiest Woman Alive” by Esquire Magazine—and many photographs were taken of her during the press conference. (Eilender Decl. Ex. AA.) Some of those photographs showed Theron wearing the Dior watch, and some of those photos were posted to a website called “Wireimage”—essentially a clearing house for professional photographers (Kerver Dep. at 51:2–13.) When someone sees an image on Wireimage that he wants to use, he downloads it and pays a fee, which is split between the photographer and the proprietors of Wireimage. (*Id.* at 51:14–56:7.) Once a photographer has uploaded an image to Wireimage, she does not control, or necessarily even know, who will subsequently use the image or how. (*Id.* at 51:2–13.) The celebrity depicted apparently knows even less.

One of several third parties to download the image of Theron wearing the Dior watch was LVMH Watch and Jewelry USA, another maker of luxury goods and the owner of Dior watches. (*Id.* at 55:18–23.) LVMH submitted the image to Tourneau LLC “Tourneau,” a prominent retailer and manufacturer of high end watches. (Eilender Decl. Ex. T, E-mail chain between LVMH employee Stephanie Cranston and Tourneau Marketing Coordinator Sandy Madera). Tourneau is among the leading retailers of almost every brand of watch it carries based upon annual volume (Eilender Decl. Ex. Y (hereinafter “Block Dep”) at 4:19–22; 5:7–9.) Tourneau carries both RW and Dior watches in its inventory. (*Id.* 5:10–14.)

*479 Tourneau publishes an in-store annual called the *Tourneau Times*, which is mailed to about one hundred thousand, high-spending Tourneau customers and is made available free of charge in Tourneau retail locations. (*Id.* 5:18–24; 95:11–20 (attached as Ex. 13 to Drescher Aff.)) The October 2006 *Tourneau Times* ran a photograph taken at the SXSW Festival depicting Theron wearing the Christian Dior watch on her wrist, (Def. Rule 56.1 Stmt. ¶ 43.) The photograph of Theron in the Dior watch appeared on page fifteen of the publication in the “Star Watch” section, over a caption that reads, “Charlize Theron wears Dior.” (*Id.*) RW became aware of the image of Theron in the *Tourneau Times* in November of 2006. (Bernheim Dep. 86:20–22.)

In the same issue of the *Tourneau Times* RW ran an advertisement RW Shine watches featuring the model Telma Thormasdittor. At the time the magazine appeared, DDF claims it had not relaxed the prohibition against RW's use of other female artists in *print* advertising, although it had granted RW permission to use other female artists in certain indoor and outdoor durable transparency or “duratrans” advertising. (Rush Decl. Ex. 29, E-mail from RW affiliate employee Gil Ozir to Gretchen Bruggeman Rush; Ex. 30 E-mail From Gretchen Bruggeman Rush to Gil Ozir.) Thus, the use of the photographs of Thelma Thormasdittor is at least arguably a breach of RW's covenant not to use any other female artists to endorse its products in Europe and the United States during the term of the Agreement. However, Defendants have not asserted a counterclaim to this effect.

3. Other Alleged Breaches of the Agreement

RW alleged in its Complaint that other instances of breach might come to light during discovery. (Compl. ¶ 21.) RW did not move for leave to amend its pleading to assert other breaches by defendants, but did insert three other alleged instances of breach into the Joint Pre-Trial Order.

i. Chopard

Theron, on behalf of DDF, entered into a contract with Mylestone Promotion Limited, as an agent for Chopard, to wear Chopard Jewelry to the 2006 British Academy of Film and Television Arts (“BAFTA”) Awards and the 2006 Academy Awards. (Eilender Opp'n. Decl., Ex. II, contract between Mylestone Promotion Limited and DDF (hereinafter the “Chopard Contract”).) Under the Chopard Contract, Theron undertook to wear at least two pieces of Chopard jewelry of her choosing out of specified combinations (*e.g.* an earring and necklace pairing or earrings and bracelet etc.) to each award show. (*Id.* ¶ 3.) A Chopard watch was not among the items Theron could choose to wear under the contract. Theron was to be paid \$50,000 for wearing the jewels to the BAFTA Awards and \$200,000 for the Academy Awards. (*Id.* ¶ 10.) Chopard and DDF also agreed that:

In the event that Miss Theron wears Chopard Jewelry to such appearance, the parties agree that all photographs taken of Miss Theron at the BAFTA Appearance and The Academy Awards Appearance, as applicable and *subject to Chopard's obtaining all third party authorization and/or clearance*, may be used for a period of up to twelve (12) months following each respective appearance for editorial purposes only on a worldwide basis, in the print media and in connection with Chopard's own information magazine "Happy News." (*Id.* ¶ 4) (emphasis added).

Theron wore Chopard jewels to both the BAFTA and the Academy Awards. In April 2006 attorneys for Theron discovered that photos of Theron had been posted on the Chopard website. (Eilender Opp'n. *480 Decl. Ex. JJ, E-mail chain between Chopard employee Caroline Schreiber and Gretchen Bruggeman Rush.) Theron's attorney's requested that Chopard removed the photos as an unauthorized use of Theron's name and likeness. Chopard complied. (*Id.*)

ii. Cartier

Theron wore Cartier diamond stud earrings and a flower cuff bracelet to the 2006 Golden Globe Awards. (Eilender Opp'n. Decl. Ex. KK (hereinafter "Borchers Dep.") at 32:17-20.) Theron was loaned the pieces, which were then returned to the Cartier Museum following the event. (*Id.* 35:7-9.) She did not wear a Cartier watch.

Theron was not paid for wearing the Cartier jewels. However, she has previously received valuable Cartier pieces as gifts from the company. (*Id.* 22:10-13.) A Cartier employee testified that Theron has received a \$35,000 ring, a \$7,500 bracelet and \$8000 earrings as past "tokens of appreciation." (*Id.* 23:11-13; 23:19-23, 24:19-22.)

iii. Breil Milano

In June 2007, well after the expiration of the Agreement, DDF entered into an endorsement contract with Binda Italia, pursuant to which it agreed that Theron would promote Breil Milano brand watches and jewelry. (Def. Rule 56.1 Stmt. ¶ 49.) RW contends that this, too, breached the Agreement.

B. Fraud

In addition to breach of contract, RW also charged fraud in the inducement in its Complaint, alleging that:

Upon information and belief, at the time the defendants signed the agreement they knew but did not reveal to the plaintiffs that CT [Theron] had committed to others to promote their products, including Dior, or would accept offers to promote such products.

At the time the defendants induced plaintiffs to enter the agreement and pay the defendants substantial sums of money, the defendants knew that CT would promote other watches, had no intention of complying with the terms of the agreement with plaintiffs, and was simply making representations to the plaintiffs in order to have them pay her substantial sums of money.

Had plaintiffs known of CT's other commitments with competing manufacturers, and that CT would not honor the exclusivity clause of the agreement, they would not have paid her any money; would not have spent millions of dollars on an advertising campaign to promote her image with plaintiff's goods; and would not have entered into an agreement with the defendants.

By reason of defendants' fraud and misrepresentations to the plaintiffs, plaintiffs were induced to enter into the purported exclusive agreement with the defendants which provided for substantial penalties if the plaintiffs breached the agreement. (Compl. ¶¶ 32-35.)

DISCUSSION

As noted above, RW now moves for partial summary judgment on its breach of contract claim and Defendants move for summary judgment on RW's claims for breach of

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contract and for fraud. Defendants also move to strike the expert reports submitted by RW on the issue of damages for breach of contract, while RW moves to dismiss most of the boilerplate affirmative defenses inserted into the answer by Defendants.

I. Standard of Review

Under Federal Rule of Civil Procedure 56(c), summary judgment is properly *481 granted when “the pleadings, depositions, answers to interrogatories and admissions on file, together with the affidavits, if any, show that there is no issue as to any material fact and that the moving party is entitled to judgment as a matter of law.” FED. R. CIV. P. 56(c). See *Celotex Corp. v. Catrett*, 477 U.S. 317, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986). The language of the rule “mandates the entry of summary judgment, after adequate time for discovery and upon motion, against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial.” *Id.* at 322, 106 S.Ct. 2548. It is apparent that in such a situation “there can be no genuine issue as to any material fact, since a complete failure of proof concerning an essential element of the nonmoving party's case necessarily renders all other facts immaterial.” *Id.* at 317, 106 S.Ct. 2548.

In addressing a motion for summary judgment, “the court must view the evidence in the light most favorable to the party against whom summary judgment is sought and must draw all reasonable inferences in [its] favor.” *Matsushita Elec. Indus. Co. Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 587, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986) (internal quotations omitted). It is the task of the court “not to resolve issues of fact but only to determine whether there are issues to be tried.” *Balderman v. United States Veterans Admin.*, 870 F.2d 57, 60 (2d Cir.1989).

Since this Court's jurisdiction is based on the diversity of the parties, New York State substantive law applies. See, e.g., *DeWeerth v. Baldinger*, 38 F.3d 1266, 1272 (2d Cir.1994).

II. Plaintiffs Fraud Claim is Dismissed

RW asserts a claim for fraudulent inducement in its complaint. This claim fails as a matter of law and for lack of any evidence to support it. Defendants' motion for summary judgment dismissing it is granted.

[1] [2] [3] To establish fraud under New York law, “a plaintiff must show that (1) the defendant made a material false representation, (2) the defendant intended to defraud the plaintiff thereby, and (3) the plaintiff reasonably relied upon the representation, and (4) the plaintiff suffered damage as a result of such reliance.” *Bridgestone/Firestone, Inc. v. Recovery Credit Servs.*, 98 F.3d 13, 19 (2d Cir.1996), quoting *Banque Arabe et Internationale D'Investissement v. Maryland Nat'l Bank*, 57 F.3d 146, 153 (2d Cir.1995). In a breach of contract claim, which also alleges fraud “a plaintiff must either: (i) demonstrate a legal duty separate from the duty to perform under the contract; or (ii) demonstrate a fraudulent misrepresentation collateral or extraneous to the contract.” (*Id.* at 20) (internal citations omitted). There is no suggestion that Theron had any legal duty to RW separate from her duty under the Agreement. Rather, RW argues that Defendants made a fraudulent misrepresentation about one of two things—Theron's intent to abide by the terms of the Agreement or her existing relationships with other jewelry and watch manufacturers—in order to induce RW to enter into the Agreement in the first place; either contention saves the claim.

[4] It is well settled that a claim for fraud that merely alleges an undisclosed intention from the outset of an agreement not to comply with its terms is insufficient as a matter of law. See generally *Papa's-June Music, Inc. v. McLean*, 921 F.Supp. 1154, 1162 (S.D.N.Y.1996); *McKernin v. Fanny Farmer Candy Shops, Inc.*, 176 A.D.2d 233, 234, 574 N.Y.S.2d 58, 59 (N.Y.App.Div.1991); *482 *Trell v. Am. Assoc. for the Advancement of Sci.*, No. 04-0030E(SR), 2007 WL 1500497, at *7 (W.D.N.Y. May 21, 2007.) RW cannot, with a naked assertion that Defendants “ ‘had no intention of complying with the terms of the agreement with plaintiffs,’ ” shoehorn a claim of fraud into a basic breach of contract dispute. (Compl. ¶ 33.)

RW offers not a scintilla of evidence to support its barebones allegation in the complaint that Defendants misrepresented or concealed some pre-existing arrangement between Theron and one or more of RW's competitors. Therefore, that cannot possibly serve as the basis for a fraudulent inducement claim.

No doubt recognizing the deficiency of its fraud claim, RW does not even attempt to rebut the arguments made by Defendants in support of its motion for summary judgment in its favor.

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Summary judgment is granted for Defendants on RW's second claim for relief for fraud.

III. Plaintiff's Breach of Contract Claim Is Dismissed only in Part

A. Theron's Motion for Summary Judgment Dismissing her as a Party is Denied.

The parties dispute whether Theron was properly named a party defendant in this lawsuit. Defendants argue that the only contracting party was DDF, and that Theron signed the Agreement with RW solely in her capacity as an agent of DDF, not in her own right. (Defs.' Mem. of Law. at 13.) They urge that it was not possible for Theron to breach the contract, and they move for summary judgment dismissing her as a party defendant on those claims. (*Id.*)

[5] Under New York law, “an agent signing an agreement on his principal's behalf, will not be found personally liable under the terms of the agreement unless there is a clear and explicit evidence of the agent's intention to substitute or superadd his personal liability for, or to, that of his principal.” *Mason Tenders Dist. Council Welfare Fund v. Thomassen Constr. Co.*, 164 F.Supp.2d 379, 381 (S.D.N.Y.2001) (quoting *Lerner v. Amalgamated Clothing & Textile Workers Union*, 938 F.2d 2, 5 (2d Cir.1991)). To determine whether an agent signing on behalf of a corporation will nonetheless be found personally liable, New York courts and other courts in this Circuit applying New York law, have considered various iterations of the following factors: (1) the length of the contract; (2) the placement of the liability clause relative to the signature line; (3) the appearance of the signatory's name in the agreement itself; (4) the nature of the negotiation that surrounded the contract; and (5) the signatory's role in the company. *Id.*; *Paribas Prop., Inc. v. Benson*, 146 A.D.2d 522, 525–26, 536 N.Y.S.2d 1007 (1989); *Cement and Concrete Workers Dist. Council v. Lollo*, 35 F.3d 29, 35 (2d Cir.2001).

In *Porter v. Property Damage Control Group*, PDC, construction corporation entered into a contract with homeowners to do construction work on their house. No. 03 CV 5972, 2007 WL 2907403 at *9 (E.D.N.Y., Sept. 28, 2007). The court agreed with the magistrate's recommendation that, Roberts—the president and sole shareholder of the construction corporation—be found individually liable under the contract, in spite of the fact that he had signed the contract

only in his capacity as “President/Owner” of PDC and that he had testified he “did not *intend to bind himself personally.*” *Id.* (emphasis added). In making its determination the court considered that Roberts, as the President and sole shareholder, holds a “pivotal role” in PDC; that the contract identified Roberts as a party on its first page “as opposed to providing a boilerplate clause that the officer *483 signing on the corporation's behalf was personally bound;” Roberts was involved in the contract negotiating process; and the length of the contract was relatively short. *Id.*

[6] Similarly, despite Theron's contention that she did not intend to become personally bound by the Agreement, this is patently not a situation where “a single sentence in a lengthy contract created a trap for an unwary agent” warranting against the possibility of individual liability. *Paribas*, 146 A.D.2d at 525, 536 N.Y.S.2d 1007. Applying the factors discussed above, it is obvious that Theron cannot be dismissed as a defendant on the breach of contract claim. She was not an unwary agent signing on behalf of a principal, but the very object of the Agreement agreeing (albeit through the medium of a personal services corporation) to lend HER celebrity to RW. Theron is the owner of DDF and therefore exercise considerable control over its corporate decisions. The agreement was only ten pages long, and Theron marked every page with her initials. Indeed, Theron even testified that she personally participated in the negotiations for the contract. (Theron Dep. at 40:13–21.)

