Exportaciones Del Futuro Brands, S.A. de C.V. v Authentic Brands Group, LLC
2018 NY Slip Op 30100(U)
January 16, 2018
Supreme Court, New York County
Docket Number: 655626/2016
Judge: Marcy Friedman
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SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK – PART 60

PRESENT: Hon. Marcy Friedman, J.S.C.

EXPORTACIONES DEL FUTURO BRANDS, S.A. de C.V.,

Plaintiffs,

– against –

AUTHENTIC BRANDS GROUP, LLC, ABG-THALIA, LLC, TSM DESIGNS, LLC, CREATIVE ARTISTS AGENCY, LLC, THOMAS MOTTOLA, ARIADNA THALIA SODI MIRANDA,

Defendants.

Index No.: 655626/2016

DECISION/ORDER

Plaintiff Exportaciones del Futuro Brands, S.A. de C.V. (EDF) brings this action against defendant Ariadna Thalia Sodi Miranda, a well-known singer and actress who goes by the name "Thalia," and defendants Authentic Brands Group, LLC (ABG), ABG-Thalia, LLC (ABG-Thalia), TSM Designs, LLC (TSM), and Thomas Mottola,[1] based upon their alleged breach of a Trademark License Agreement, dated as of February 23, 2016 (the License Agreement or Agreement).[2] The Agreement granted plaintiff EDF an exclusive license to manufacture and distribute certain Thalia-branded products in Mexico. The complaint pleads that defendants breached the Agreement by refusing to promote products that had been approved by them for

[1] On February 3, 2017, EDF discontinued this action without prejudice against defendant Creative Artists Agency. (NYSCEF No. 17.)

[2] The License Agreement was entered into by and between defendant TSM, as Licensor, and plaintiff EDF and counterclaim-defendant Famous Footwear Mexico, S.A. de C.V. (Famous Footwear), together as Licensee. (License Agreement, opening paragraph [Adelman Aff. In Supp., Exh. 3].) The agreement was signed on behalf of TSM by Thalia and Mottola. (Id., signature page.) The complaint pleads that defendant ABG owns a majority membership interest in defendant ABG-Thalia, and that defendant TSM owns a minority membership interest in ABG-Thalia. (Compl., ¶ 11.) The complaint further pleads that ABG has acquired TSM's rights in the License Agreement. (Id., ¶ 12.)

distribution. (Compl., ¶¶ 51-56.) Defendants' answer pleads counterclaims against EDF and counterclaim-defendant Famous Footwear Mexico, S.A. de C.V. (Famous Footwear) for, among other things, breach of contract and violations of the federal Lanham Act (15 USC 1501 et seq.). These counterclaims are based upon the alleged failure of EDF and Famous Footwear (collectively, the EDF Parties) to comply with certain quality control and approval provisions in Section 8 of the License Agreement, and their release of unapproved advertisements and merchandise. (See e.g. Answer, ¶¶ 112, 135.) The counterclaim plaintiffs—ABG, ABG-Thalia, TSM, and Thalia (collectively, the Thalia Parties)[3]—now move, pursuant to CPLR 6301, for a preliminary injunction prohibiting the EDF Parties from, among other things, manufacturing, distributing, or advertising articles and merchandise bearing any trademarks associated with Thalia or otherwise exploiting her name, likeness, image, or other proprietary rights.

It is well settled that a preliminary injunction is an extraordinary provisional remedy that will be granted only where the movant shows a likelihood of success on the merits, the potential for irreparable injury if the injunction is not granted, and a balance of equities in the movant's favor. (Nobu Next Door, LLC v Fine Arts Hous., Inc., 4 NY3d 839, 840 [2005]; W.T. Grant Co. v Srogi, 52 NY2d 496, 517 [1981]; CPLR 6301.) The proponent of a motion for a preliminary injunction must meet its burden by clear and convincing evidence. (Delta Enterp. Corp. v Cohen, 93 AD3d 411, 412 [1st Dept 2012].)

The court holds that the Thalia Parties have demonstrated a likelihood of success on the merits of their first counterclaim, for breach of the License Agreement. Section 8 (a) of the Agreement provides, in pertinent part, as follows:

> "Before commercial production and distribution of any product bearing any reference to the Trademarks, Licensee [the EDF Parties] shall submit to Licensor [defendant TSM] all preliminary and proposed final artwork,

[3] The answer does not list defendant Mottola as a counterclaim plaintiff. (See Answer, at 8.)

