

Nicklaus Cos., LLC v GBI Invs., Inc.

2023 NY Slip Op 33968(U)

November 6, 2023

Supreme Court, New York County

Docket Number: Index No. 656284/2022

Judge: Joel M. Cohen

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SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: COMMERCIAL DIVISION PART 03M

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NICKLAUS COMPANIES, LLC,

Plaintiff,

- v -

GBI INVESTORS, INC., JACK W. NICKLAUS,

Defendants.

INDEX NO. 656284/2022

MOTION DATE 04/11/2023

MOTION SEQ. NO. 008

**DECISION + ORDER ON
MOTION**

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HON. JOEL M. COHEN:

The following e-filed documents, listed by NYSCEF document number (Motion 008) 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 311, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 334

were read on this motion to VACATE PRELIMINARY INJUNCTION.

Defendants GBI Investors, Inc. (“GBI”) and Jack Nicklaus (“Nicklaus” and with GBI “Defendants”) move to vacate the Court’s December 9, 2022 preliminary injunction order (NYSCEF 247, “PI Order”). For the following reasons, the motion is **denied**.

This case involves a dispute between renowned golfer Jack Nicklaus and the eponymous company (Plaintiff Nicklaus Companies, LLC) he received \$145 million to create and lead. The crux of the dispute is whether and to what extent Plaintiff may restrain Mr. Nicklaus (who has resigned from the company) from competing in the “Business” Plaintiff was created to pursue, which was defined by contract to include “golf course design and management, licensing of certain intellectual property, designing, manufacturing and distributing golf equipment and marketing personal service contracts related to the personal endorsement and other publicity rights of Jack W. Nicklaus.”

After a three-day evidentiary hearing in 2022, the Court declined to enjoin Defendants based on purportedly broad non-competition and non-solicitation restrictions found in or gleaned from the various agreements the parties executed in 2007, but found that Defendants should be preliminarily enjoined from infringing intellectual property rights that were conveyed to Plaintiff for fair value in the 2007 transaction, including various trademarks and the exclusive right to license Mr. Nicklaus's name, image, and likeness (NYSCEF 246, Tr. at 338-359). After considering the parties' proposals for the specific language of the preliminary injunction, the Court issued the PI Order.

The focus of Defendants' motion is the portion of the PI Order that restricts their ability to license Mr. Nicklaus's name, image, and likeness ("NIL") for commercial endorsements without Plaintiff's prior written consent. Defendants rely primarily on a newly "uncovered" 1994 document – in which Mr. Nicklaus "consented" to GBI using his name and likeness – to suggest that GBI did not have the authority to grant Plaintiff exclusive rights to Mr. Nicklaus's NIL in 2007. While that document, and others submitted in connection with this motion, may be relevant to the Court's ultimate decision as to the scope of rights conveyed to Plaintiff in the transaction, it is not conclusive on the question and does not undermine the principal bases of the Court's decision to grant a preliminary injunction.

BACKGROUND

In 2007, Plaintiff Nicklaus Companies entered into a transaction (the "2007 Transaction") to purchase GBI's assets. The 2007 Transaction involves several interrelated agreements, including a Purchase and Sale Agreement ("PSA" [NYSCEF 25], a Limited Liability Company Agreement [NYSCEF 26], an Executive Employment Agreement [NYSCEF 27], and a Non-Competition Agreement [NYSCEF 29]).

Pursuant to the PSA, GBI transferred to Plaintiff “all rights, title and interests in certain assets, properties and rights owned or held by GBI or its Subsidiaries in connection with the operation of the Business” (PSA § 2.1(a)). The “Business” was defined broadly to include “among other things, golf course design and management, licensing of certain intellectual property, designing, manufacturing and distributing golf equipment and marketing personal service contracts related to the personal endorsement and other publicity rights of Jack W. Nicklaus” (*id.* Art. I). Annex A to the PSA, which is referenced in Section 2.1(a), lists the “Transferred Assets,” including:

All of the intangible rights and property of GBI, including all of the publicity and related commercial rights held by GBI to use and/or license the use of the endorsement, name, nickname, likeness, signature and/or other identifying characteristics of Jack W. Nicklaus and biographical information related to his career, all Intellectual Property owned by or licensed to GBI, and all related rights as a licensor of such Intellectual Property (other than the Excluded Intellectual Property), going concern value, goodwill, telephone, telecopy and e-mail addresses and listings.

To make a fine point finer, Annex D to the PSA describes the Excluded Intellectual Property in the transaction as follows: “None.”

