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United States District Court, C.D. California.

2DIE4KOURT, et al.

v.

HILLAIR CAPITAL MANAGEMENT, LLC, et al.

Case No. SACV 16-01304 JVS(DFMx)

|  
Signed 08/23/2016

#### Attorneys and Law Firms

Michael J. Kump, Gregory Philip Korn, Jonathan P. Steinsapir, Kinsella Weitzman Iser Kump and Aldisert LLP, Santa Monica, CA, for 2Die4Kourt, et al.

Gregory Alan Fayer, Michelle Millard, Fayer Gipson LLP, Los Angeles, CA, for Hillair Capital Management, LLC, et al.

#### Order GRANTING Plaintiffs' Motion for Preliminary Injunction

James V. Selna, Judge

\*1 Plaintiffs 2Die4Kourt, Kimsaprincess Inc., Khlomoney Inc., Kourtney Kardashian, Kim Kardashian West, and Khloe Kardashian (together, the “Kardashians”) have moved for a preliminary injunction against Defendants Haven Beauty Inc. (“Haven Beauty”), Hillair Capital Management LLC and Hillair Capital Investments LP (together, “Hillair”), and Neal Kaufman and Sean McAvoy (together, the “Individual Defendants”) (all together, the “Defendants”). Docket No. 16. Defendants filed an opposition.<sup>1</sup> Docket No. 20. The Kardashians filed a reply. Docket No. 27.

For the reasons stated below, the Court **grants** the Kardashians' motion for preliminary injunction.

#### 1. Background<sup>2</sup>

The Kardashians and Haven Beauty are parties to an exclusive license agreement that granted Haven Beauty the right to use the Kardashians' trademarks, names, images, and likenesses in connection with

the design, manufacture, and distribution of certain cosmetic products. The Kardashians allege that, after the agreement was terminated, Haven Beauty continued to use the Kardashians' intellectual property without their authorization. The Kardashians now move for a preliminary injunction enjoining the Defendants from infringing on the Kardashians' trademarks and from using the Kardashians' names, images, and likenesses in connection with the sale of cosmetic products.

1.1. The Kardashians license their trademarks, names, images, and likenesses to Boldface.

In May 2012, the Kardashians entered into a license agreement with third party Boldface Licensing and Branding (“Boldface”) to license the Kardashians' trademarks, names, images, and likenesses for use in the design, manufacture, and distribution of certain cosmetic products. Docket No. 16-2 at 2-49. The license included federally-registered trademarks for KARDASHIAN BEAUTY, KARDASHIAN, KOURTNEY KARDASHIAN, KIM KARDASHIAN, and KOURTNEY KARDASHIAN (together, the “Kardashian Trademarks”).

\*2 The license agreement contains four provisions that are relevant here.

*Consideration.* Paragraph 5(B) provides that, in consideration for the licensing agreement, the licensee agrees to pay the Kardashians: (1) a non-refundable advance payable at the outset of the license agreement; (2) earned royalties calculated as a percentage of overall wholesale sales; and (3) guaranteed minimum royalties payable at various times over the course of the license agreement. Docket No. 16-2 at 14-15 ¶¶5(A)-(B). Paragraph 5(E) provides the following procedures for processing earned royalty payments:

- (1) At the end of each contract quarter, the licensee shall provide the Kardashians with a quarterly accounting statement that includes all information necessary to calculate the earned royalties on wholesale sales;
- (2) After receiving the quarterly accounting statements, the Kardashians shall generate an invoice identifying earned royalties due under the license agreement; and

- (3) After receiving the invoice, the licensee shall pay the Kardashians the amounts due under the invoice.

Id. at 18 ¶ 5(E).

*Prior approval.* Paragraph 7 provides that the license to use the Kardashians' trademarks, names, images, and likenesses in connection with the promotion of cosmetic products is expressly conditioned on the prior written approval of the Kardashians. Id. at 22 ¶ 7.

*Promotion.* Paragraph 4 provides that, as an ancillary service under the license agreement, the Kardashians must promote the licensee's Kardashian-sponsored cosmetic products through photo shoots, personal appearances, and social media. Id. at 9-14 ¶ 4. The Kardashians' obligation to promote is expressly conditioned on the licensee's material compliance with the license agreement, including the licensee's timely payment of all royalties due under the license agreement. Id. at 13 ¶ 4(C)(vi).