> prototypes, mock-ups and pre-production samples of each Licensed Product, including all styles, colors and variations, . . . and all advertising and promotional materials, and any other material bearing the Trademarks and/or the Artist Property, including but not limited to the results and proceeds of any photo shoots, and the full content, context and placement thereof . . . ."

Section 8 (a) further provides that "Licensor must approve in writing all submissions, in its sole discretion, before Licensee shall be entitled to distribute, advertise, use, produce commercial quantities of or sell any item relating to any such submission," and that all decisions by Licensor relating to disapproval of products or advertising "shall be final and binding on Licensee and shall not be subject to review in any proceeding."

The evidence in the record convincingly shows that, on several occasions in 2016 and 2017, EDF released advertising material not approved pursuant to Section 8 (a). For example, EDF does not deny that, in August or September of 2016, it caused unapproved images of Thalia to be printed in a catalog for non-party Price Shoes. Joe Gershon, the CEO of EDF, knew that the images were being retouched by the photographer and were expressly not approved for use. In fact, he had previously explicitly promised that "nothing will print until you [the Thalia Parties] send us the final photo shopped pics, I PROMISE!" (Email from Gershon, dated Aug. 26, 2016 at 11:38 AM [Adelman Aff. In Supp., Exh. 13].) Although Gershon initially took the position that he released the images "by accident," as "Brian [the photographer] told us they were approved" (Email from Gerson, dated Sept. 7, 2016 [Adelman Aff. In Supp., Exh. 9]), he argues on this motion that the photos were released in order "to preserve" EDF's distribution deal with Price Shoes, and to "avoid litigation with Price Shoes." (Gershon Aff. In Opp., ¶ 41.) EDF's position thus is that it was entitled to dispense with the quality control and approval requirements set forth in Section 8 (a) in order to avoid renegotiating or breaching its production

schedule with Price Shoes. EDF cites no provision of the License Agreement or case law in support of this position.

The evidence further convincingly shows that EDF caused unapproved images of Thalia to be printed in a 2017 Intima Hogar catalog. In one such image, EDF caused Thalia's face to be edited onto the body of a different model. EDF's contention that approval of these images was unnecessary because versions of the same images appeared in the aforementioned Price Shoes catalog, of which the Thalia Parties were "put on notice," is unpersuasive. (See id., ¶ 44.) Even assuming that EDF's use of the original images was approved, Section 8 (a) of the License Agreement expressly provides that "[a]pproval of an item or Licensed Product which uses particular artwork does not imply approval of such artwork with a different item or Licensed Product or of such item or Licensed Product with different artwork." EDF does not contend that it ever submitted the images in the Intima Hogar catalog for approval.

There is also a dispute in this case as to whether EDF obtained approval to release a number of Thalia-branded products into the market in mid-2016 and early-2017. In support of its claim that it obtained approval for the 2016 products, EDF principally relies on an email, dated June 2, 2016, from Rob Dietrik (purportedly on behalf of the Thalia Parties) to Gershon. The email refers to certain "product presentations" submitted by EDF and states that, "other than the 3 notes below we're good on all other pieces." EDF's reliance on this statement of Dietrik is unpersuasive, as EDF fails to address the immediately following sentence, in which Dietrik states: "Let's get them some individual product designs with all angles shown, material details, etc." (Gershon Aff. In Opp., Exh. B.) On this motion, the Thalia Parties convincingly argue that the "product presentations" referenced in the email were merely preliminary artwork, and that

EDF understood that further samples needed to be submitted for approval before production or sale of the products could begin.

The 2017 products consist of a line or lines of Thalia-branded home goods, activewear and swimwear. The primary document on which EDF relies to show approval of these products is an email from Ana Alvarez, an ABG brand director, to Karina Cruz, an EDF representative, dated December 22, 2016. (Suppl. Goldenberg Aff., Exh. V.) In the email, Alvarez appears to accept EDF's representation that certain, unspecified changes requested by ABG could not then be made to "SS17 APPAREL, HOME, BAGS and LINGERIE," but also expressly requested "HOME SS17 PRODUCTION SAMPLES" and stated unequivocally that "there has been NO mention of any swimwear nor athletic apparel launching in the apparel collection for AW2016/17 or SS2017. These products are NOT APPROVED and can not go to market or be sold to or by Price Shoes." (Id. [Alvarez comments in red].) On this undeveloped record, the court holds that this email, if anything, supports the Thalia Parties' claim that multiple products advertised and produced by EDF in 2017 were never approved by the Thalia Parties.