This case arises out of the fracturing of the parties’ commercial relationship, including Mr. Nicklaus’ resignation from the Company that bears his name and his recent efforts to compete in his own right in several aspects of the Business defined in the PSA, including golf course design and personal endorsements. On August 5, 2022, the Company moved for a preliminary injunction restraining Defendants from, among other things, “authorizing the promotional use of Mr. Nicklaus’ name or likeness. . .” (NYSCEF 20).

Following targeted discovery and a three-day evidentiary hearing (NYSCEF 239, 245, 246), the Court granted the portion of Plaintiff’s motion that sought to enjoin Defendants (and related entities) during the pendency of this action from: (i) using or authorizing the use of

Transferred Intellectual Property (as defined in the PSA) without Plaintiff's written consent; and (ii) "licensing Mr. Nicklaus's name, image, and likeness for commercial endorsements without [Plaintiff's] written consent," with a carve-out permitting Defendants to use "Mr. Nicklaus's name, image and likeness to identify Mr. Nicklaus as a professional golfer, or for other personal, investment, and charitable purposes" (PI Order at 1-2). The Court denied the portion of Plaintiff's motion that sought to enforce against Defendants "any non-compete and non-solicitation provisions contained in the PSA, the Amended and Restated Limited Liability Company Agreement ... and Non-Competition Agreement," confirming that "Defendants are free from contractual restrictions on competition and solicitation with respect to the Company *other than* the restrictions contained in the immediately preceding paragraph of this Order [i.e., the PSA-based intellectual property rights referenced above] (*id.* at 2 [emphasis in original]).

At the evidentiary hearing, the Court noted that the parties had provided no conclusive documentary evidence setting forth the terms on which Mr. Nicklaus had conveyed his NIL rights to GBI in the years prior to the 2007 transaction. In particular, did GBI receive rights to license Mr. Nicklaus's NIL that were exclusive even as against Mr. Nicklaus himself? That would be relevant to determining whether GBI's broad conveyance of rights to Plaintiff in 2007 would preclude Mr. Nicklaus from independently licensing his NIL for his own account (at least after the non-competition agreement had expired). Nevertheless, the Court concluded based on the evidence presented that Plaintiff had established a likelihood of success in showing that the PSA conveyed to Plaintiff exclusive rights to license Mr. Nicklaus's NIL, subject to certain veto rights Mr. Nicklaus retained to object to uses of his name he considered to be inappropriate:

The [PSA], as has been pointed out by the plaintiffs quite ably, makes clear that the intention was to convey all intellectual property necessary to conduct the Business, with a capital B. I believe that plaintiff has established a reasonable likelihood of success in

showing that it did, in fact, convey that. The evidence during this hearing I think strongly supports the argument that GBI had at the time and thereafter, the exclusive right to license Mr. Nicklaus' personal name and likeness rights. I think that is acknowledged elsewhere in the agreement. I think it's acknowledged in subsequent agreements with customers. Again, I'm not making a final finding on the merits, this isn't a trial. But I think that plaintiffs have satisfied their burden of showing a likelihood of success, that whatever else may be true under the noncompetition agreements, the plaintiffs own this [intellectual] property and that is not something that expires.

(NYSCEF 246 [Tr. 349:7-24]). To that the Court would add the overarching point that in the 2007 transaction Mr. Nicklaus bestowed his venerable name upon the Plaintiff, without expiration or restriction. In the transaction agreements, Mr. Nicklaus reserved the right to determine whether certain proposed uses of his name, image or likeness by Plaintiff would not be appropriate, but there is no carve-out (at a minimum, not an explicit one) suggesting that he could independently license his name, image or likeness in a way that undermined Plaintiff's Business. The Court made no final determination on the merits of that question but found that there was sufficient evidence for a preliminary injunction.

In support of their motion to vacate the PI Order, Defendants rely primarily on a 1994 Consent ("Consent" [NYSCEF 294]) that they "uncovered" after the hearing. They contend the Consent establishes that Mr. Nicklaus did not convey his exclusive NIL rights to GBI, and therefore GBI could not have conveyed those rights to the Company in the 2007 Transaction.

The Consent provides:

I, Jack Nicklaus, a United States citizen with a mailing address of 11780 U.S. Highway #1, North Palm Beach, Florida 33408, hereby consent to the use and registration of my name, likeness, signature, and all nicknames associated with me, including "Golden Bear", by Golden Bear International, Inc., a Florida corporation, for all of the goods and services with which said corporation, its assigns or successors now or hereafter uses such name, likeness, signature and/or nicknames

Defendants also rely on correspondence and a proposed agreement from 2020 suggesting that the Consent needed to be updated (NYSCEF 295-297, 301). On March 20, 2023, in the midst of the instant dispute, Mr. Nicklaus provided notice that he revoked the 1994 Consent (NYSCEF 305).