*Termination.* Paragraph 11 provides that the Kardashians may terminate the license agreement immediately if (1) the licensee fails to make timely payments, and the licensee fails to cure within ten business days after receiving writing notice of its failure to make payments or (2) the licensee commits a material breach, and the license fails to cure within thirty days after receiving written notice of breach. Id. at 26 ¶ 11(B), (C). Paragraph 13 further provides that, after the agreement is terminated, the licensee cannot use the Kardashians' trademarks, names, images, and likenesses “in any manner whatsoever.” Id. at 28-29 ¶ 13.

1.2. Boldface transfers the license agreement to Hillair and Haven Beauty.

Soon after entering the license agreement, Boldface began releasing Kardashian-sponsored cosmetic products under the brand name “Kardashian Beauty.” The Kardashians, through their loan-out companies, registered the trademark KARDASHIAN BEAUTY for use in connection with these products. Docket No. 16-4 at 24-25.

Sometime after that, Boldface began experiencing financial difficulties related to two trademark infringement lawsuits brought against the Kardashians and Boldface in connection with an earlier Kardashian-branded product line. Docket No. 16-1 at 23 ¶ 20. In June

2013, Hillair agreed to loan money to Boldface. About one year later, in September 2014, Hillair sued Boldface as a secured creditor in Los Angeles Superior Court. Id. at 23 ¶ 21. The court placed Boldface into receivership, and in an ensuing auction held in October 2014, Hillair purchased Boldface's interest in the license agreement. Id. at 23 ¶¶ 21-22. Hillair then transferred its interest in the license agreement to its wholly-owned subsidiary, Haven Beauty. Id. at 23 ¶ 22.

1.3. The Kardashians terminate the license agreement.

\*3 In August 2014, Hillair and the Kardashians began holding discussions regarding the future operation and management of Kardashian Beauty. Id. at 24-25 ¶¶ 24-30. These discussions focused on finding new investors to provide adequate working capital for Kardashian Beauty. Id. During these discussions, the Kardashians also informed Hillair that they had not received any earned royalty payments due under the license agreement since entering the agreement in May 2012, and that Hillair and Haven Beauty needed to pay the Kardashians all amounts due under the agreement. Id. at 25-26 ¶ 30.

In late 2015, after various capital commitments failed to materialize, the Kardashians determined that Hillair and Haven Beauty would be unable to secure investors for Kardashian Beauty. Accordingly, on February 26, 2016, the Kardashians served written notice of breach on Hillair. Docket No. 16-2 at 51-54. The notice alleged that Hillair breached the license agreement in three ways:

- (1) Hillair failed to pay earned royalties due under the agreement;
- (2) Hillair failed to indemnify the Kardashians for the two trademark infringement lawsuits brought against the Kardashians and Boldface; and
- (3) Hillair failed to secure the express approval of the Kardashians before using their trademarks, names, images, and likenesses in connection with the sale of certain cosmetic products.

Id. Haven Beauty responded on March 31, 2016. In its response, Haven Beauty denied the Kardashians' allegations of breach, and stated that the Kardashians themselves breached their obligations under the license agreement by publicly disparaging and failing to promote Kardashian Beauty-branded cosmetic products. Docket No. 21-5 at 2-5.

The Kardashians thereafter sent two more notices of breach, one on April 1, 2016, Docket No. 16-2 at 64-70, and another on June 22, 2016, Docket No. 16-3 at 6-14. The June 22, 2016 letter provided Haven Beauty with ten days to cure the alleged breach. Id.

Haven Beauty responded ten days later on July 7, 2016. In its response, Haven Beauty stated that no royalty payments will be paid under the license agreement until the Kardashians first compensate Haven Beauty for their alleged breach of the licensing agreement. Id. at 42-43. The next day, after Haven Beauty's 10-day period to cure elapsed, the Kardashians sent written notice to Hillair and Haven Beauty immediately terminating the licensing agreement for failure to timely cure. Docket No. 16-3 at 45-49.

1.4. Haven Beauty uses the Kardashians' trademarks, names, images, and likenesses after the license agreement is terminated.