Additionally, the title of the Agreement is “Denver & Delilah Films, Inc. (Lender) for the Services of Charlize Theron (Artist) 2005–2006 Agreement with Raymond Weil (RW)” (Agreement at title line) and the only services under the Agreement are to be provided by “Artist” (Theron). (*Id.* ¶¶ 4, 6, 7, 8, 9, 10, 11, 15, 16, 17, 20.) At the end of the Agreement, just above the signature block, it states, “[t]his agreement shall bind and inure to the benefit of Artist[Theron].” (*Id.* ¶ 20.) While this language is comparable to language described as “boilerplate” in *Porter*¹, it is not in view of the signature block itself. Theron signed “on behalf of Denver & Delilah Films (Artist).” That is, she signed of behalf of both the corporation and herself individually, not just in her capacity as president of the corporation. Her signature is not followed by the addition of any corporate title. The conclusion is inescapable that the parties intended Theron to

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be bound personally and that she signed the Agreement in both her corporate and personal capacities.

Theron's motion for summary judgment dismissing her as a party defendant (at least on the breach of contract claim) is denied.

B. Defendants' Motion for Summary Judgment as to the Montblanc Incident is Granted

[7] The display of the poster of Theron holding the Montblanc necklace at the SIHH, a prestigious watch and jewelry trade show, constituted a breach of the Agreement between RW, Theron and DDF. While the parties dispute exactly what Theron knew about the final image used in the poster, it is clear from the record that Theron loaned her image to a purpose that was forbidden under the Agreement—to promote and advertise Montblanc silver jewelry. The fact that the image was to be used for charitable purposes does not excuse Defendants' breach, because paragraph 8 of the Agreement specifically states that Theron will not “endorse or advertise watches or jewelry for any other person, entity or company, *including for charity*” during the term of the Agreement. (Agreement ¶ 8) (emphasis added).

However, the Agreement permitted a breaching party to cure within five days *484 and the breach—the public display of the poster with Theron's image and the necklace at an event promoting Montblanc products—was, in fact, remediated within five days after RW notified DDF of the breach. Therefore, RW's claim for breach of contract on this score must be dismissed.

The contract provides that

No party shall have the right to terminate the Agreement or sue for breach of this Agreement until it gives written notice of the alleged breach to the either party and a period of five (5) business days (in the country where the breach occurred) to cure the breach and such period elapses without such cure, unless the breach is of such a nature that it cannot be cured. In that

case, termination or suit may proceed immediately. (Agreement ¶ 16.)

The point of drafting a contract with a cure period provision is to allow the parties, in the event of breach, to correct their course and maintain the promises in their contract. “The concept of cure is grounded in the belief that protecting expectations while avoiding waste is, or should be, a primary goal of contract damages. The basis for the cure concept stems from the notion that our remedial system encourages parties to enter contracts by giving damages based on the benefit of the bargain for disappointed expectations, than rather than trying to deter contract breaches through compulsion or punishment.” William H. Lawrence, *Cure after Breach of Contract Under the Restatement (Second) of Contracts: An Analytical Comparison with the Commercial Code*, 70 Minn. L.Rev. 713, 727 (1986) (internal quotations and citations omitted).

RW argues that the cure provision is irrelevant, because the breach was of the incurable variety. It notes that the people who saw the poster while it was hanging cannot “un-see it.” (Pl.'s Opp'n. Mem. at 20.) RW misidentifies the breach. It is not the act of viewing the poster by third parties that constitutes the breach—third parties are not bound by the Agreement and so cannot breach it. It is, rather, Theron's participation in Montblanc's advertising campaign and charitable promotion that breaches the contract. That breach is perfectly curable, as demonstrated by the fact that the breach was cured: the poster was taken down. This satisfied RW at the time; Bernheim, the company's CEO, testified at his deposition that he considered the removal of the Montblanc poster to be an adequate cure of the breach. (Bernheim Dep. at 351:11–352:1.) In view of Bernheim's admission, it is difficult to see why RW persists in arguing that Theron's breach is actionable. It is not.

Defendants' cross motion for summary judgment dismissing the breach of contract claim insofar as it is predicated on the Montblanc incident is granted. RW's motion for summary judgment on this issue is denied.

C. Plaintiffs Motion for Summary Judgment as to the Dior Watch Incident Is Granted in Part

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[8] By wearing a Christian Dior watch at a film festival, Theron breached her covenant not to “wear publicly any other watches other than RW.” Theron recognizes as much, calling her decision to wear the watch “regrettable.” It was more than “regrettable;” it was a clear breach of the Agreement.

Defendants' contention that Theron only wore the Dior watch for “about one hour of the fifteen month contract term” (Def.Opp'n.Mem. p. 17) is an obvious effort to render the breach immaterial. But clearly it was not: Theron was photographed wearing the watch; the photographs ended up on the Internet, where *485 they were sold to a competitor of RW, which made sure that they were used to promote its products. Since the essence of the contract is Theron's agreeing to represent RW exclusively during the term of the Agreement, a breach, however fleeting, that resulted in the use of Theron's image in connection with another manufacturer's watch cannot be deemed immaterial.

Theron cannot hide behind the fact that she had no control over what the photographers did with the pictures they took at the panel discussion, or of the use that customers of the web site made of photographs they purchased. Her breach was wearing the watch. Subsequent uses over which she had no control are relevant, not to the issue of breach, but to the issue of damages.

Moreover, it was foreseeable to Theron—a famous movie star—that photographs of her would be made available for purchase and that they might appear in publications. Her lack of involvement in what happened with the pictures does not mean she is not culpable for any damage they caused to RW.

Therefore, RW's motion for partial summary judgment on the issue of liability for breach is granted to the extent of the claim arising out of the Dior watch incident and its subsequent use, and Defendants' motion for summary judgment on that claim on the issue of actual breach is denied.

Proof of damages will be discussed below.

D. New Claims for Breach of the Agreement

RW never moved to amend its complaint to include claims for the three additional alleged breaches of the Agreement that are identified above: Chopard, Cartier and Breil Milano.

However, had such a motion been made it would have been denied as futile since none of these incidents breached the Agreement.

1. Breil Milano

Six months after the Agreement with RW expired, DDF entered into a new deal with Binda Italia whereby Theron would promote Breil Milano brand watches and jewelry. Theron and DDF were therefore completely free to enter into endorsement deals with other parties. Because RW did not offer to extend the Agreement for an additional fifteen months—a point about which there is no dispute—the provision of the Agreement that would have imposed a non-competition agreement on Theron for the year 2007 was never activated. RW's CEO, Bernheim, understood that the deal with Binda Italia was not a breach of the Agreement at his deposition:

Q (by Mr. Baute): Okay. Is the contract that Charlize Theron signed with Breil Milano in 2007 a breach of contract?

A (Mr. Bernheim): No.

Q: Why not?

A: Because our, because our contract was ended. Our contract was to be at its end.

Q: So she was free to sign a new watch deal with whoever she wanted, right?

A: Yes.

Q: Including in 2007, right?

A: Yes. (Bernheim Dep. at 194:20–195:6.)

The endorsement deal between DDF and Binda Italia did not breach the Agreement between Raymond Weil, Theron and DDF. Any motion to amend the complaint to add this specific claim would have been denied as futile.

2. Cartier

Theron wore Cartier jewelry to the 2006 Golden Globes. The contract specifically carves out an exception such that

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Theron *486 “is permitted to wear jewelry of her choice in public *and to awards shows* during the Term.” (Agreement ¶ 8) (emphasis added). Theron was not permitted to wear watches manufactured by other companies during the Term, even to awards shows—the drafters clearly distinguished between “watches” on the one hand and “jewelry” on the other. However, there is no evidence that Theron wore a Cartier watch to an awards show—rather, she wore a bracelet and earrings. The fact that she has received rather extravagant “gifts” from Cartier over time—gifts that could be construed as payment for wearing the jewelry—is of no moment, because nothing in the Agreement bars Theron from being paid to wear jewelry of her choosing to awards shows. Indeed, one of the attorneys representing Theron and DDF in negotiations for the Agreement with RW testified, without contradiction, that Defendants deleted language from an early draft of the Agreement that would have restricted the use of Theron's name and likeness in connection jewelry precisely because Theron and DDF anticipated the possibility that she might be paid to wear jewelry at award shows. (Rush Dep. at 66:24–72–24.)

Had RW moved to amend the complaint to include a claim based on the Cartier incident, the motion would have also have been denied as futile.

3. Chopard

Also in 2006, Theron wore Chopard jewelry—again, not a watch—to the British and American Academy Awards. She was paid a fee for wearing the jewelry, and she gave Chopard the right to use photographs taken of her while wearing the jewelry for limited, print editorial purposes, provided Chopard received necessary third-party clearances. Neither the fact that Theron wore the Chopard jewelry nor the fact that she was paid for doing so constitutes a breach of the Agreement. Again, the Agreement clearly permits her to wear whatever jewelry (not watches) she likes to any awards show, and it contains no prohibition on her being paid for doing so.

The provision in the Chopard Contract with Chopard that permits Chopard to use photographs taken of Theron does not run afoul of the exclusivity provision of the Agreement as it requires Chopard to get authorization from “all third parties,” which would include those with whom Theron

has contractual obligations, prior to using photographs of Theron in Chopard jewelry. However, Chopard did not secure authorization from Theron or from third party RW—as it was required to under the Chopard Contract—before it posted the photographs of Theron in Chopard jewelry to its website. Moreover, the Chopard Contract only contemplates the use of photographs of Theron for *print*, as opposed to, electronic media. Chopard's posting of the photographs, therefore, was a clear breach of its contract with DDF. However, there was an immediate cure of such breach under the Agreement when Theron's attorney's directed that such photos be removed.

Therefore, had RW moved to amend the complaint to include a claim based on Theron's relationship with Chopard, the motion would have similarly been denied as futile.

E. Damages and Defendants' Motion to Strike Expert Report

The question of material fact which must be submitted to a jury is whether the breach resulted in any damage to Plaintiff, as required by New York law, which holds that “a party seeking recovery for breach of contract must show: (1) a contract; (2) performance by the party seeking recovery; (3) breach of the contract by the other party; and (4) damages attributable to the breach.” *487 *Maguire Co., Inc. v. Herbert Constr. Co., Inc.*, 945 F.Supp. 72, 75 (S.D.N.Y.1996).

In its ad damnum clause, RW seeks repayment of all monies paid to DDF under the contract, as well as all monies paid to Theron's modeling agent and the monies it expended on the worldwide advertising campaign featuring Theron. At a hearing in front of the Hon. Theodore Katz, counsel for Plaintiff announced that RW was abandoning the last two elements of its damages, and that it would limit its claim to the \$3 million paid to Theron under the Agreement, plus interest, as well as money spent promoting her. (Drescher Aff. Ex. 19, Sept. 21, 2007 Hearing Transcript 42:12–19.). In the Joint Pre–Trial Order, RW adds the money paid to Theron by Chopard and Breil Milano and the value of any jewelry given to Theron by Cartier. However, there can be no recovery in connection with these incidents, since RW has no viable claim for breach of the Agreement in connection therewith.

The principal damages that RW seeks—a return of all monies paid under the Agreement and spent in promoting the Theron advertising campaign—are equivalent to damages that would

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be awarded if the contract were rescinded. RW is not entitled to such damages.

The Second Circuit has held that, "... before rescission will be permitted the breach must be 'material and willful, or, if not willful, so substantial and fundamental as to strongly tend to defeat the object of the parties in making the contract,' " *Septembertide Publishing, B.V. v. Stein and Day, Inc.* 884 F.2d 675, 678 (2d Cir.1989), quoting *Callanan v. Powers*, 199 N.Y. 268, 92 N.E. 747 (N.Y.App.Div.1910). Absent fraud or mistake, rescission may be granted only when the breach goes to the root of the contract and defeats its very purpose. *Babylon Assocs. v. County of Suffolk*, 101 A.D.2d 207, 215–217, 475 N.Y.A.2d 869 (1984).

[9] Moreover, the remedy of rescission "is to be invoked only when there is lacking complete and adequate remedy at law and where the status quo may be substantially restored." *Strategic Growth Intern., Inc. v. RemoteMDx, Inc.*, No. 06–3915, 2008 WL 4179235, at *5 (S.D.N.Y. Sept. 10, 2008), quoting *Rudman v. Cowles Commc'ns, Inc.*, 30 N.Y.2d 1, 13, 330 N.Y.S.2d 33, 280 N.E.2d 867 (1972). In other words, rescission must return the parties to the same position they would have occupied had there been no contract. In an action by a corporation for the return of the fee paid to an investment bank for its services in a corporate restructuring following incidents of third party insider trading, this court held that rescission was not available, because "... plaintiff has realized and paid for the full benefit of the contract" and "[t]here are no obvious means to undo the entire restructure transaction." *In re Ivan F. Boesky Sec. Litig.*, 825 F.Supp. 623, 637 (S.D.N.Y.1993). See also *Stahl Management Corp. v. Conceptions Unlimited.*, 554 F.Supp. 890, 894 (S.D.N.Y.1983).

[10] [11] In this case, the Agreement cannot be rescinded and the parties returned to the status quo. The Agreement is no longer operative. While it was operative, Theron loaned her image to RW, which realized substantial benefits of an indisputably successful advertising campaign featuring Theron. (Bernheim Dep. at 48:14–17.) Theron's brief appearance wearing a Dior watch, which led to her image's being published in the *Tourneau* magazine in the thirteenth month of the Agreement's fifteen month term, was a material breach, but it was not so substantial and fundamental as to defeat the object of the parties in making the contract. Indeed, the Agreement was almost at an end by the date of

publication of the *Tourneau Times*; in the months preceding that *488 publication, RW received substantial benefits under the Agreement, which it cannot give back. And RW had the absolute right to terminate the Agreement in order to redress this breach, but it did not do so. Therefore, RW is not entitled to the recessionary damages it seeks. "Absent grounds for rescission ... [plaintiff] has only the right to compensatory damages for breach of the agreement." *Affiliated Hosp. Prod., Inc. v. Merdel Game Mfg., Co.*, 513 F.2d 1183, 1186 (2d Cir.1975). The fact that RW is not entitled to rescissionary damages does not mean that it is not entitled to any damages. Under New York law, "It is a well-settled tenet of contract law that even if the breach of contract caused no loss or if the amount of the loss cannot be proven with sufficient certainty, the injured party is entitled to recover as nominal damages a small sum fixed without regard to the amount of the loss, if any." *Medinol Ltd. v. Boston Sci. Corp.*, 346 F.Supp.2d 575, 599 (S.D.N.Y.2004), quoting *ESPN, Inc. v. Office of the Comm'r of Baseball*, 76 F.Supp.2d 416, 421 (S.D.N.Y.1999).