In opposition, Plaintiff advances numerous documents, including a 1992 Trademark License, Consulting and Promotional Service Agreement (NYSCEF 317), a 1996 Trademark License Agreement (NYSCEF 318) and various corporate documents filed with the Securities and Exchange Commission (“SEC”) (NYSCEF 319-325), that it claims confirm its ownership of Mr. Nicklaus’ NIL. In reply, Defendants argue that the Company’s evidence supports Defendants’ position. Among other things, Defendants argue that Section 6 of the Personal Services Management Agreement dated as of June 6, 1996 (copy annexed to SEC Form S-1 Registration Statement [NYSCEF 324]) provided Mr. Nicklaus – at the time, at least – with the discretion to provide services outside the scope of GBI.

DISCUSSION

CPLR 6314 provides, in relevant part, that “[a] defendant enjoined by a preliminary injunction may move at any time, on notice to the plaintiff, to vacate or modify it.” A motion to vacate or modify “is addressed to the sound discretion of the court and may be granted either upon compelling or changed circumstances that render continuation of the injunction inequitable or upon failure to proceed expeditiously” (*Gibson, Dunn & Crutcher LLP v D’Anna* [N.Y. Sup Ct, New York County 2021], *affid.*, 2023 N.Y. Slip Op. 00057 [1st Dept 2023] quoting *Wellbilt Equip. Corp. v Red Eye Grill*, 308 AD2d 411, 411[1st Dept 2003]). The movant bears the burden of demonstrating a change in circumstances warranting vacatur or modification (*id. citing Heublein, Inc. v R. H. Macy & Co.*, 25 AD2d 825 [1st Dept 1966]).

As an initial matter, the documents advanced by Defendants are not “new” evidence. They instead constitute evidence that Defendants did not recall or locate in advance of the preliminary injunction hearing. Nevertheless, the Court has considered all of the evidence submitted for purposes of this motion. If the additional evidence demonstrated that the restraints imposed on Defendants in the PI Order were unwarranted, the Court would not stand on ceremony to leave those restraints in place. But having considered the documents presented, along with those offered by Plaintiffs in response, the Court finds that Defendants have not established a change in circumstances that renders the continued enforcement of the preliminary injunction inappropriate.

As stated above, the inclusion of the NIL language in the preliminary injunction was supported by several factors. First, the PSA conveyed to Plaintiff all rights necessary to run the Business as it had been run, which included exclusive licensing of Mr. Nicklaus’s NIL rights and associating the Nicklaus name with the Company without restriction, limitation, or expiration. Second, evidence introduced at the evidentiary hearing demonstrated that Mr. Nicklaus confirmed to third parties (e.g., Rolex) that GBI held the *exclusive* right to grant his NIL rights for commercial purposes. There is no suggestion in any of the documents presented that Mr. Nicklaus claimed to hold vestigial or residual NIL rights that he could exploit in competition with GBI or Plaintiff. Instead, the 2007 Transaction broadly conveyed to Plaintiff all of the “Transferred Assets” of GBI, “including all of the publicity and related commercial rights held by GBI to use and/or license the use of the endorsement, name, nickname, likeness, signature and/or other identifying characteristics of Jack W. Nicklaus and biographical information related to his career. . .” without any temporal limitation.

The documents upon which Defendants rely in support of this motion may be relevant to the ultimate determination of the parties' respective rights and obligations with respect to NIL and other intellectual property rights. They are not, however, conclusive and do not undermine the Court's determination that preliminary injunctive relief was (and is) appropriate based on the record that has been presented thus far. Defendants will have the opportunity to convince the Court otherwise based on a full record at trial (or on summary judgment).

* * * *

Accordingly, it is

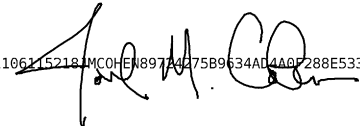
ORDERED that Defendants' motion to vacate the PI Order is **DENIED**.

This constitutes the decision and order of the Court.

11/6/2023

DATE

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JOEL M. COHEN, J.S.C.

CHECK ONE:

CASE DISPOSED

NON-FINAL DISPOSITION

GRANTED

DENIED

GRANTED IN PART

OTHER

APPLICATION:

SETTLE ORDER

SUBMIT ORDER

CHECK IF APPROPRIATE:

INCLUDES TRANSFER/REASSIGN

FIDUCIARY APPOINTMENT

REFERENCE