In March 2016, Haven Beauty sent new product samples to the Kardashians for their approval. Docket No. 16-4 at 56-58. The Kardashians responded that they did not approve the products and would not approve the products until Haven Beauty cured the alleged breach of the license agreement. Id.

On July 7, 2016, the Kardashians learned that Haven Beauty was planning to launch a new line of Kardashian Beauty-branded cosmetic products under the brand name "Fierce." Docket No. 16-3 at 36-37. The product line used the same products that the Kardashians expressly disapproved in March 2016. Id. The next day, on July 8, 2016, the Kardashians sent Hillair and Haven Beauty a cease and desist letter demanding that they stop the launch of the "Fierce" product line. Id.

That same day, Haven Beauty launched the "Fierce" product line, promoting the line through the use of the Kardashians' trademarks, names, images, and likenesses on various social media platforms. Docket No. 16-4 at 60-75; Docket No. 16-5 at 2-27. Sometime during this period, Haven Beauty also entered into a separate arrangement to sublicense the Kardashians' trademarks, names, images, and likenesses for use in a mobile fashion app that allowed users to virtually "try on" Kardashian Beauty-branded cosmetic products, including the "Fierce" product line. Docket No. 16-5 at 29-30.

\*4 Haven Beauty continues to use the Kardashians' trademarks, names, images, and likenesses to promote Kardashian Beauty cosmetic products, and has continued to accept sales from retailers for Kardashian Beauty-branded cosmetic products. Docket No. 22 at 26-27 ¶ 90.

1.5. Defendants and the Kardashians sue each other. In March 2016, Hillair sued the Kardashians in Los Angeles Superior Court for breach of the license agreement. Docket No. 16-5 at 42-69. In accordance with an arbitration provision in the license agreement, the state court granted the Kardashians' motion to compel arbitration and stayed the action pending arbitration. Docket No. 16-3 at 23-34. In April 2016, the Kardashians initiated confidential arbitration proceedings against Hillair and Haven Beauty, seeking damages in connection with Hillair and Haven Beauty's alleged breach of the license agreement. Docket No. 16-2 at 72-100.

On July 13, 2016, the Kardashians filed the present action for injunctive relief against Defendants. Docket No. 1. The complaint alleged federal and state law claims for trademark infringement, as well as violation of the Kardashians' right of publicity. Id. The next day, on July 14, 2016, Haven Beauty filed a separate action in this Court for declaratory and injunctive relief. Haven Beauty, Inc. v. Kardashian, No. 16-1307 (C.D. Cal. July 14, 2016) ("Haven Beauty"). Docket No. 1. The Haven Beauty complaint alleged state law claims for breach of contract and tortious interference. Id.

After filing its complaint, Haven Beauty immediately filed an *ex parte* application requesting, among other things, that the Court issue a temporary restraining order enjoining the Kardashians from enforcing termination of the license agreement. Haven Beauty, Docket No. 24. The Court denied the request and ordered arbitration of Defendants' damages claims pending this Court's ruling on the Kardashians' present motion for preliminary injunction. Haven Beauty. Docket No. 30.

## 2. Analysis

2.1. A preliminary injunction is warranted here. "[A] district court can grant injunctive relief in an arbitrable dispute pending arbitration, provided the prerequisites for injunctive relief are satisfied." PMS

Distrib. Co., Inc. v. Huber & Suhner AG, 863 F.2d 639, 641 (9th Cir. 1988) (internal quotation marks omitted). To receive a preliminary injunction, the plaintiff must show that (1) he will likely succeed on the merits; (2) he will likely suffer irreparable injury if the court does not issue a preliminary injunction; (3) the balance of equities favors the plaintiff; and (4) an injunction is in the public interest. Winter v. Natl Res. Def. Council, Inc., 555 U.S. 7, 20 (2008). The Kardashians have established that a preliminary injunction is warranted here.

2.1.1. The Kardashians will likely succeed on the merits.

To receive a preliminary injunction, the plaintiff must first establish that he will likely succeed on the merits. Id. The Kardashians request preliminary injunctive relief in connection with their federal trademark infringement claims and their state law right of publicity claim. Docket No. 16 at 2-4. As explained *infra*, the Kardashians have established that they will likely succeed on their trademark infringement and right of publicity claims here.