[12] Since RW is entitled to partial summary judgment on the issue of breach, it has the right to go to trial to prove whatever damages it can prove—and, if it can prove none, to an award of nominal damages. RW must now, however, propound a non-recessionary theory of damages that it intends to use at trial.

In its opposition to Defendants' motion for summary judgment, RW proffers two expert reports on the issue of damages. Defendants move to strike those reports, and urges that, in their absence, there is no evidence of damages, so DDF and Theron are entitled to summary judgment despite any actionable breach.

I deny the motion for summary judgment on the ground that RW has failed to prove damages.

The first of RW's expert reports comes from Dr. Jacob Jacoby, a professor of consumer behavior and retail management at New York University's Stern School of Business. (Eilender Opp'n. Deck, Ex. PP (hereinafter, "Jacoby Report.") ¶ 4.) Dr. Jacoby opines that due to Theron's actions the value of RW's advertising campaign should be discounted by at "least a half." (*Id.* ¶ 28.) He reasons that:

Raymond Weil, S.A. v. Theron, 585 F.Supp.2d 473 (2008)

Especially when considered cumulatively, Ms. Theron's actions ... during the contract period seriously undermined the more than \$10,000,000 advertising campaign for Raymond Weil watches that was implemented during the contract period. In addition to substantially diminishing the value of the entire campaign, Theron's actions likely also caused long term harm to the Raymond Weil image and brand equity among the consuming public and especially among members of the trade. (*Id.* ¶ 3.)

Dr. Jacoby has impressive credentials as an expert in advertising, marketing and consumer research and is the sort of witness whose testimony would be offered—and admitted—at a trial on the issue of what damages flowed from Theron's breach of the Agreement. However, Dr. Jacoby's report must be revised. He bases his conclusion on the cumulative effect of multiple breaches, but the Court has concluded that Defendants committed only one actionable breach. Therefore, Dr. Jacoby should be given a chance to revise his conclusions in light of the legal rulings that have narrowed Plaintiff's case considerably.

Dr. Jacoby also propounded what I take to be an alternative theory of damages—liquidated damages in the amount of one million per breach, which would be one million, since there is only one actionable breach. The Court is deeply skeptical as to the empirical basis for this “what's good *489 for the goose is good for the gander” theory of damages, which is nothing more than a post-hoc attempt to revise the Agreement.

[13] Moreover, “a liquidated damage clause must be the result of an express agreement between the parties; courts will not read such a clause into a contract by implication.” *Ohanian v. Avis Rent A Car Sys.*, 779 F.2d 101, 109 (2d Cir.1985). *citing Winkelman v. Winkelman*, 208 A.D. 68, 70, 203 N.Y.S. 63 (N.Y.App.1924). Here, the parties have *only* provided for a liquidated damages in the event of *RW*'s breach of the Agreement “relating to the usage of Artist's

[Theron's] name and/or likeness” in the amount of “one million U.S. dollars” per breach. (Agreement ¶ 16.) Thus, liquidated damages are unavailable for the single, actionable breach committed by Defendants.

However, in light of the fact that the issue of damages must be revisited in view of other rulings, there is no basis to make final admissibility determinations at this time.

The motion to strike Dr. Jacoby's testimony entirely is denied on the condition that the expert report be revised.

RW is free to ask Dr. Jacoby to update his Report to reflect the rulings made above, if it intends to call him as a witness at trial. If Defendants still finds some aspect of his opinion objectionable, we will take it up via motion in limine at the final pre-trial conference. Please note: no expert's report will be admitted into evidence at the trial. Experts testify; their reports can be used to cross examine but are not independently admissible.

Plaintiff's other damages expert is Joseph Hunter, a former model turned modeling agent, who purports to have “basically created the promotion of super-models and how to maximize their income by obtaining endorsements for various products, such as cosmetics, jewelry, clothing, etc.” and to be an expert in the field of “celebrity endorsements.” (Eilender Opp'n. Decl., Ex. QQ (Hereinafter “Hunter Report.”)) Mr. Hunter opines as a result of Theron's association with other brands during the Agreement term, the Agreement was effectively converted into a non-exclusive arrangement, which by Mr. Hunter's account, would not have been worth more than two-hundred and fifty thousand dollars to RW. (*Id.*) Additionally, Mr. Hunter estimates that RW would not have spent more than one million dollars promoting a non-exclusive advertising campaign with Theron.

Again, this court will deny the motion to strike Mr. Hunter's evidence as “junk science,” at least at this juncture. But Mr. Hunter also will have to examine his testimony to see how it is impacted by the court's various rulings. If RW proffers him as a witness for trial, he will have to prepare a new expert report, and we will deal with any purported defects in his credentials or his testimony at trial. Assuming his credentials to be what he says they are, the court would find that Mr. Hunter has relevant evidence, and the fact that his expertise does not lend itself to scientific replication does not undercut

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the relevance of his opinion, given the subject matter at issue. But I question whether his credentials are such as to allow him to offer an opinion on the amount of value lost to RW because of Theron's breach. I do not understand him to be an economist and am not clear about how many such deals he has put together or the basis for any calculations he makes about the association between breach and loss. But that is for another day.

IV. The Affirmative Defenses

There is nothing dumber than a motion to strike boilerplate affirmative defenses; it wastes the client's money and the court's *490 time. But since RW has made such a motion, I have to rule on it.

The motion is denied insofar as it seeks dismissal of the first affirmative defense (failure to state a cause of action), because RW did fail to state a cause of action for fraud as asserted in the complaint. It is denied insofar as it seeks dismissal of the sixth affirmative defense—failure to mitigate damages—because we are having a damages trial, and a defendant can always allege failure to mitigate. The remaining boilerplate affirmative defenses against which RW moves are dismissed for the reasons argued in RW's brief.

Summary judgment is granted in favor of RW on its motion to dismiss Defendant's affirmative defenses two, three, five, seven, eight, nine, ten, and eleven.

Concluding Matters

The Court refers this matter to The Honorable Theodore H. Katz for the purpose of conducting a pre-trial settlement conference. The conference may be scheduled at the convenience of the parties and Judge Katz, but it must take place before the end of October.

If the parties fail to settle the case, they shall file an updated Pre-Trial Order, reflecting all the rulings made by the court in this opinion, no later than November 7. Updated expert reports must also be filed by November 7.

We will hold a final pre-trial conference on December 5, 2008 at 2 p.m. The lawyers who are trying the case must attend this conference. They must be prepared to explain exactly who

will testify at the trial and to commit to the witnesses they are going to call. Since this is a damages trial, each side will have one day to present its case; the parties should keep this in mind in designating witnesses. No witness who is not designated in the Pre-Trial Order may be called at trial; there is no option to “reserve the right” to call additional witnesses.

At the conference, the court will rule on all in limine motions and on all objections to documentary evidence, and will admit exhibits for trial. In other words, the conference is really the first day of the trial. Counsel must be prepared to argue their objections to evidence.

In limine motions, including motions to preclude witnesses from testifying, are due on November 21. Responses must be filed by December 5. I do not accept replies on in limine motions.

You will receive your trial date at the Final Pre-Trial Conference.

The parties may stipulate to try the issue of damages to the Magistrate Judge—in which case, all of these dates are off the table.

The Clerk of the Court shall mark the following motions as decided and shall remove them from the court's list of outstanding motions:

Plaintiff's Motion for Partial Summary Judgment (Docket # 42): Granted in part and denied in part.

Plaintiff's Motion to Strike Defendants' Affirmative Defenses (Docket # 42): Granted in part and denied in part.

Defendants' Motion for Summary Judgment (Docket # 43): Granted in part and denied in part.

Defendants' Motion to Strike Plaintiffs' Expert Reports (Docket # 54): Denied, with leave to renew after updated expert reports are submitted.

This constitutes the decision and order of the court.

Raymond Weil, S.A. v. Theron, 585 F.Supp.2d 473 (2008)

All Citations

585 F.Supp.2d 473

Footnotes

- 1 The court in *Porter* cautioned against the finding of individual contractual liability based only upon “a boilerplate clause that the officer signed on the corporation's behalf was personally bound.” [2007 WL 2907403](#) at *9.

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JLM Couture, Inc. v. Gutman, 24 F.4th 785 (2022)



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24 F.4th 785

United States Court of Appeals, Second Circuit.

JLM COUTURE, INC., Plaintiff-Appellee,

v.

Hayley Paige GUTMAN, Defendant-Appellant. *

Docket No. 21-870

|

August Term, 2021

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Argued: October 25, 2021

|

Decided: January 25, 2022

Synopsis

Background: Bridal design and fashion company brought action against bridal designer, who was also social media influencer, alleging that designer breached noncompete provision of employment agreement by agreeing to appear at bridal expo in her capacity as designer, that designer breached name-rights agreement and infringed on trademarks by using social media account in designer's name for third-party promotional deals, and that designer converted social media accounts to her own use by locking company out of account and refusing to cede control of it or other accounts. The United States District Court for the Southern District of New York, [Laura Taylor Swain, J., 2021 WL 827749](#), granted company's request for preliminary injunction and ordered designer not to compete with company, barred designer from making use of her own name in trade or commerce, and awarded company control over social media accounts, and, [2021 WL 2227205](#), denied designer's subsequent motion for reconsideration. Designer appealed.

Holdings: The Court of Appeals, [Park](#), Circuit Judge, held that:

[1] district court did not abuse its discretion in entering preliminary injunction preventing designer from

competing with company through end of extended term of employment agreement after determining that designer breached agreement's noncompete provision;

[2] name-rights provision of employment agreement, which granted company certain rights over use of designer's name, applied to any use of designer's name in trade or commerce;

[3] district court exceeded its discretion by issuing preliminary injunction granting control of social media accounts to company and compelling designer to provide company with access credentials; and

[4] faithful performance was condition precedent to company's payment of compensation to designer under employment agreement, such that company did not breach the agreement by refusing to pay designer after she announced her resignation.

Affirmed in part, vacated in part, and remanded.

[Newman](#), Senior Circuit Judge, filed opinion concurring in part and dissenting in part.

[Lynch](#), Senior Circuit Judge, filed opinion concurring in part and dissenting in part.

Procedural Posture(s): On Appeal; Motion for Preliminary Injunction.

West Headnotes (12)

[1] **Federal Courts** ⚡ Preliminary injunction; temporary restraining order

Court of Appeals reviews district court's decision to deny or issue a preliminary injunction for abuse of discretion.

[2] **Federal Courts** ⚡ Abuse of discretion in general

A district court has abused its discretion if it (1) based its ruling on an erroneous view of the law, (2) made a clearly erroneous assessment

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of the evidence, or (3) rendered a decision that cannot be located within the range of permissible decisions.

[3] **Federal Courts** 🔑 Preliminary injunction; temporary restraining order

When reviewing a district court's decision to deny or issue a preliminary injunction for abuse of discretion, Court of Appeals reviews factual findings for clear error and conclusions of law de novo.

[4] **Injunction** 🔑 Non-competition and non-solicitation issues

District court did not abuse its discretion in entering preliminary injunction preventing bridal designer from competing with bridal design and fashion company through end of extended term of employment agreement governed by New York law after determining that designer breached agreement's noncompete provision by agreeing to appear at bridal expo in her capacity as designer; designer consented to injunction compelling her to comply with contractual duties in event of breach, noncompete provision did not extend beyond contractual period of employment and was only triggered because designer stopped working before term was complete, and language used by injunction was taken directly from employment agreement.

[More cases on this issue](#)

[5] **Injunction** 🔑 Non-competition and non-solicitation issues

New York law recognizes the availability of injunctive relief where a noncompete covenant is found to be reasonable and the employee's services are unique.

[6] **Labor and Employment** 🔑 Contracts
Trademarks 🔑 Construction and operation

Under New York law, name-rights provision of employment agreement, which granted bridal design and fashion company certain rights over use of bridal designer's name, including the right to register designer's name as trademark, applied to any use of designer's name in trade or commerce and not only in connection with clothing designed during employment; provision stated that designer had no right to use trademarks of designer's name registered by company, designer's name, or any similar names in trade or commerce, "designer's name" was clearly defined in agreement, and subsection granting company exclusive right in designer's name in connection with bridal wear granted provisional right that expired two years after termination if company had not sought to register trademarks.

[1 Case that cites this headnote](#)

[More cases on this issue](#)

[7] **Contracts** 🔑 Language of Instrument

Courts use the canon of noscitur a sociis, that a word should be understood by the company it keeps, to resolve ambiguity in a contract, not create it.

[8] **Injunction** 🔑 Tort or Financial Liabilities

District court exceeded its discretion by issuing mandatory preliminary injunction granting control of social media accounts to bridal design and fashion company and compelling bridal designer to provide company with access credentials based on reasons specific to only one account while declining to address ownership of the accounts in relation to company's claim that designer converted social media accounts to her own use; it was unclear on what basis the district court excluded designer from using the accounts.

[More cases on this issue](#)

[9] **Injunction** 🔑 Breaches in general

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Bridal designer's breaches of employment agreement governed by New York law, including refusal to assist with bridal design and fashion company's advertising on social media account and use of designer's name in trade or commerce through social media account, were insufficient by themselves to justify mandatory preliminary injunction granting control of social media accounts to company and compelling designer to provide company with access credentials; breaches did not correspond to injunctive relief company sought, which was structured as remedy for claim that designer converted social media accounts to her own use.

[More cases on this issue](#)

[10] **Injunction** 🔑 Discretionary Nature of Remedy

A preliminary injunction may never be awarded as a matter of right.

[11] **Injunction** 🔑 Mandatory preliminary injunctions

Injunction 🔑 Entitlement to Relief

Injunction 🔑 Substantial nature of injury

Injunction 🔑 Clear showing or proof

Mandatory injunctions compelling affirmative action rather than merely prohibiting certain conduct must meet a higher standard; a mandatory injunction alters the status quo by commanding some positive act and 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.

[1 Case that cites this headnote](#)

[12] **Labor and Employment** 🔑 Duty to pay in general

Labor and Employment 🔑 Additional compensation in general

Faithful performance was condition precedent to bridal design and fashion company's payment of base and additional compensation to bridal designer under employment agreement, such that company did not breach the agreement under New York law by refusing to pay designer after she announced her resignation; contract stated that for full, prompt, and faithful performance of all duties to be performed by designer, company agreed to pay compensation. [Restatement \(Second\) of Contracts § 225\(1\)](#).

[4 Cases that cite this headnote](#)

[More cases on this issue](#)

*787 Appeal from the United States District Court for the Southern District of New York (*Swain, J.*).

Attorneys and Law Firms

Richard D. Rochford, Jr. (Joseph C. Lawlor, on the brief), Haynes and Boone, LLP, New York, NY, for Defendant-Appellant.

Sarah M. Matz (Gary Adelman, on the brief), Adelman Matz P.C., New York, NY, for Plaintiff-Appellee.