The court further holds that the Thalia Parties make a clear showing of a likelihood of success on the merits of their breach of contract claim notwithstanding EDF's argument that the Thalia Parties waived EDF's use of unapproved advertisements and merchandise. The law is clear that "waiver should not be lightly presumed and must be based on a clear manifestation of intent to relinquish a contractual protection." (Fundamental Portfolio Advisors, Inc. v Tocqueville Asset Mgt., L.P., 7 NY3d 96, 104 [2006] [internal quotation marks and citation omitted]; DLJ Mtge. Capital Corp. v Fairmont Funding, Ltd., 81 AD3d 563, 564 [1st Dept 2011] [same].) The record at this preliminary stage does not include any clear manifestation of intent on the part of the Thalia Parties to waive enforcement of the quality control and approval

provisions of the License Agreement. At best, the record on this motion shows that the Thalia Parties notified EDF of its alleged breaches and gave EDF opportunities to conform its practice to the requirements of the Agreement. (See Gershon Aff. In Opp., Exhs. J, L.) "A party to an agreement who believes it has been breached does not waive the breach by electing to continue the agreement and [to] give notice of its concerns to the other contracting party." (Richard A. Hutchens CC, L.L.C. v State of New York, 59 AD3d 766, 770-771 [3d Dept 2009], lv denied 12 NY3d 712.)

Nor do EDF's contentions that the Thalia Parties themselves breached the License Agreement or acted in bad faith in their dealings with EDF provide a basis on which to deny the requested injunction. For example, EDF claims that the Agreement required Thalia to "attend two photo shoots per year, make personal appearances in Mexico for product launches and post product endorsements on various social media . . . ." (Gershon Aff. In Opp., ¶ 12; see Agreement, § 7 [a]-[b].) It is undisputed that Thalia has, to date, attended only one photo shoot and posted one advertisement on Twitter. The photo shoot, however, occurred in July of 2016, and it appears on this motion that EDF began using unapproved images and marketing unapproved products shortly thereafter.

EDF also contends that the Thalia Parties breached the License Agreement and/or acted in bad faith by, among other things: (1) delaying approval of advertising and merchandise or arbitrarily rejecting submissions, as part of a scheme to build a record against EDF (EDF Parties' Suppl. Memo. In Opp., at 5-9); (2) "contact[ing] retailers within the exclusivity of the License Agreement without EDF's consent or knowledge" and proposing to EDF that EDF give up its exclusivity over lingerie in Mexico (Gershon Aff. In Opp., ¶¶ 18-21); (3) "dishonestly accus[ing] EDF of violating the License Agreement by entering into a separate distribution agreement with

Price Shoes" (id., ¶ 22); and (4) unreasonably proposing that EDF pay $120,000 for Thalia's travel expenses in connection with a two-day product launch appearance in Mexico. (Id., ¶ 23.)

The court finds that there is support in the supplemented record for EDF's claim that the Thalia Parties acted less than promptly, and possibly in breach of their contractual obligations, in responding to EDF's advertising and merchandise submissions. (See Suppl. Aff. of Andrew R. Goldenberg [Counsel for EDF] In Opp., Exh. H [email chain between Thalia, Mottola, and their assistant, Lauren Sachs, indicating those parties' understanding that EDF needed to have photos approved "this week in order to make production"], Exh. I [email from Sachs to Mottola and Thalia, warning that "[w]e have to get back to them [EDF] ASAP to keep things on schedule"].) Representatives of ABG itself appear to have expressed concern internally about delays in approvals from Thalia. For example, on November 21, 2016, Melissa Bergson, a senior brand director of ABG, sent an email to Jerrod Webber, an ABG executive vice president, in response to Thalia's insistence that she personally approve EDF submissions.

> "Obviously we want Thalia to have a say over product with her name on it, but not at the expense of us properly and efficiently working with our partners. My fear is that if we continue down this path, it is just going to further interrupt the normal course of business. Conversely, if we decide Thalia does have approval rights – she is going to need to build that into her schedule. We can't expect licensees to wait 2-4 weeks for approvals on products."