#### 2.1.1.1. Trademark infringement

\*5 To show trademark infringement under the Lanham Act, the plaintiff must show that (1) the plaintiff owns a valid trademark; (2) the defendant is using the trademark without the plaintiff's authorization; and (3) the defendant's use of the trademark likely confuses consumers. Applied Info. Scis. Corp. v. eBay, Inc., 511 F.3d 966, 969 (9th Cir. 2007) (citing Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp., 174F.3d 1036, 1047, 1053 (9th Cir. 1999)).

2.1.1.1.1. The Kardashians own valid trademarks.

The plaintiff's federal registration of a trademark is *prima facie* evidence that the plaintiff owns a valid trademark. 15 U.S.C. § 1057(b). Here, the Kardashians have produced federal registrations for the Kardashian trademarks. Docket No. 16-4 at 24-36. This constitutes *prima facie* evidence of ownership. Further, Defendants submit no controverting evidence suggesting that either the Kardashians do not own the trademarks or that the trademarks are otherwise invalid. The Kardashians therefore have established that they likely own the

Kardashian trademarks, and that these trademarks are valid.

2.1.1.1.2. Haven Beauty is using the Kardashian trademarks without authorization.

Once a license agreement is terminated, the former licensee cannot continue using the mark. Wetzel's Pretzels, LLC v. Johnson, 797 F. Supp. 2d 1020, 1028 (C.D. Cal. 2011) (quoting J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 25:31 (4th ed. 2011)). Here, the parties dispute whether the Kardashians properly terminated the license agreement. The Kardashians argue that Haven Beauty is not authorized to continue using the Kardashian trademarks because the Kardashians properly terminated the license agreement after Haven Beauty's alleged breach. Docket No. 16 at 18-25. In response, Defendants argue that they did not breach the license agreement, but that, in any event, the Kardashians' termination of the license agreement was invalid because the Kardashians breached the license agreement first and Haven Beauty's breach was excused. Docket No. 20 at 17, 23-24. Defendants' argument fails.

Like all contracts, trademark license agreements are governed by general principles of contract law. Under general principles of contract law, a party to a contract has two options when another party has breached. Jay Bharat Developers, Inc. v. Minidis, 167 Cal. App. 4th 437, 444 (2008). “[W]hen one party to a contract feels that the other contracting party has breached its agreement, the non-breaching party may either stop performance and assume the contract is avoided or continue its performance and sue for damages.” S&E Corp. v. Jiffy Lube IntL Inc., 968 F.2d 371, 376 (3d Cir. 1992) (internal quotation marks omitted). However, “[u]nder no circumstances may the non-breaching party stop performance *and* continue to take advantage of the contract's benefits.” Id. Applying these general contract principles specifically to trademark licensing agreements, the licensee is thus left with two options when the licensor breaches the agreement. First, the licensee can consider the contract terminated and stop performance. Second, the licensee can instead continue making royalty payments under the license agreement, continue using the trademarks, and then sue for damages. Regardless, the licensee cannot both stop paying royalties but nevertheless continue using the trademark. Jiffy Lube, 968 F.2d at 377 (“[The licensor] did not pay royalties after

early 1989 .... [The licensor] still may have a legitimate claim for damages, but he does not have the right to continue using the trademark as an infringer.”); Burger King Corp. v. Hall, 770 F. Supp. 633, 639 (S.D. Fla. 1991) (“In order to have preserved her right to continue to use [the plaintiff’s] Marks, [the defendant] should have continued to pay her contractual royalties and advertising and sales promotion contributions to [the plaintiff].”); Jay Bharat, 167 Cal. App. 4th at 444 (“[A]ppellants breached the [franchise agreement] by failing to make royalty payments and failing to pay advertising fees. Despite their breaches, appellants still wanted to use the ... franchise and trademarks. They cannot do so.”).