Before: Newman, Lynch, and Park, Circuit Judges.

Opinion

Judge Newman concurs in part and dissents in part in a separate opinion.

Judge Lynch concurs in part and dissents in part in a separate opinion.

Park, Circuit Judge:

Hayley Paige Gutman is familiar to many brides as the namesake of the “Hayley Paige” line of wedding dresses. She is also known to many social media users as the “influencer” behind several “Miss Hayley Paige” accounts on platforms like Instagram, Snapchat, TikTok, Spotify, and Pinterest. But after Gutman announced her intent to resign from the wedding gown company JLM Couture, Inc. (“JLM”), JLM claimed

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the rights to the “Hayley Paige” trade name and ownership of three of the “Miss Hayley Paige” social *788 media accounts. As their differences escalated, Gutman advertised an independent appearance at a bridal expo, used the “Hayley Paige” name to promote non-JLM brands, and locked JLM employees out of the “@misshayleypaige” Instagram account. JLM ultimately sued Gutman, claiming, among other causes of action, breach of their employment agreement (the “Contract”), trademark dilution, and conversion of the Instagram, TikTok, and Pinterest accounts (the “Disputed Accounts”). Shortly thereafter, JLM successfully moved for a temporary restraining order (“TRO”) and then a preliminary injunction (“PI”).

Gutman appealed. She challenges the PI provisions (1) ordering her not to compete with JLM, (2) barring her from using the name “Hayley Paige Gutman” and its derivatives in trade or commerce, and (3) awarding control over the Disputed Accounts to JLM. She also contests the district court's determination that (4) JLM did not itself breach the Contract and thereby forfeit its right to seek injunctive relief.

We conclude that Gutman's first, second, and fourth challenges to the PI are foreclosed by the plain language of the Contract. Gutman agreed to sign away various rights to JLM in exchange for her salary, a stream of royalty payments, and JLM's investment of time and capital in the Hayley Paige brand. She offers no persuasive reason why the Contract no longer binds her, and the district court did not err in enforcing its clear provisions. We agree with Gutman, however, that the district court exceeded its discretion by granting exclusive control over the Disputed Accounts to JLM while explicitly declining to assess JLM's likelihood of success on its claim that it owned the accounts. More specifically, in its complaint and motion for a PI, JLM sought to gain unqualified control over the Disputed Accounts based on its claims of conversion and trespass to chattels. The district court recognized that the question of social media account ownership was “novel” and declined at the PI stage to evaluate the merits of those claims. The court nevertheless entered JLM's proposed provision transferring control of the Disputed Accounts nearly verbatim. We do not see how a grant of indefinite, exclusive control over the Disputed Accounts could be a proper remedy for any of JLM's other claims. We thus **AFFIRM** the order in part, **VACATE** in part, and **REMAND** the case for further proceedings consistent with this opinion.

I. BACKGROUND

A. The Parties

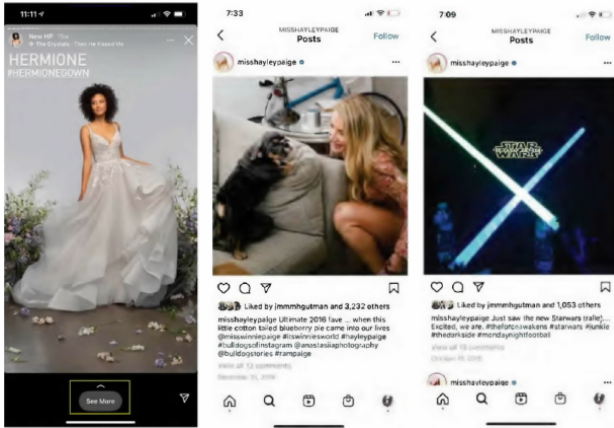
Hayley Paige Gutman is a bridal designer and social media influencer. JLM Couture, Inc. is a bridal design and fashion company led by CEO Joseph L. Murphy. In 2011, Gutman signed an employment agreement with JLM, which originally ran through 2016 but was extended through August 1, 2022 (the “Term”). Together, Gutman and JLM have designed, manufactured, and marketed a successful line of bridal wear generating \$220 million in sales of “Hayley Paige”-branded apparel in the six years preceding this lawsuit. As JLM's business grew, Gutman's persona and bridal line rose to prominence in the industry.

Gutman was formally hired to be a “designer of a line of brides and bridesmaids dresses,” Contract § 2,¹ and JLM charged her with developing the Hayley Paige brand for the company. Meanwhile, Gutman became a well-known personality in part through her activity on several “Miss *789 Hayley Paige” social media accounts. Gutman opened eight accounts under the “Miss Hayley Paige” handle or web address, three before her employment with JLM (on Facebook, Twitter, and LinkedIn) and five during her employment with JLM (on Pinterest, Instagram, Snapchat, Spotify, and TikTok). JLM claims ownership of only three: the Instagram, TikTok, and Pinterest accounts.

These Disputed Accounts, especially the Instagram account, are valuable assets. As of January 2022, the Instagram account had over a million followers. *See* Hayley Paige (@misshayleypaige), Instagram, <https://www.instagram.com/misshayleypaige>. Control over the account comes with direct access to those followers and opportunities to monetize it. By one expert's appraisal, a single post on the account, on average, is worth nearly \$30,000.

The Instagram account has included a variety of posts about both Gutman's personal life and promotions of JLM's Hayley Paige brand. For example, the posts include advertisements for wedding gowns, photos of Gutman with her dog, and Gutman's reflections on a recently released Star Wars movie trailer:

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App'x at 1264, 2352, 2362.

As to the Instagram account, the district court found that “Gutman composed all or substantially all of the captions displayed with images on the [a]ccount, as well as other narrative content.” *JLM Couture, Inc. v. Gutman*, No. 20-cv-10575, 2021 WL 827749, at *4 (S.D.N.Y. Mar. 4, 2021). Gutman also “responded to direct messages about her personal life and answered questions about [JLM]’s products.” *Id.* At the same time, another JLM employee also “shared ... responsibility” for “managing” the account, and Murphy, JLM’s CEO, sometimes gave instructions on what Gutman should post. *Id.* at *4–5. For some time prior to this dispute, @misshayleypaige was designated as a verified “Public Figure” account² and listed its “bio” in *790 some terms suggesting the account was a personal one,³ though the bio also linked to JLM’s official “Hayley Paige” website.

B. The Contract

General. Gutman and JLM originally entered into an employment agreement on July 13, 2011. JLM hired Gutman as a designer for a fixed “Term” of employment, which was initially set to expire in 2016 but which JLM exercised its option to renew until August 1, 2022. The Contract sets out a description of Gutman’s duties, which include “traveling to trunk shows, traveling to China or elsewhere abroad to assist in or supervise manufacturing ..., assisting with advertising programs, and designing bridal, bridesmaids, evening wear and related apparel.” Contract § 2. It also gives JLM, but not Gutman, the power to terminate Gutman’s employment “for cause” or “without cause.” *Id.* § 13.

Noncompete. Other parts of the Contract outline several rights held by JLM or obligations owed by Gutman through the Term and beyond. Gutman “covenant[ed] and agree[d] that during the period of her employment with [JLM],” she would “not compete with [JLM], directly or indirectly.” *Id.* § 9(a) (the “Noncompete Agreement”). Competition includes “engag[ing] in, or ... associat[ing] with (whether as an officer, director, shareholder, partner, employee, independent contractor, agent, or otherwise), any person, organization or enterprise which engages in the design, manufacture, marketing or sale” of goods within JLM’s business. *Id.*

Name Rights, Trademarks, and Designs. The Contract also grants JLM certain rights over the use of “Designer’s Name,” defined as “ ‘Hayley,’ ‘Paige,’ ‘Hayley Paige Gutman,’ ‘Hayley Gutman,’ ‘Hayley Paige,’ or any derivative thereof.” *Id.* § 10(a) (punctuation cleaned up). Gutman first agreed, in section 10(a), to give JLM “exclusive world-wide right and license” to the Designer’s Name in connection with bridal wear for the extended Term plus two years, “provided [Gutman] has substantially participated in the design or creation of such clothing or related items.” *Id.* Should JLM fail to register Designer’s Name as a trademark, that license dissolves two years after “termination of [Gutman’s] employment.” *Id.* Next, in section 10(b), Gutman agreed to transfer to JLM the right to register the Designer’s Name as trademarks (the “Trademarks”) for the extended Term plus two years. *Id.* § 10(b). She also agreed:

The Trademarks shall in perpetuity be the exclusive property of [JLM], [Gutman] having consented to it being filed by [JLM] and [Gutman] **shall have no right to the use of the Trademarks, Designer’s Name or any confusingly similar marks or names in trade or commerce** during the Term or any time thereafter without the express written consent of [JLM].

Id. (emphasis added) (the “Name-Rights Agreement”). The Contract further reiterates that Gutman “assign[ed] to [JLM] ... the Designer’s Name and the Trademarks.” *Id.* § 10(c). Additionally, Gutman agreed that “all designs,

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drawings, notes, *791 patterns, sketches, prototypes, samples, improvements to existing works, and any other works conceived of or developed by [Gutman] in connection with her employment” involving bridal products (the “Designs”) “are works for hire” deemed to be owned by JLM. *Id.* § 11; *see also* 17 U.S.C. § 101 (defining “work made for hire” under the copyright law). The Contract is silent on ownership of other kinds of property besides the Designs, the Trademarks, and the rights to Designer's Name.

Compensation. The Contract also details Gutman's compensation owed to her by JLM. “For the full, prompt and faithful performance of all” of Gutman's duties, she would receive base pay and “Additional Compensation” calculated based on JLM's sales of Gutman-designed products. Contract § 4, 4(a)–(b). And “[a]s additional consideration” for assigning the Designer's Name and Trademarks to JLM, Gutman would receive a percentage of revenues sold under the Designer's Name for ten years “following the termination of [her] employment with [JLM].” *Id.* § 10(c)(i).

Remedies. Finally, Gutman stipulated that, should she “violate any provision” of the Contract, she “consents to the granting of a temporary or permanent injunction ... prohibiting her from violating any provision” of the Contract. *Id.* § 9(e).

C. This Dispute

In the summer of 2019, JLM and Gutman entered into a new round of contract negotiations. JLM proposed an amendment requiring Gutman to perform “additional duties” that would involve “monetization,” including “social media monetized opportunities” on Instagram and other platforms. App'x at 2533. Gutman rejected JLM's proposal, and the parties were unable to reach a new deal.

Following this failed negotiation, Gutman locked JLM out of the Instagram account by changing the access credentials. She then changed the Instagram account bio from its earlier version—which included descriptions of Gutman, but also linked to JLM's “Hayley Paige” website—to read “Personal & Creative account of designer Hayley Paige.” App'x at 763. She also created a new “misshayleypaige” account on TikTok. As Murphy tells it,

Issues with Gutman began on or about November 2, 2019 when Gutman created a TikTok account under the misshayleypaige name ... and subsequently posted videos that did not represent the HP Brands, in particular the Hayley Paige Brand. ... When I advised Gutman that she should post JLM approved content on the TikTok account only, rather than posting personal images that were off brand, Gutman responded shortly thereafter by changing the password to the Main [Instagram] Account so that JLM no longer had access to the account.

App'x at 464–65.

On two different occasions over the next year, Gutman entered into agreements with third-party companies to promote their products on the @misshayleypaige Instagram account without JLM's permission. Gutman also announced an upcoming appearance at a virtual bridal expo promoting her as a “wedding gown designer.” App'x at 1197.

On December 15, 2020, JLM sued Gutman in the United States District Court for the Southern District of New York asserting breach of contract, trademark dilution, unfair competition, conversion of social media accounts, and trespass to chattels on social media accounts, among other claims. As relevant here, JLM alleged that: (1) Gutman violated the Noncompete Agreement by agreeing to appear at the bridal expo in her capacity as a designer; (2) she breached the Name-Rights *792 Agreement and infringed on the Trademarks by using the “@misshayleypaige” Instagram account, whose handle is in the Designer's Name, for third-party promotional deals; and (3) she converted the Disputed Accounts to her own use by locking JLM out of the Instagram account and refusing to cede control of it or the TikTok or Pinterest accounts.

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JLM sought injunctive relief, and the district court in large part adopted JLM's proposed order, first as a TRO on December 16, 2020 and then as a PI on March 4, 2021.⁴ The court concluded that JLM had shown a likelihood of success on its claims for breach of contract under the Noncompete Agreement and the Name-Rights Agreement, as well as on its trademark-infringement claim. The court declined, however, to decide whether JLM had shown a likelihood of success on its conversion and trespass claims or opine on the “novel” and “nuanced” question of who owns the Disputed Accounts. *JLM Couture*, 2021 WL 827749, at *1, *19. It instead tethered its relief on the Disputed Accounts to Gutman's likely “breaches of the provisions of the Contract relating to use of the Designer's Name and derivatives [§ 10(b)], assistance in advertising [§ 2], and ... use of trademarks and Designs [§§ 10(b), 11].” *Id.* at *15. The district court then entered an injunction barring Gutman from, during the pendency of the litigation:

1. Making any changes to any of the social media accounts listed in Addendum 1 hereto (the “JLM HP Social Media Accounts”), including but not limited to changing the name of the handles on the accounts, posting any new content thereto and/or deleting or altering any content located therein, tagging any other posts, users or accounts, transferring any such accounts or the right to use any such account from [Gutman] to any other person except to JLM, or communicating with third parties through same for commercial purposes, without the express written permission of [JLM]’s chief executive officer, Joseph L. Murphy;

2. Utilizing, or taking any action to gain exclusive control over, any of the JLM HP Social Media Accounts, without the express written permission of [JLM]’s chief executive officer, Joseph L. Murphy;

3. Breaching the employment Contract, dated July 13, 2011, together with the amendments and extensions thereto, by:

a. using, or authorizing others to use, “Hayley”, “Paige”, “Hayley Paige Gutman”, “Hayley Gutman”, “Hayley Paige” or any derivative thereof, including misshayleypaige (collectively the “Designer's Name”), trademarks in the Designer's Name, including but not limited to the trademarks identified at Addendum 2

hereto (collectively, the “Trademarks”), or any confusingly similar marks or names in trade or commerce, without the express written permission of [JLM]’s chief executive officer, Joseph L. Murphy;

b. [until August 1, 2022,⁵] [d]irectly or indirectly, engaging in, or being associated with (whether as an officer, director, shareholder, partner, employee, independent contractor, agent or otherwise), any person, organization or enterprise which engages in the design, manufacture, *793 marketing or sale of: (i) bridal apparel, including bridesmaids’, mother of the bride and flower girls’ apparel and related items; (ii) bridal accessories and related items; (iii) evening wear and related items; and/or (iv) any other category of goods designed, manufactured, marketed, licensed or sold by JLM;

c. using or authorizing others to use any Designs,^[6] or any of the Trademarks or any variations, versions, representations or confusingly similar facsimiles thereof, in trade or commerce [without the express written permission of JLM's chief executive officer, Joseph L. Murphy⁷]; and

4. Using, or authorizing others to use, any of the Designer's Names, Trademarks or any confusingly similar term, name, symbol or device, or any combination thereof, in commerce in connection with any goods or services, including to endorse, advertise or promote the products and/or services of herself or others directly or indirectly, including but not limited to on social media or in television or media appearances, without the express written permission of [JLM]’s chief executive officer, Joseph L. Murphy.