(Id., Exh. N.)

Even assuming arguendo that the Thalia Parties acted in a dilatory fashion or otherwise breached the License Agreement, EDF cites no authority that such conduct permitted EDF to begin disseminating advertising materials and merchandise without approval. EDF had no right to use Thalia's trademarks and image apart from the rights afforded it under the License Agreement. EDF's characterization of the Thalia Parties' conduct as reflective of bad faith does

not change this result. Moreover, the Agreement appears to address what should happen in the event that the Thalia Parties fail to respond to a submission. Section 8 (a) provides that "Licensor shall approve or disapprove any submitted item within ten (10) days after receipt by Licensor. If Licensor has not notified Licensee of its approval or disapproval within such ten (10) day period, the item shall be deemed disapproved by Licensor." EDF's remedy for delays in approvals, if any, was to seek damages, not to proceed with unapproved advertising and production.

The Thalia Parties also meet their burden to show the potential for irreparable harm and the balance of equities in their favor. EDF agreed in Sections 9 (f) and 23 of the License Agreement that its breach of its obligations under the Agreement would cause irreparable harm, and that TSM would be entitled to injunctive relief. Moreover, the court finds that EDF's conduct poses a significant risk of customer confusion and loss of business and good will, which constitute irreparable harm. (See generally Four Times Sq. Assocs., L.L.C. v Cigna Invs., Inc., 306 AD2d 4, 6 [1st Dept 2003].) The equities favor the Thalia Parties, as the injunctive relief requested will not prevent EDF from marketing and selling products for other clients and businesses. (See generally Willis of N.Y., Inc. v DeFelice, 299 AD2d 240, 242 [1st Dept 2002].) Moreover, EDF represents in its supplemental papers that the EDF Parties "stopped manufacturing Thalia products to sell and/or distribute" and "will not produce, manufacture, distribute or advertise any Thalia products now or in the future in view of Defendants' repudiation of the License Agreement."[4] (Suppl. Aff. of Gershon, ¶ 3.)

[4] Contrary to EDF's contention in its supplemental memorandum, this representation by Mr. Gershon does not "moot" the motion for a preliminary injunction. Mr. Gershon's affidavit provides little assurance that he will continue to comply with the terms of the License Agreement in the future, given the convincing evidence in the record that Gershon has previously broken promises to the Thalia Parties to abide by those terms.

To the extent EDF argues that this court is without jurisdiction to award injunctive relief because EDF's alleged breaches of the License Agreement occurred in Mexico, that contention is rejected. EDF has willingly submitted to the jurisdiction of this court, both by agreeing that any action to enforce the Agreement would have to be brought in this court, and by bringing the instant lawsuit. (See Agreement, § 22.) The court will not enjoin Famous Footwear, however, as there is no indication that Famous Footwear has been properly served with the summons and complaint. The court rejects the Thalia Party's contention that Section 15 of the License Agreement, addressing "notices or other communications," authorizes service of process on Famous Footwear by mail.

As the court finds that the Thalia Parties are entitled to an injunction based on their first cause of action for breach of contract, the court need not address the other counterclaims. Pursuant to Section 9 (f) of the Agreement, no bond need be posted as an undertaking. (Haig, 3 NY Prac, Commercial Litigation in N.Y. Courts, § 18:12 [4th ed.].)

It is accordingly hereby ORDERED that the motion of counterclaim-plaintiffs Authentic Brands Group, LLC, ABG-Thalia, LLC, TSM Designs, LLC, and Ariadna Thalia Sodi Miranda for a preliminary injunction is granted solely to the following extent:

It is ORDERED that plaintiff/counterclaim-defendant Exportaciones del Futuro Brands, S.A. de C.V., and its agents and employees, are hereby enjoined and restrained, during the pendency of this action, from manufacturing, distributing, importing, advertising, promoting, marking, and selling articles and merchandise bearing any trademarks associated with Ariadna Thalia Sodi Miranda (Thalia), or otherwise exploiting the name, likeness, image, voice, biographical material, or other rights of publicity and propriety rights of Thalia.

This constitutes the decision and order of the court.

Dated: New York, New York
January 16, 2018

MARCY FRIEDMAN, J.S.C.