\*6 Here, in accordance with Paragraph 11 of the license agreement, the Kardashians served written notice on Haven Beauty on June 22, 2016 that Haven Beauty breached Paragraph 5(A) of the license agreement by failing to pay earned royalties due under the agreement. Docket No. 16-3 at 9. Consistent with Paragraph 11(B) of the license agreement, the Kardashians also extended Haven Beauty a ten-day period to cure. Id. In response, Haven Beauty stated that “no royally payments are due, nor will any be paid” unless the Kardashians compensated Haven Beauty for damages sustained as a result of the Kardashians’ alleged breach. Id. at 42. By refusing to make royalty payments due under the license agreement, Haven Beauty forfeited the right to continue using the Kardashian trademarks. This is true even if Defendants are correct that the Kardashians breached first, that Haven Beauty’s breach was excused, or that the Kardashians later improperly terminated the license agreement. See Just Tacos, Inc. v. Zezulak, 2011 WL 6140866, at \*8 (D. Haw. Dec. 9, 2011) (“Defendants’ remedy for the alleged wrongful termination of the Agreement by Plaintiffs is money damages, not the continued unauthorized use of the Just Tacos trademark.”). Accordingly, Haven Beauty’s continued use of the Kardashian trademarks after the Kardashians terminated the license agreement constituted trademark infringement in violation of the Lanham Act.

In their opposition, Defendants argue that the royalty payments never came due because the Kardashians never sent generated or delivered invoices to Haven Beauty as required by Paragraph 5(E) of the license agreement. Docket No. 20 at 13-14. This argument fails. The license agreement nowhere states that the Kardashians must affirmatively request the quarterly accounting statements

in order for the earned royalty payments to come due. As discussed *supra*, the Kardashians are required to send an invoice to Haven Beauty only after first receiving Haven Beauty’s quarterly accounting statements. Docket No. 16-2 at 18 ¶ 5(E). However, it is undisputed that Haven Beauty has never sent the Kardashians any quarterly accounting statements. And, as Paragraph 5(E) makes clear, “[a]ny failure or delay in generating or delivering an invoice shall not affect the [Kardashians’] rights to receive the amounts due.” Id. The Kardashians’ alleged failure to send invoices therefore does not excuse Haven Beauty from paying earned royalties.

#### 2.1.1.1.3. Haven Beauty’s use of the Kardashian trademarks likely confuses consumers.

Courts regularly find a likelihood of consumer confusion when, as here, former licensees continue to use trademarks without authorization. See, e.g., Church of Scientology Intl v. Elmira Mission of the Church of Scientology, 794 F.2d 38, 44 (2d Cir. 1986) (“When such party ... loses its authorization yet continues to use the mark, the potential for consumer confusion is greater than in the case of a random infringer. Consumers have already associated some significant source identification with the licensor.”); see also Wetzel’s Pretzels, 797 F. Supp. 2d at 1028 (“Continued use by former ... licensee of the mark constitutes a fraud on the public, since they are led to think that the continuing user is still connected with the trademark owner.” (internal quotation marks omitted)). This is particularly true here, where senior management for Haven Beauty has misleadingly represented to the public that the Kardashians are involved in the allegedly infringing Kardashian Beauty-branded cosmetic product lines.<sup>3</sup> Consistent with these courts, the Court also finds that Haven Beauty’s unauthorized use of the Kardashian trademarks will likely confuse consumers here.

#### 2.1.1.2. Right of publicity

The right of publicity protects the right to profit from the commercial value of one’s identity. Ross v. Roberts, 222 Cal. App. 4th 677, 684 (2013). To show violation of the right of publicity, the plaintiff must establish that (1) the defendant used the plaintiff’s name, likeness, or image; (2) without the plaintiff’s authorization; (3) for the defendant’s advantage; and (4) the plaintiff was

injured as a result. *Id.* at 684-85. Under these facts, the elements of the Kardashians' right of publicity claims are substantively identical to the elements of their trademark infringement claims: Haven Beauty improperly used the Kardashians' intellectual property for their benefit, harming the Kardashians. Accordingly, for the same reasons discussed *supra* in the context of their trademark infringement claims, the Kardashians have also established that they will likely prevail on their right of publicity claims.

#### 2.1.2. The Kardashians will likely suffer irreparable harm if the Court does not issue an injunction.

\*7 After showing a likelihood of success on the merits, the plaintiff must next show that he will likely suffer irreparable harm without an injunction. *Winter*, 555 U.S. at 20. Here, the Kardashians have established that they will likely suffer irreparable harm if the Court does not enjoin Haven Beauty from using the Kardashians' trademarks, names, images, and likenesses.