To the extent not previously delivered, within 24 hours of the entry of this Memorandum Opinion and Order [Gutman] shall deliver to [JLM]’s attorneys the current login credentials, including the current username and password for the [Instagram a]ccount ..., the Pinterest and the TikTok accounts with the handle “misshayleypaige,” and take any action necessary to enable JLM to regain access and control of the JLM HP Social Media Accounts, including linking the accounts to one of JLM's email addresses and/or phone numbers and/or other social media accounts as requested.

JLM Couture, 2021 WL 827749, at *23–24 (emphasis omitted). “Addendum 1” in the first paragraph of the PI refers

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to a list of eighteen social media accounts supplied by JLM as “Exhibit 1” in its PI motion. *Compare* No. 20-cv-10575, Dkt. 86, Ex. 1 (S.D.N.Y. Jan. 30, 2021), with Spec. App'x at 56. The list includes the three Disputed Accounts, which are also singled out in the final paragraph of the PI quoted above, along with fifteen other accounts the ownership of which Gutman does not challenge in this lawsuit.

After JLM took over the Disputed Accounts, it changed the designation of the Instagram account from “Public Figure” to “Clothing (Brand)” and again changed the account bio, which now includes the lines “Official page of Hayley Paige Bridal” and “Managed by MHP Social Team,” accompanied by a profile photograph of the logo “Hayley Paige.” Hayley Paige (@misshayleypaige), Instagram, <https://www.instagram.com/misshayleypaige>. JLM continues to post regularly on the Instagram account. *See id.* JLM has apparently not, however, posted on the TikTok account since winning the TRO. *See* Hayley Paige (@misshayleypaige), TikTok, <https://www.tiktok.com/@misshayleypaige>. And *794 the description of the Pinterest account currently reads: “Hi, I'm Hayley Paige! I'm a designer, content creator, and podcast co-host.” Hayley Paige (@misshayleypaige), Pinterest, <https://www.pinterest.com/misshayleypaige>.

Gutman moved for reconsideration and dissolution of the PI, which the district court denied on June 2, 2021. On appeal, Gutman raises several challenges to the PI and the denial of her motions to reconsider and to dissolve, including that the district court erred in determining that she likely breached the Noncompete and Name-Rights Agreements, and that JLM's own breach of contract prohibits it from seeking injunctive relief. She also asserts that the Disputed Accounts are rightfully hers and that the district court erred in assigning control to JLM.⁸

II. DISCUSSION

A. Standard of Review

[1] [2] [3] We review a district court's decision to deny or issue a preliminary injunction for abuse of discretion. *See Oneida Nation of N.Y. v. Cuomo*, 645 F.3d 154, 164 (2d Cir. 2011). A district court has abused its discretion if it “(1) based its ruling on an erroneous view of the law, (2) made a clearly erroneous assessment of the evidence, or (3)

rendered a decision that cannot be located within the range of permissible decisions.” *Id.* (citation omitted). We review factual findings for clear error and conclusions of law de novo. *See id.*

B. Noncompete Agreement

[4] Gutman argues that the district court abused its discretion by entering paragraph 3(b) of the PI, which prevents her from competing with JLM through the end of the extended Term of the Contract (August 1, 2022). We disagree.

First, Gutman's argument is inconsistent with the plain terms of the Contract. Gutman argues that section 9(a) of the Contract—which prohibits her from competing with JLM “during the period of her employment” with JLM—no longer binds her because she has resigned. But the Contract provides that only JLM may terminate the Contract, not Gutman. *See JLM Couture*, 2021 WL 827749, at *9; *see also* Contract § 13 (providing JLM, but not Gutman, with termination rights). Gutman nevertheless argues that she is not “employed” within the meaning of the Contract both because of her decision to stop working and JLM's subsequent recognition of her as having “resigned,” App'x at 2935. JLM counters that the phrase “during the period of her employment” is the same as the “Term” of the Contract—*i.e.*, the period running through August 1, 2022—and thus applies whether Gutman is working or not. In response to Gutman's claim that she has resigned, JLM represents that it remains “willing and able to perform” and that Gutman “can work for JLM as she agreed to do.” Appellee Br. at 34.

We need not decide whether Gutman remains “employed” within the meaning of section 9(a) because she consented in any event to an injunction compelling her to comply with her contractual duties in the event of her breach. *See* Contract § 9(e). The district court determined that Gutman breached the Contract, and it reasoned that it could not order Gutman “to perform personal services” exclusively for JLM *795 through August 1, 2022. *See JLM Couture*, 2021 WL 827749, at *9 (citing U.S. Const. amend. XIII). But the court did not abuse its discretion by providing a form of lesser-included relief—*i.e.*, preventing Gutman from competing with JLM for that same period, a restriction that would have bound Gutman if she had continued to work for JLM as contractually required. *See, e.g., Am. Broad. Cos. v. Wolf (ABC)*, 52 N.Y.2d 394, 438 N.Y.S.2d 482, 420 N.E.2d 363,

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367 (1981) (“[W]here an employee refuses to render services to an employer in violation of an existing contract, and the services are unique or extraordinary, an injunction may issue to prevent the employee from furnishing those services to another person for the duration of the contract.” (citing *Lumley v. Wagner* (1852) 42 Eng. Rep. 687; 1 De G.M.&G. 604)).

[5] Second, the Noncompete Agreement appears to be enforceable under New York law. Gutman points to the general standard that “[a] restraint is reasonable only if it: (1) is no greater than is required for the protection of the legitimate interest of the employer, (2) does not impose undue hardship on the employee, and (3) is not injurious to the public.” *BDO Seidman v. Hirshberg*, 93 N.Y.2d 382, 690 N.Y.S.2d 854, 712 N.E.2d 1220, 1223 (1999) (emphasis omitted). But New York recognizes the availability of injunctive relief “where the non-compete covenant is found to be reasonable *and the employee's services are unique.*” *Ticor Title Ins. Co. v. Cohen*, 173 F.3d 63, 70 (2d Cir. 1999) (emphasis added). Here, Gutman does not meaningfully contest the district court's reliance on the fact that her services are “special, unique or extraordinary.” *See id.* Further, the noncompete provision does not even extend beyond Gutman's contractual period of employment with JLM; it was triggered only because Gutman stopped working before the Term was complete. *See* Contract § 9(a); *ABC*, 438 N.Y.S.2d 482, 420 N.E.2d at 367 (explaining that the “availability of equitable relief” is greatest “for the duration of the contract” where “the employee either expressly or by clear implication agreed not to work elsewhere”). Gutman provides no reason to question the district court's determination that this Noncompete Agreement was reasonable and fully enforceable in light of her unique role at JLM.

Third, we discern no error in the district court's finding that Gutman impermissibly competed with JLM and may have continued doing so absent an injunction. *See* App'x at 1197 (advertisement for a bridal expo listing Gutman in her capacity as a designer). It was also well within the district court's discretion to conclude that the PI is neither overbroad nor vague. In particular, the language barring Gutman from “indirectly ... associat[ing] with ... any person” engaging in the design of bridal wear or related goods is drawn directly from the Contract.⁹ *See* Contract § 9(a).

In sum, Gutman has identified no abuse of discretion in the district court's order enforcing the noncompete provision, in effect through the end of her contractually agreed Term. We therefore affirm paragraph 3(b) of the PI.

C. Name-Rights Agreement

[6] Gutman next challenges the portions of the PI relating to the Name-Rights Agreement. *See* PI ¶¶ 3(a), 4, *supra*. She contends that the Contract grants JLM the right to use “Hayley Paige Gutman” *796 and its derivatives (collectively, the “Designer's Name”) in connection with only “such clothing or related items” that Gutman “has substantially participated in ... design[ing] or creat[ing] ... during her employment.” Contract § 10(a). But the very next subsection explicitly states otherwise:

[Gutman] hereby irrevocably sells, assigns, and transfers all right, title and interest to [JLM] that now exists or may exist during the Term (and any extensions thereof) and for a period of two years thereafter, to register the Designer's Name or any derivatives(s) thereof as trademarks or service marks (the “Trademark” or “Trademarks”).... The Trademarks shall in perpetuity be the exclusive property of [JLM], [Gutman] having consented to it being filed by [JLM] and **[Gutman] shall have no right to the use of the Trademarks, Designer's Name or any confusingly similar marks or names in trade or commerce** during the Term or any time thereafter without the express written consent of [JLM].

Contract § 10(b) (emphasis added).

We decline Gutman's invitation to depart from the plain language of the Contract. First, Gutman argues that the Court should read “Designer's Name” to incorporate the other limitations of section 10(a). But “Designer's Name” is clearly defined in section 10(a) as “ ‘Hayley,’ ‘Paige,’ ‘Hayley Paige Gutman,’ ‘Hayley Gutman,’ ‘Hayley Paige,’ or any

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derivative thereof.” *Id.* § 10(a) (punctuation cleaned up). The remaining conditions in section 10(a)—*i.e.*, a termination date and a limitation of the right to cover only goods Gutman helped design—are not part of the definition of “Designer’s Name.” Section 10(b) is thus in no way ambiguous and clearly prohibits Gutman from “us[ing]” the “Designer’s Name” (her name and its derivatives) “in trade or commerce.” *Id.* § 10(b).

[7] Second, Gutman suggests that we should read section 10(b) as purely a trademark provision. Implicitly invoking the canon of *noscitur a sociis*—that a word should be understood by the company it keeps, *see Yates v. United States*, 574 U.S. 528, 543, 135 S.Ct. 1074, 191 L.Ed.2d 64 (2015) (plurality opinion)—Gutman proposes that we should understand the grant of rights in “Designer’s Name” to be limited by those rights JLM has in the “Trademarks.” As a threshold matter, we use this canon “to resolve ambiguity, not create it.” *Id.* at 564, 135 S.Ct. 1074 (Kagan, *J.*, dissenting). There is no ambiguity in a term that the Contract clearly defines. *See Hunt Ltd. v. Lifschultz Fast Freight, Inc.*, 889 F.2d 1274, 1277 (2d Cir. 1989) (explaining that language is not “ambiguous where the interpretation urged by one party would strain the contract language beyond its reasonable and ordinary meaning” (cleaned up)). In any event, the Contract transfers Gutman’s rights in the “*Trademarks, Designer’s Name* or any confusingly similar *marks or names.*” Contract § 10(b) (emphasis added). The *noscitur* canon supports, rather than weakens, our understanding of the Contract’s clearly defined meaning: “Trademarks” runs parallel to “marks,” and “Designer’s Name” runs parallel to “names.” And if this were not clear enough, the next subsection again reiterates that Gutman “assign[ed] to [JLM] ... the Designer’s Name *and* the Trademarks.” *Id.* § 10(c) (emphasis added). Limiting the rights in Designer’s Name to those in the Trademarks would render each of these repeated admonitions superfluous. *See Kelly v. Honeywell Int’l, Inc.*, 933 F.3d 173, 183 (2d Cir. 2019) (“We must avoid an interpretation of an agreement that renders one of its provisions superfluous.” (cleaned up)).

*797 Finally, Gutman suggests that the district court’s reading of section 10(b) would override section 10(a)’s proviso that Gutman grants JLM exclusive rights in the Designer’s Name “in connection with” only bridal wear that Gutman designed. Contract § 10(a). Section 10(b)’s grant of full rights to the Designer’s Name, Gutman argues, would render section 10(a) moot. But it is not correct that section 10(b) contradicts, overrides, or moots section 10(a). Section

10(a) grants a provisional right: It expires two years after Gutman’s termination if JLM “has not sought to [r]egister the Designer’s Name as a Trademark.” Contract § 10(a). Section 10(b), in contrast, describes the rights that vest perpetually in JLM if it has in fact registered the Trademarks.¹⁰ Those rights include the exclusive “use of ... Designer’s Name ... in trade or commerce.”¹¹ The two subsections are thus complementary, not contradictory.

The district court did not err in concluding that this provision applies to any use of the Designer’s Name in trade or commerce, and we affirm the court’s decision to enforce the Name-Rights Agreement through the PI.¹²

D. Social Media Accounts

[8] Gutman also argues that the district court improperly awarded JLM exclusive control over the three Disputed Accounts. In its complaint and PI motion, JLM raised claims of conversion and trespass to chattels based on Gutman’s seizure of control over the Instagram, TikTok, and Pinterest accounts. JLM’s proposed order listed eighteen social media accounts it sought to bar Gutman from accessing. JLM also singled out the three Disputed Accounts in a proposed paragraph ordering Gutman to transfer control of those accounts to JLM. The district court adopted both the account list and the paragraphs regarding control of the Disputed Accounts as proposed by JLM. Together, these portions of the PI grant unrestricted control over the Disputed Accounts to JLM and deny control to Gutman absent the company’s approval: Gutman may not post on or attempt to access control of the Disputed Accounts, account control must be turned over to JLM, and JLM faces no restrictions on what it may do with the Disputed Accounts.¹³ This portion of the PI *798 does not expire on August 1, 2022, but lasts indefinitely throughout the litigation. On appeal, Gutman seeks relief only as to the Disputed Accounts, which are the three accounts the district court explicitly ordered Gutman to turn over to JLM.

JLM and Gutman agree that the Disputed Accounts are property belonging to one of them, but they disagree vigorously about whose accounts they are. JLM contends that Gutman created the Disputed Accounts in her capacity as an employee, that they are therefore owned by the company, and that JLM merely gave Gutman wide discretion as its

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agent to operate the accounts as she saw fit. In contrast, Gutman argues that she created the Disputed Accounts in her personal capacity, that JLM did not acquire them simply by virtue of investing in the Hayley Paige brand, and that she did not cede ownership to JLM by agreeing to use her accounts to market Hayley Paige products or by occasionally giving other JLM employees direct access when it was in her interest to do so. The parties also disagree about who had ultimate authority over posts, whether any such authority derived from ownership or from some power or duty under the Contract, whether either party recognized the other as the Accounts' true owner during their course of dealing, the extent to which JLM was responsible for the growth of the Disputed Accounts, and which of these factors matter for identifying the Disputed Accounts' true owner.

In the end, the district court “decline[d] to address [JLM]’s conversion [and] trespass to chattel” claims or to evaluate “the somewhat more nuanced issue of ‘ownership’ of the [Instagram] Account itself.” *JLM Couture*, 2021 WL 827749, at *19. But the court nonetheless granted JLM control over all three Disputed Accounts and entered this part of its proposed PI nearly verbatim, compare *JLM Couture*, 2021 WL 827749, at *23–24, with No. 20-cv-10575, Dkt. 86 (Proposed Order), at 2–3, 5, even though the court did not address the predicate question of who likely owns them. It is thus unclear on what basis the district court excluded Gutman from using the Disputed Accounts and granted total control to JLM.

[9] The Contract provides only that Gutman has consented to an injunction, in the event of her breach, “prohibiting her from violating any provision of [the Contract].” Contract § 9(e). We conclude that the breaches identified by the district court are insufficient by themselves to justify the relief it granted regarding control of the Disputed Accounts. First, the district court determined that Gutman breached her duty under section 2 of the Contract to assist with company advertising by refusing to post JLM’s content on the Instagram account. *JLM Couture*, 2021 WL 827749, at *12. Second, the court reasoned that much of the Instagram “[a]ccount content” is JLM’s intellectual property under section 11 of the Contract, which gives JLM ownership over Gutman’s creations while employed by the company. *Id.* at *13. Third, the court ruled that Gutman’s use of the “@misshayleypaige” account handle on Instagram in trade or commerce violated the Name-Rights Agreement. *Id.* at *14.

These contractual breaches identified by the district court do not correspond to the injunctive relief JLM sought, which was clearly structured to remedy JLM’s conversion and trespass claims. Indeed, other parts of the PI already prohibit Gutman from using the “@misshayleypaige” account name, PI ¶ 3(a), as well as any “Designs” posted to the Accounts, PI *799 ¶ 3(c), in trade or commerce.¹⁴ And even if we assume that the district court could enter some sort of injunction to address Gutman’s alleged failure to “assist[] with advertising programs” during the pledged Term, Contract § 2, the PI would still be overbroad. First, unlike other parts of the PI, this provision does not expire on August 1, 2022. Second, the PI does not limit the purposes for which JLM can use the Disputed Accounts to only those under Gutman’s contractual duties—so JLM could just as easily use the Disputed Accounts to enter into its own agreements promoting third-party products or even to comment on this litigation. Third, the PI denies Gutman the right to post even personal content on the accounts without JLM’s permission, and it nowhere limits JLM’s discretion in withholding that permission.

[10] [11] The overbreadth of this part of the PI reflects the fact that the character of the district court’s relief—a grant of perpetual, unrestricted, and exclusive control throughout the litigation—sounds in property, not in contract. Yet the district court disclaimed any effort to ground the PI on its evaluation of the ownership question, and we see no way to salvage the PI as written under JLM’s alternative, Contract-based theories. The Contract allows injunctions only to enforce its own terms. *See* Contract § 9(e).¹⁵ And a preliminary injunction may never be awarded as a matter of right.¹⁶ *See, e.g.,* *800 *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 24, 129 S.Ct. 365, 172 L.Ed.2d 249 (2008).

Further, the district court erred in assuming that its analysis of the Instagram account necessarily controlled the disposition of all three Disputed Accounts or all eighteen accounts listed in the PI. In fact, it is unclear how the eighteen accounts were chosen in the first place. *See* Spec. App’x at 56; *accord* No. 20-cv-10575, Dkt. 86, Ex. 1 (JLM’s proposed account list). If the criteria for inclusion were simply whether the name of an account is under the Designer’s Name, JLM’s list would seem to be underinclusive: In addition to the disputed Instagram, TikTok, and Pinterest accounts, Gutman claimed to own several personal accounts not included in JLM’s list, all with

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“Miss Hayley Paige” as the handle, web address, or username. See App'x at 2277–78. Gutman's list notably includes two accounts (on Snapchat and Spotify) that were created after Gutman began working for JLM but over which JLM did not seek an injunction.¹⁷ Meanwhile, if the criteria involved considerations of how the accounts were created, used, or managed, those factors would seem to differ substantially even among the accounts in Gutman's control just prior to suit, *i.e.*, the Disputed Accounts. See, *e.g.*, App'x at 464–65 (discussing the creation and use of the TikTok account). It is not clear from the record what is significant about the eighteen accounts or the three Disputed Accounts other than the fact that JLM claims to own them—a claim that Gutman vigorously contests. In sum, the district court exceeded its discretion by issuing a PI transferring control over all three Disputed Accounts based on reasons specific to only one of them while expressing no opinion on who actually owns any of the accounts.

We do not attempt to decide for the first time on appeal—without full argument from the parties—the correct framework for answering who owns the Disputed Accounts or what result that framework would dictate. On remand, the district court could choose to answer directly the question of JLM's likelihood of success on the merits of its conversion and trespass claims, properly weigh the relevant injunction factors, and grant or deny injunctive relief accordingly. Alternatively, the court may prefer to decide that the balance of equities favors denying any property-based injunction and thereby avoid the merits question, leaving Gutman in control of the Disputed Accounts (subject to the strict conditions of the remainder of the injunction). Finally, the district court may choose to modify the vacated portion of the injunction to provide JLM with relief for JLM's breach-of-contract claims that stems from Gutman's obligations under the Contract.¹⁸ In any event, we conclude that ***801** the district court exceeded its discretion by effectively assigning valuable assets to JLM without first determining whether the company likely owns them. We therefore vacate the portion of the PI concerning the Disputed Accounts and remand for further analysis and clarification.

E. JLM's Alleged Breach

[12] Finally, Gutman argues that JLM breached the Contract by refusing to pay her after she announced her resignation.

Gutman asserts that this breach precludes JLM from seeking injunctive relief. See *Ryan v. Volpone Stamp Co.*, 107 F. Supp. 2d 369, 398 (S.D.N.Y. 2000) (noting that a party cannot “avoid its obligations under the contract and yet continue to reap the benefits”).

As the district court recognized, however, Gutman (1) had no right to terminate the Contract unilaterally absent a breach by JLM, and (2) made no showing that JLM's failure to pay her constituted a likely breach of the Contract. The Contract states that “[f]or the full, prompt and faithful performance of all the duties and services to be performed by [Gutman] hereunder, [JLM] agrees to pay, and [Gutman] agrees to accept, the amounts set forth” as base and additional compensation. Contract § 4. Faithful performance is thus a condition precedent to payment of base and additional compensation, so JLM had no duty to pay Gutman if she did not work.¹⁹ See *Restatement (Second) of Contracts § 225(1)* (“Performance of a duty subject to a condition cannot become due unless the condition occurs or its non-occurrence is excused.”). If there was no obligation for JLM to pay, there was no breach. The district court therefore did not abuse its discretion in concluding at this stage that JLM's failure to pay Gutman did not constitute a breach of the Contract.

III. CONCLUSION

Gutman signed away several of her rights to JLM, but she never forfeited her right to keep property that is legally hers. The district court may well determine that some or all of the Disputed Accounts do not belong to Gutman, or that additional relief is nevertheless appropriate. But absent such determinations, JLM may not assert exclusive dominion over accounts Gutman controlled at the time suit commenced.

For the reasons set forth above, we **VACATE** paragraphs 1 and 2 of the PI, as well as the paragraph ordering Gutman to provide JLM with control of the Disputed Accounts; **AFFIRM** the remainder of the ***802** PI; and **REMAND** the case for further proceedings consistent with this opinion.

Jon O. Newman, Circuit Judge, concurring in part and dissenting in part:

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A person's name is a valuable possession.¹ Broadly prohibiting its use is an extraordinary step that a court should not take except in the unlikely event that a person has clearly given someone else the right to obtain such a prohibition. In this case, I concur only in part because I cannot approve that portion of the District Court's preliminary injunction that prohibits Hayley Gutman from making any use of her own name in trade or commerce.

Gutman gave JLM Couture, her former employer, for a limited time, an exclusive limited license to use her name on clothing “provided [Gutman] has substantially participated in the design or creation of such clothing or related items during her employment.” Employment Contract, § 10(a). Now that she has breached her employment contract, the District Court was entitled to prohibit her from using her name in marketing bridal wear that she helped design, a use that would violate the exclusive license she gave her former employer.

However, the preliminary injunction now on appeal goes much further than that and prohibits Gutman from using her name in trade or commerce, *i.e.*, on *any* product. In my view, her former employer has no right to such a sweeping prohibition on Gutman's use of her name.

The District Court and now this Court find authority for this sweeping extension of subsection 10(a) in subsection 10(b) of Gutman's employment contract. Subsection 10(b) contains two relevant sentences. The first provides: “The Employer hereby irrevocably ... assigns ... all right ... to register the Designer's Name or any derivatives(s) thereof as trademarks.” The second provides: “[T]he Employee ... shall have no right to the use of the Trademarks, Designer's Name or any confusingly similar marks or names in trade or commerce ... without the ... consent of the Company.”

The first sentence of subsection 10(b) does not authorize a broad prohibition against Gutman's use of her name. That sentence gives JLM Couture only the right to register Gutman's name or derivatives “as trademarks.” It does not prohibit her from making a nontrademark use of her name, such as putting her name on a website that informs the public that she has products or services to sell having nothing to do with bridal wear.

There are three reasons why the second sentence of subsection 10(b) also does not authorize a broad prohibition of Gutman's use of her name. First, because subsection 10(b) is a trademark provision, not only the first sentence but also the subsection as a whole should not be construed to do more than limit Gutman's use of her name as a trademark. “A writing is interpreted as a whole.” [Restatement of Contracts, § 202\(2\)](#).

Second, although the second sentence itself contains a phrase that purports to prohibit Gutman from using “Designer's Name” in trade or commerce, that phrase continues with “or any confusingly similar marks or names.” “Confusingly similar” is the language of trademark law, and the sentence, fairly construed, means that Gutman cannot use her name or a confusingly similar mark or a confusingly similar name *as a trademark*.

Third, the “Designer's Name” that JLM Couture can prohibit Gutman from using is only the name to the extent the company *803 has been given a license to use it pursuant to subsection 10(a). “[A]ll writings that are part of the same transaction are interpreted together.” *Id.* The only use of the name “Gutman” that JLM Couture can use, or can prevent Gutman from using, is the name the company acquired with respect to bridal wear that she helped design or create. For any one of these reasons, subsection 10(b) does not support the sweeping prohibition against Gutman's use of her name.²

A prohibition on using one's name must be clear. *See Madrigal Audio Laboratories v. Cello, Ltd.*, 799 F.2d 814, 822 (2d Cir. 1986) (citation omitted). A prohibition on using one's name “as trademarks,” contained in a subsection concerned with trademarks, is surely not a clear prohibition on using the name for nontrademark purposes. And a limited prohibition in a trademark subsection should not be broadly interpreted to override a specific limitation in a provision licensing use of a name in another subsection of the same contract.

For these reasons, I concur in part and, to the extent indicated above, respectfully dissent in part.

Gerard E. Lynch, Circuit Judge, concurring in part and dissenting in part:

I agree with the Court's affirmance of the preliminary injunction insofar as it bars Gutman from competing with

JLM Couture, Inc. v. Gutman, 24 F.4th 785 (2022)

JLM and from using the name “Hayley Paige Gutman” and its derivatives in trade or commerce, and I join fully in Parts II.A, B, C, and E of Judge Park's thoughtful and careful analysis of the issues. I write separately, however, because I disagree with Part II.D, and would also affirm paragraphs 1 and 2 of the preliminary injunction, at least insofar as they apply to the Instagram account.¹ I do not believe the district court erred in entering those portions of the injunction without determining the question of ownership.

Paragraph 1 of the preliminary injunction bars Gutman from “[m]aking any changes to any of the [Instagram] account[] ... including but not limited to ... posting any new content thereto and/or deleting or altering any content located therein ... without the express written permission of Plaintiff's chief executive officer, Joseph L. Murphy” and directs Gutman to give JLM access credentials to the Instagram account, which she had unilaterally revoked in November 2019. *JLM Couture, Inc. v. Gutman*, No. 20-cv-10575, 2021 WL 827749, at *23 (S.D.N.Y. Mar. 4, 2021). The majority considers these provisions tantamount to awarding ownership of the account, and thus as justifiable only on a finding, which the district court did not make, that JLM owns the account and is likely to prevail on its claims of conversion and trespass to chattels. Op. at 797-800.

***804** I don't think that is so. The district court did not purport to give JLM control over the Instagram account because JLM is the account's rightful owner. Rather, the injunction was granted to restore the operation and control of the account to the manner in which they were operated before Gutman unilaterally seized exclusive control, pending resolution of the case. The district court's determination that JLM had shown a likelihood of success on its claims for breach of contract adequately justifies this type of injunctive relief.

As the district court found, and as this Court agrees, on July 13, 2011, Gutman granted JLM the exclusive worldwide right and license to use her name for certain purposes. It is undisputed that Gutman opened the @misshayleypaige Instagram account on April 6, 2012, after she began her employment with JLM and assigned rights to her name to JLM. Substantial record evidence supports the district court's factual findings that (1) the Instagram account was created during Gutman's employment with JLM and bears the name that she conveyed to JLM for commercial use; (2) the account was used to promote JLM's business; and (3) JLM not only retained considerable control over what Gutman posted, but also had the ability to post material on its own, without her being able to veto what it posted. In short, throughout her employment with JLM, Gutman collaborated with JLM to operate the account, and while Gutman had primary access to the account, JLM employees also had access, and JLM had final approval over content generated to the account.

The district court's injunction essentially returns the parties – and the Instagram account – to the position they were in prior to Gutman's breach.² Using a preliminary injunction to restore parties to the pre-breach status quo, upon a finding that the plaintiff has shown a substantial likelihood of success on her claim for breach of contract, is an uncontroversial provisional equitable remedy. A finding of ownership is not a prerequisite to the district court's equitable solution, which is proportionate to and justified by Gutman's breach. I therefore cannot conclude that the district court abused its discretion in requiring Gutman to undo her seizure of unilateral control over the Instagram account, and I respectfully dissent from the judgment of the Court to the extent it vacates that portion of the preliminary injunction.

All Citations

24 F.4th 785

Footnotes

* The Clerk is respectfully directed to amend the caption accordingly.

¹ A redacted version of the Contract may be found at App'x 2509–22.

JLM Couture, Inc. v. Gutman, 24 F.4th 785 (2022)

- 2 Instagram allows for the verification of accounts held by certain “public figures, celebrities, and brands.” App’x at 1121. Although the parties appear to dispute what information a “public figure” designation conveys, the district court determined that the verification process would have included Gutman’s affirmation to Instagram that she “run[s] the account.” *JLM Couture*, 2021 WL 827749, at *4 n.4.
- 3 For example, the bio for a time read “Designer/Creator/Emoji-maker.” (Gutman created a line of bridal emojis while employed by JLM. See Holy Matrimoji, <http://www.holymatrimoji.com>.)
- 4 The district court declined to order Gutman not to comment on this litigation, finding that Gutman did not clearly waive her First Amendment right to do so.
- 5 The district court added this termination date on reconsideration.
- 6 The district court specified:
- “Designs[,]” as used here, means designs, drawings, notes, patterns, sketches, prototypes, samples, improvements to existing works, and any other works conceived of or developed by [Gutman] in connection with her employment with [JLM] involving bridal clothing, bridal accessories and related bridal or wedding items, either alone or with others, from the commencement of her employment by [JLM] through the Term of the Contract. The term includes content created or compiled for the JLM HP Social Media Accounts.
- JLM Couture*, 2021 WL 827749, at *23 n.21.
- 7 This proviso was added on reconsideration.
- 8 Gutman has raised certain counterclaims and is challenging a contempt order the district court issued against her in a separate proceeding. The district court also declined to reach some of JLM’s requests for relief, finding them unripe. None of these issues is before the Court in this appeal.
- 9 Contrary to Gutman’s claim that this language prohibits her from casual social contact with anyone in the industry, it is clear from the context in both the PI and the Contract that “association” here is used in the ordinary commercial sense of forming a business affiliation, and does not refer to mere social interaction.
- 10 JLM exercised its right to register the “Hayley Paige” and related trademarks. See App’x at 479–508.
- 11 Although we have stated in dicta that an agreement to sell the right to use one’s own name must be “clearly shown,” *Madrigal Audio Labs., Inc. v. Cello, Ltd.*, 799 F.2d 814, 822 (2d Cir. 1986) (citation omitted), the extent to which a party is barred from using her name ultimately “depends on the terms of the sale,” *id.* at 823. See also *Levitt Corp. v. Levitt*, 593 F.2d 463, 468 (2d Cir. 1979) (“To protect the property interest of the purchaser, ... the courts will be especially alert to foreclose attempts by the seller to ‘keep for himself the essential thing he sold, and also keep the price he got for it.’ ” (quoting *Guth v. Guth Chocolate Co.*, 224 F. 932, 934 (4th Cir. 1915))). Here, the PI does nothing more than recite the words of the Contract. Compare PI ¶ 3(a) (“using ... the ‘Designer’s Name’ ... in trade or commerce”), with Contract § 10(b) (“use of ... Designer’s Name ... in trade or commerce”); see also *id.* § 9(e) (“[Gutman] hereby consents to the granting of a temporary or permanent injunction against her ... prohibiting her from violating any provision of [the Contract].”). This appeal thus does not call for us to opine on the precise scope of the prohibition against “us[ing]” the trade name “Hayley Paige Gutman” and its derivatives “in trade or commerce.”

- 12 We also reject Gutman's irreparable-harm and overbreadth arguments for the same reasons stated with respect to the Noncompete Agreement. See *supra* Section II.B.
- 13 The one exception is that the district court entered an order limiting both parties' alterations of previously posted content (on both the Disputed Accounts and other undisputed accounts) to preserve evidence. See No. 20-cv-10575, Dkt. 238 (S.D.N.Y. Sept. 13, 2021).
- 14 As Gutman acknowledges, should she defeat only the conversion and trespass claims, in order to use the Disputed Accounts in trade or commerce without violating the rest of the PI, she would likely have to take down the Designs owned by JLM and change the handle or username of the Disputed Accounts. See Appellant Br. at 46 n.5 (citing *BBC Grp. NV LLC v. Island Life. Rest. Grp. LLC*, 475 F. Supp. 3d 1235, 1241 (W.D. Wash. 2020)). But even if the district court did not grant injunctive relief to assign the Disputed Accounts to JLM, with appropriate findings, it could impose other constraints at the PI stage on Gutman's use of the Accounts in order to prevent irreparable harm with respect to the Accounts.
- 15 Judge Lynch would affirm this part of the PI, at least as it applies to the Instagram account, with the concession that the PI might be modified to revert partial control to Gutman. Such slimmed-down relief would in the dissent's view be an equitable means of "restor[ing] ... the account to the manner in which [it was] operated before Gutman unilaterally seized exclusive control." Dissent at 804. But even if we were to follow the general principles of equitable remedies, rather than the Contract's own language about injunctive relief, Contract § 9(e), we could endorse only a PI that aimed to protect JLM's *rights*, not one entrenching any pre-breach benefits JLM may have enjoyed from Gutman as a matter of grace. See *Babb v. Wilkie*, — U.S. —, 140 S. Ct. 1168, 1178, 206 L.Ed.2d 432 (2020) ("Remedies generally seek to place the victim of a legal wrong in the position that person would have occupied if the wrong had not occurred. ... Remedies should not put a plaintiff in a more favorable position than he or she would have enjoyed absent [the wrong]." (cleaned up)). The dissent thus elides the crucial question of what right, if any, underlay JLM's access to the Instagram account prior to this dispute. And for the reasons explained above, JLM's current answer to that question—Contract rights—is a revisionist reading of its proposed PI that cannot justify the scope of the district court's relief under ordinary equitable principles. See *supra* at 798-99; *Forschner Grp., Inc. v. Arrow Trading Co.*, 124 F.3d 402, 406 (2d Cir. 1997) ("It is well-settled that the essence of equity jurisdiction has been the power to grant relief no broader than necessary to cure the effects of the harm caused by the violation").
- 16 Moreover, mandatory injunctions compelling affirmative action rather than merely prohibiting certain conduct must meet a higher standard. "A mandatory injunction ... alter[s] the status quo by commanding some positive act ... [and] 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." *Tom Doherty Assocs. v. Saban Entm't, Inc.*, 60 F.3d 27, 34 (2d Cir. 1995) (cleaned up). As the district court acknowledged, this part of the PI is mandatory in that it singles out the Disputed Accounts and compels Gutman to provide JLM the access credentials. See *JLM Couture*, 2021 WL 827749, at *24. And in its attempt to restore JLM's asserted rights, the PI alters the status quo of the year prior to suit, during which Gutman had exclusive access to at least the Instagram account.
- 17 The Instagram account bio referred to the Snapchat account at least at one point. See App'x at 1115.

JLM also has separate, seemingly analogous accounts on some of the same platforms as the Miss Hayley Paige accounts. See Spec. App'x at 56 (including "hayleypaige_jlm" on Twitter, "HayleyPaigeBridal" on Facebook, and "hayleypaigejlm" on Pinterest).

- 18 For the same reasons as those explained regarding the Name-Rights Agreement, which prohibits more conduct than the agreement with respect to the Trademarks, *see supra* Section II.C, we also do not see how JLM's trademark claims could warrant a transfer of the Disputed Accounts. *See* 15 U.S.C. § 1116(a) (permitting injunctions under the Lanham Act “according to the principles of equity ... to prevent the violation of any right of the registrant of a mark”); *supra* note 14 (explaining Gutman's concession about how such rights could be protected without a reassignment of her property should she succeed in defeating only the conversion and trespass claims); PI ¶ 3(a) (prohibiting use of the Trademarks and Designer's Name in trade or commerce). We do not exclude the possibility of other relief, with appropriate findings, that is properly tethered to remedy past trademark violations. *See Forschner Grp.*, 124 F.3d at 406.
- 19 Gutman belatedly argues that some of her additional compensation is tied to revenues from before her announced resignation, and that her failure to perform thus does not excuse JLM's nonpayment at least as to those payments. We do not address this argument, as Gutman did not meaningfully challenge until her reply brief the district court's rationale that she failed to perform a condition of the Contract. *See JP Morgan Chase Bank v. Altos Hornos de Mexico, S.A. de C.V.*, 412 F.3d 418, 428 (2d Cir. 2005); *Norton v. Sam's Club*, 145 F.3d 114, 117 (2d Cir. 1998). We thus also do not consider JLM's alternative arguments regarding whether any nonpayment based on pre-resignation revenues would constitute breach or otherwise affect JLM's right to seek injunctive relief.
- 1 “He that filches from me my good name robs me of that which enriches him and makes me poor indeed.” WILLIAM SHAKESPEARE, *OTHELLO*, Act III, Scene 3.
- 2 Subsection 10(c), which the Court quotes as saying that Gutman “assign[ed] to [JLM] ... the Designer's Name and the Trademarks,” Maj. Op. at 790 (brackets and ellipsis in original), refers to “the assignment,” obviously meaning the limited assignment in subsection 10(a). Subsection 10(c) entitles Gutman to some additional compensation for making “the assignment.” The additional compensation is not, as the Court says, “for assigning the Designer's Name and Trademarks to JLM,” Maj. Op. at 791; the additional compensation is for making only the limited assignment of name in subsection 10(a).
- 1 The parties' arguments as to the other social media accounts are not well developed. Their focus is on the three Disputed Accounts, and especially the Instagram account. Given that my view has not prevailed, I see no need to opine on whether the district court's injunction, which is being vacated in any event, is overbroad insofar as it relates to other social media accounts. I therefore confine my discussion to the Instagram account, which seems to be the main bone of contention between the parties, and as to which the record is most developed.
- 2 For the same reasons I do not address the other social media accounts, I do not elaborate on the possibility that the injunction as written could be modified on appeal to better reflect the *joint* management and control of the Instagram account that existed before Gutman's breach, or the extent to which the turnover of exclusive control to JLM might be justified by the impracticability of having the parties jointly operate the account given their present contentious relationship.

Morals Clause



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Adidas cuts ties with rapper Kanye West over anti-Semitism

🕒 26 October 2022



By Faarea Masud

Business reporter

Clothing giant Adidas has cut ties with rapper Ye, known as Kanye West, saying it does "not tolerate antisemitism and any other sort of hate speech".

Adidas's Yeezy brand collaboration with Mr West was put under review, after he showed a "White Lives Matter" T-shirt design at Paris Fashion Week.

Days later, the rapper posted anti-Semitic comments on his Twitter account.

His products will be pulled from sale with immediate effect, said Adidas.

The sportswear brand has previously said the Yeezy brand collaboration with Ye was one of the most successful in the company's history.

Cutting the partnership means Adidas will make a net loss of £217m in 2022 as a result, it said.

Ye, who **has been diagnosed with bipolar disorder**, had previously accused Adidas of stealing his designs in a now-deleted Instagram post.

In a statement on Tuesday, **Adidas wrote**: "Adidas does not tolerate antisemitism and any other sort of hate speech. Ye's recent comments and actions have been unacceptable, hateful and dangerous, and they violate the company's values of diversity and inclusion, mutual respect and fairness."

- **Adidas puts Kanye West Yeezy deal under review**
- **Kanye West to buy right-wing platform Parler**

Instagram and Twitter suspended Ye's account in the days following his anti-Semitic remarks. Among various celebrities decrying Ye's anti-Semitic remarks were former 'Friends' actor David Schwimmer, and Ye's former wife Kim Kardashian, a reality TV star who is currently studying to become a lawyer. On Monday, Ms Kardashian stated on Twitter: "Hate speech is never OK or excusable. I stand together with the Jewish community and call on the terrible violence and hateful rhetoric towards them to come to an immediate end."

Ye's business partnerships have also come under increasing pressure: Bank JP Morgan and clothing retailer Gap said in recent months that they were ending their relationship with Ye.

Ye accused Gap of not honouring terms of their deal, including by failing to open standalone stores for his Yeezy fashion label.

Gap wrote in a statement on Tuesday that it will be removing Yeezy Gap products from its stores, and that it had shut down the YeezyGap.com website.

"Antisemitism, racism and hate in any form are inexcusable and not tolerated... We are partnering with organisations that combat hate and discrimination,"

Gap said on its Instagram account, @yeezyxgap.

Although Adidas put its relationship under review after Ye showed his "White Lives Matter" T-shirt, the company did not say the collection was the reason for the review.

It told the BBC it had made the decision to put the partnership under review after "repeated efforts to privately resolve the situation" of being accused by Ye of "stealing" his designs.

The phrase "Black Lives Matter" was widely used after George Floyd, an unarmed black man, was killed by a police officer in Minneapolis in the summer of 2020. It has since become a political and social movement that seeks to highlight racism experienced by black people, particularly incidents of police brutality and racially motivated violence.

High-end fashion house Balenciaga and talent scouts Creative Artists Agency also cut ties with Ye earlier in October.

Film and television production company MRC said on Monday it will not be airing its recently completed documentary on the rapper.

"Kanye is a producer and sampler of music. Last week he sampled and remixed a classic tune that has charted for over 3,000 years - the lie that Jews are evil and conspire to control the world for their own gain... As leaders of this company (a Jew, a Muslim, and a Christian), we feel duty bound to say to all of you this is a pernicious, terrible use of false logic," MRC **wrote on Monday**.

On 15 October, speaking on US podcast Drink Champs, Ye defended his anti-Semitic tweet, adding: "Jewish people have owned the black voice... whether it's through all of us being signed to a record label, or having a jewish manager", and that "the jewish media blocked me out". Drink Champs apologised for and removed the episode.

American football player Aaron Donald and basketball star Jaylen Brown have terminated their contracts with Kanye West's sports marketing agency, Donda Sports, after his anti-Semitic comments. On Monday, NBA All-Star Brown said he planned to stay with Donda, but reversed his decision a day later.

'Net worth falls'

Shares in Adidas fell as much as 8% after the announcement but have since pared their losses.

Adidas had warned in its last financial forecast in October that deterioration in its business in China, along with lower consumer demand in major Western markets, have put pressure on its profit forecasts for 2022. The brand is also looking for a new chief executive, after announcing in August that current boss Kasper Rorsted would be leaving in 2023.

A spokesperson for Campaign Against Antisemitism said: "Adidas has finally joined other brands and agencies and cut ties with Ye (Kanye West). This would not have happened without the almost 175,000 who signed our petition and the celebrities and influencers on both sides of the Atlantic and around the world who helped promote it and amplified the message."

The rapper has also lost his position in Forbes magazine's list of billionaires. The magazine estimates the loss of the Adidas partnership has cut Ye's net worth from \$1.5bn to \$400m.

The BBC has contacted Ye's representatives for comment.

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Adidas puts Kanye West Yeezy deal under review

7 October 2022



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Tipping the Scales: How “Reverse” Morals Clauses Can Give Influencers Real Power to Hold Brands Accountable

July 5, 2023 – Article

Influencers need the ability to escape from sponsorships with companies engulfed in bad PR. A contract provision could give them that power.

In June 2020, women’s clothing retailer Anthropologie jumped on the virtue-signaling bandwagon by posting a Maya Angelou quote to its social media feed. The post, which the brand likely thought was innocuous, called for “equality and empathy” in the wake of the George Floyd killing. Instagram users scoffed at the hypocrisy. In the comments, shoppers and former Anthropologie employees accused the brand of training managers to use codenames to identify black customers. Weighing in on the conversation, actress Emmy Rossum took to Twitter—she regretted having to wear so many of the retailer’s “stupid bralets.”

Notably absent from the conversation were Anthropologie’s paid influencers. The company, along with sister-brands Urban Outfitters, Free People, and Nuuly, all rely on influencer marketing. Yet none of these content creators called the brand owner to account for its allegedly racist policies.

While brands frequently require talent to abide by morals clauses in their agreements, influencer agreements rarely hold the corporations to the same standard. Influencers often lack the leverage to stand up to corporations they are paid to represent. But by negotiating for a contract term that has become popular among other celebrities—reverse morals clauses—influencers could gain tremendous power against brands they may wish to cut ties with or whose policies they wish to criticize.

What is a morals clause?

Traditionally, a morals clause is a contractual provision that gives a party a one-sided right to terminate the agreement if the other party engages in illegal or immoral conduct. These provisions are common in entertainment contracts and

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endorsement deals, the success of which often depend on the public’s favorable reaction to the celebrity. Scandals that tarnish a celebrity’s image can in turn harm the corporation’s reputation, and morals clauses provide an escape hatch.

These provisions have existed and been enforced by courts since the 1920s. Courts are often hesitant to enforce contracts that require interpretation of subjective terms—like the slippery subject of “morals”—but morals clauses nevertheless have a long history of being upheld. In 1921, when celebrity scandal was in its infancy, Universal Studios instituted a new policy by which all of its actors would be bound by morals clauses in their contracts. Universal had observed the impact that comedian Roscoe “Fatty” Arbuckle’s illegal activities had on Paramount Pictures, and wanted to avoid a similar fate. As Universal’s lawyers explained in a statement, these newly drawn “protective clause[s]” were to [be] inserted in all existing and future actors’, actresses’, and directors’ contracts with the company” as a “direct result of the Arbuckle case.”

Morals clauses and litigation around them also existed during the red scare in the 1940s and '50s. The House Committee on Unamerican Activities held hearings and demanded testimony from writers, directors, and actors allegedly involved in communist activity. A group that became known as the “Hollywood Ten” refused to testify. Three members of the Hollywood Ten had their contracts terminated and filed lawsuits in response. All three lost. In each case, the Court upheld the enforcement of the morals clause, emphasizing the public nature of the employee’s transgressions. As one court explained: “a company might well continue indefinitely the employment of an actor whose *private* personal immorality is known to his employer” but would be “fully justified in discharging him” if he makes the “same misconduct notorious.”

The takeaway for others in Hollywood was crystal clear: morals clauses are enforceable in court, and a powerful weapon to control talent.

Since then, morals clauses have become the norm in talent agreements in the entertainment industry. They have been used to terminate contracts against celebrities, most recently by Adidas and Gap to terminate their contracts with Ye (a/k/a Kanye West) following his antisemitic remarks. Lest readers think Ye is unique—these provisions have also been used to terminate contracts or otherwise punish a laundry list of celebrities including Gina Carano, Roseanne Barr, Tiger Woods, Whoopi Goldberg, Kate Moss, Paula Dean, Ryan Lochte, and Sharon Stone, to name a few.

Reverse and Reciprocal Morals Clauses

In more recent years, talent has been able to negotiate for reverse or reciprocal morals clauses. These agreements flip the traditional morals clause on its head: instead of a brand firing an immoral celebrity, these new clauses allow a celebrity to escape a contract with an immoral brand owner. The first reverse morals clauses dates back to 1968 when singer and actor Pat Boone entered into a contract with (ironically enough) Bill Cosby’s Tetragrammaton label. There, the parties agreed that Boone had the unilateral right to terminate the agreement if label did anything to harm Boone’s religious image and reputation.

Later, in the wake of financial scandals in the 2000s, corporate fiscal irresponsibly led to public outcry, forcing talent to reconsider their relationship with financial institutions. For instance, in 2009, PGA golfer Vijay Singh signed an endorsement

deal with Stanford Financial Group merely a month before allegations came out about the corporation’s involvement in an \$8 million Ponzi scheme. Under the terms of the agreement, which did not have a reverse morals clause, Singh had to continue wearing the Stanford logo on his shirt and golf bag. On the other hand, in November 2010, the Kardashians’ terminated their agreement with University National bank for the prepaid debit “Kardashian Kard” after the bank was accused of enforcing predatory fees, although the sisters had been assured that everything they signed would be lawful.

However, instances of celebrities actually using their power to reject corporate malfeasance are few and far between. Often, when faced with public outrage about a brand’s actions, celebrities look the other way and choose to defend the brand owner. In 2013, a Change.org petition circulated to request that Jay-Z withdraw from his partnership with Barneys over accusations that the store called the police on two black customers after they had made expensive purchases. In a statement, Jay-Z said “I am waiting on facts and the outcome of a meeting between community leaders and Barneys. Why am I being demonized, denounced and thrown on the cover of a newspaper for not speaking immediately?” More recently, following outcry over Balenciaga’s ad campaign which some believed referenced child sex work, Kim Kardashian announced that she was “revaluating her relationship” with the brand, but she ultimately did not terminate her contract.

Influencers and Morals Clauses

Influencers are much more vulnerable to harm from a flagging reputation than other celebrities. While A-List celebrities often have a body of work behind their names, influencers make a living representing and recommending brands. They have a business interest in making sure that the brands are aligned with their values, and the values of their audiences. And unlike megawatt movie stars or superstar athletes, influencers can’t always hide behind a PR team and a formal statement to the press. Nor can they win back lost fans by winning a championship or starring in a great film. Their appeal is in their accessibility and likeability. They confront consumers daily via stories, call-in podcasts, “ask-me-anythings” and direct messaging. If fans no longer want to see an influencer’s content, even for a few days, the influencer’s career can be devastated.

“Micro” influencers—or those with under 100,000 followers—may be even more vulnerable to brand tarnishment. While these content creators may feel they lack the clout necessary to negotiate their sponsorship agreements, requesting a reciprocal or reverse morals clause is an easy way to exert greater control over their image. From the perspective of the brand, some industry experts argue that micro-influencers are the best bet for advertisers because they cost less to engage, and they tend to have much stronger engagement rates with their followers. Thus, influencers at this level should not assume they have no bargaining power.

Yesterday’s celebrity ambassadors interacted with consumers irregularly and only from a distance. But today, influencers confront audiences directly every day. Since creators have an independent business interest in keeping viewers watching, they can’t afford to settle for a company’s ill-advised attempts to engage with their audiences. Influencers should negotiate for reverse morals clauses. By giving their contracts teeth, influencers can harness the power of their audience and hold brand owners accountable.



Video Ad Feedback

'I made a mistake.' Influencer terminates Shein contract after sponsored trip

^ Hide Description

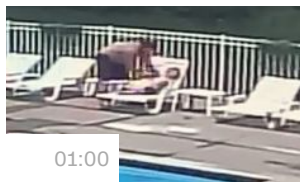
A group of American social media influencers is receiving criticism after taking a trip to China, sponsored by Shein, a hugely popular fast-fashion giant.

02:04 - Source: [CNN](#)

Stories worth watching • 15 videos



'I made a mistake.' Influencer terminates Shein contract after sponsored trip



7-year-old was drowning unnoticed. Video shows strangers jump into action



AI-powered humanoid robots field questions from reporters

**FTC Disclosure
Requirements for
Social Media
Influencer Brand
Deals**

Disclosures 101

for

Social Media

Influencers



Do you work with brands to recommend or endorse products?

If so, you need to comply with the law when making these recommendations.

One key is to make a good disclosure of your relationship to the brand.

This brochure from FTC staff gives tips on when and how to make good disclosures.

The FTC works to stop deceptive ads, and its Endorsement Guides go into detail about how advertisers and endorsers can stay on the right side of the law.

If you endorse a product through social media, your endorsement message should make it obvious when you have a relationship (“material connection”) with the brand. A “material connection” to the brand includes a personal, family, or employment relationship or a financial relationship – such as the brand paying you or giving you free or discounted products or services.

Telling your followers about these kinds of relationships is important because it helps keep your recommendations honest and truthful, and it allows people to weigh the value of your endorsements.

As an influencer, it’s **your responsibility** to make these disclosures, to be familiar with the Endorsement Guides, and to comply with laws against deceptive ads. Don’t rely on others to do it for you.



When to Disclose

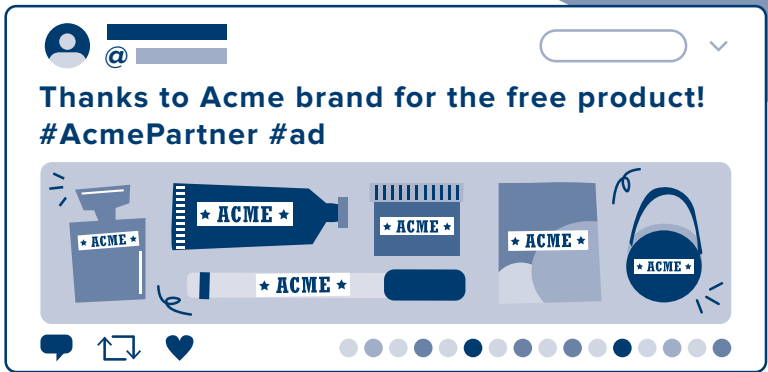
- ▶ Disclose when you have any **financial, employment, personal, or family relationship** with a brand.
 - » Financial relationships aren't limited to money. Disclose the relationship if you got anything of value to mention a product.
 - » If a brand gives you free or discounted products or other perks and then you mention one of its products, make a disclosure even if you weren't asked to mention *that* product.
 - » Don't assume your followers already know about your brand relationships.
 - » Make disclosures even if you think your evaluations are unbiased.
- ▶ Keep in mind that tags, likes, pins, and similar ways of showing you like a brand or product are endorsements.
- ▶ If posting from abroad, U.S. law applies if it's reasonably foreseeable that the post will affect U.S. consumers. Foreign laws might also apply.
- ▶ If you have no brand relationship and are just telling people about a product you bought and happen to like, you don't need to declare that you **don't** have a brand relationship.

How to Disclose

Make sure people will **see and understand** the disclosure.

- ▶ Place it so it's **hard to miss**.
 - » The disclosure should be placed with the endorsement message itself.
 - » Disclosures are likely to be missed if they appear only on an ABOUT ME or profile page, at the end of posts or videos, or anywhere that requires a person to click MORE.
 - » Don't mix your disclosure into a group of hashtags or links.
- ▶ If your endorsement is in a *picture* on a platform like Snapchat and Instagram Stories, superimpose the disclosure over the picture and make sure viewers have enough time to notice and read it.
- ▶ If making an endorsement in a *video*, the disclosure should be in the video and not just in the description uploaded with the video. Viewers are more likely to notice disclosures made in both audio and video. Some viewers may watch without sound and others may not notice superimposed words.
- ▶ If making an endorsement in a *live stream*, the disclosure should be repeated periodically so viewers who only see part of the stream will get the disclosure.





- ▶ Use **simple and clear** language.
 - » Simple explanations like “Thanks to Acme brand for the free product” are often enough if placed in a way that is hard to miss.
 - » So are terms like “advertisement,” “ad,” and “sponsored.”
 - » On a space-limited platform like Twitter, the terms “AcmePartner” or “Acme Ambassador” (where Acme is the brand name) are also options.
 - » It’s fine (but not necessary) to include a hashtag with the disclosure, such as #ad or #sponsored.
 - » Don’t use vague or confusing terms like “sp,” “spon,” or “collab,” or stand-alone terms like “thanks” or “ambassador,” and stay away from other abbreviations and shorthand when possible.
- ▶ The disclosure should be in the same language as the endorsement itself.
- ▶ Don’t assume that a platform’s disclosure tool is good enough, but consider using it in addition to your own, good disclosure.

What Else to Know

- ▶ You can't talk about your experience with a product you haven't tried.
- ▶ If you're paid to talk about a product and thought it was terrible, you can't say it's terrific.
- ▶ You can't make up claims about a product that would require proof the advertiser doesn't have – such as scientific proof that a product can treat a health condition.





FOR MORE INFORMATION

Have more questions? The FTC's Endorsement Guides: What People Are Asking is an FTC staff publication that answers many questions about the use of endorsements, including in social media, with many helpful examples.

[FTC.gov/influencers](https://www.ftc.gov/influencers)



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FTC Updates Endorsement Guides for First Time in 14 Years: Key Takeaways

By Nicholas Saady, Brad D. Rose, and Robert J. deBrauwere

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Brands, celebrities, and influencers should be aware that the Federal Trade Commission (FTC) recently released updated Endorsement



Guides —the first time the FTC has done so since 2009. The Guides provide critical information about the FTC’s expectations for endorsements and advertising, and are therefore important to note to avoid the ire of the FTC.

The Guides apply to advertising, marketing and endorsements in “all media, whether they have been around for many decades (like television and magazines) or are relatively new (like social media).”

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Below are some important takeaways from these new Guides (in addition to what was already included in the Guides — see our previous articles [here](#) and [here](#)):

- The definition of an “endorsement” has been further broadened to cover tags and reviews, and reiterate that the list of endorsements is illustrative not exhaustive. This means that almost all promotional activity on social media should be assumed to fit within the definition.
- A new definition of “clear and conspicuous” has been added, clarifying that it means being “difficult to miss (i.e., easily noticeable) and easily understandable by ordinary consumers.” The new Guides also clarify that disclosures must be stated in both visual and audible elements of an advertisement or post, and that platforms’ general disclosures (like Instagram’s “Sponsored Post”) may not be sufficient.
- Brands and advertisers are responsible for and must monitor the actions of their endorsers — as an advertiser may be liable “for an endorser’s deceptive statement,” even when the endorser is not liable. This makes it even more important for brands and companies to be acutely aware of these Guides and have sufficient safeguards in place to protect themselves (see our previous articles [here](#) and [here](#) for further guidance).
- Digital or AI-powered influencers or avatars of celebrities and the like will be held to the same standards as all others. This is critical, given the more common use of digital influencers.
- Consumer reviews and other endorsements must be substantiated with reliable and sufficient evidence, and the procuring, suppressing, or editing of consumer reviews (including fake ones) to distort consumer perceptions of a product or service are prohibited.
- The FTC does not consider the purchase or creation of “fake followers” on social media — which is a major and prevalent issue on social media — to be “inherently misleading,” nor is it a violation per se for a person or agency to use the same to misrepresent an individual’s influence.

- Advertisements directed to children will be subject to a high standard of scrutiny and are “of special concern because of the character of the audience.” This means that those marketing products to children should be extremely careful with their disclosures and go above and beyond to avoid any legal issues.

It is also worth reading the examples stated within the Guides as they provide excellent guidance as to the FTC’s expectations and how the regulations will be interpreted, as well as the “What People Are Asking” document published by the FTC alongside the Guides, as it provides a Q&A-like information about common questions relating to the content of the Guides.

The FTC has recently shown that it will strictly monitor and regulate advertising, particularly on social media. We have already seen many celebrities and influencers subject to enforcement actions by the FTC, making it even more important for all involved to understand and comply with the latest legal requirements associated with endorsements and advertising.

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