##### 2.1.2.1. Trademark infringement

“In trademark cases, irreparable harm is typically found in a plaintiff's loss of control over their business reputation, loss of trade and loss of goodwill.” *Maxim Integrated Prods., Inc. v. Quintana*, 654 F. Supp. 2d 1024, 1035-36 (N.D. Cal. 2009). “[I]rreparable injury exists where a court reasonably concludes that continuing infringement will result in loss of control over the plaintiff's reputation and good will.” *Id.*; see also *Robinson v. Delicious Vinvl Records Inc.*, 2013 WL 3983014, at \*7 (C.D. Cal. Aug. 1, 2013) (“Courts have repeatedly found that losing control of one's reputation and good will in the marketplace supports the issuance of an injunction.”) (collecting cases). “In a licensor/licensee case, the reasons for issuing a preliminary injunction for trademark infringement are even more compelling than in the ordinary case.” *Hollywood Athletic Club Licensing Corp. v. GHAC-CityWalk*, 938 F. Supp. 612, 615 (C.D. Cal. 1996). Accordingly, to show irreparable harm in the licensee context, the plaintiff need only show “that it has lost control over its reputation.” *Id.* (internal quotation marks omitted).

Here, the Kardashians submit extensive evidence of irreparable harm, including, most importantly, that they no longer have any control over their reputation and good will related to Haven Beauty's unauthorized use of their trademarks in connection with the design, manufacture, and distribution of Kardashian Beauty-branded cosmetic products. See, e.g., Docket No. 16-1 at 3 ¶¶ 7-9 (declaration of Kim Kardashian West describing inability to control Haven Beauty's use of her KIM KARDASHIAN trademark in connection with the “Fierce” product line and a mobile fashion app). In the trademark context, this is sufficient to show irreparable harm.

In their opposition, the only substantive argument that Defendants put forth regarding irreparable harm is that the Kardashians' five-month delay in seeking a preliminary injunction after sending the February 26, 2016 notice of breach demonstrates a lack of irreparable harm. Docket No. 20 at 26-27. The Court rejects this argument.

A plaintiff's unexplained delay in seeking injunctive relief weighs against granting preliminary injunctive relief. See *Oakland Tribune, Inc. v. Chronicle Publ'g Co.*, 762 F.2d 1374, 1377 (9th Cir. 1985) (“Plaintiff's long delay before seeking a preliminary injunction implies a lack of urgency and irreparable harm.”). Here, however, there is substantial evidence that the Kardashians diligently pursued their claims for injunctive relief after sending the February 26, 2016 notice of breach. The uncontroverted evidence establishes the following timeline:

- On February 26, 2016, the Kardashians serve written notice of breach on Hillair;
- From February 26 to July 7, 2016, in accordance with the license agreement's provisions governing the resolution of disputes arising under the agreement,<sup>4</sup> the Kardashians engage in settlement negotiations with Hillair and Haven Beauty to resolve their claim for breach;
- \*8 • On July 7, 2016, the Kardashians learn that Haven Beauty is planning to launch a new Kardashian Beauty-branded cosmetic product line on July 8, 2016, and the Kardashians send Hillair and Haven Beauty a cease-and-desist letter demanding that they stop the launch of these products;

- The next day, on July 8, 2016, the Kardashians terminate the license agreement;
- Five days later, on July 13, 2016, the Kardashians file this action for injunctive relief;
- Eight days later, on July 21, 2016, the Kardashians move for preliminary injunctive relief.

As this timeline shows, the Kardashians spent the bulk of time between February 26 and July 21, 2016 diligently attempting to informally settle their claims for breach, which would obviate the need for an injunction. This five-month delay therefore was not unreasonable, nor does it suggest a lack of irreparable harm. See Organo Gold Intl. Inc. v. Ventura, 2016 WL 1756636 (W.D. Wash. May 3, 2016) (collecting cases finding that several month delay in seeking injunctive relief is not unreasonable). Moreover, if one focuses only Haven Beauty's project launch, the Kardashians' request is unquestionably timely.

#### 2.1.2.2. Right of publicity

California law acknowledges that celebrities have unique property interests in their names, images, and likenesses. “[A] celebrity's property interest in [her] name and likeness is unique.” Michaels v. Internet Entm't Grp., Inc., 5 F. Supp. 2d 823, 838 (C.D. Cal. 1998). Because of this unique interest, celebrities often “cannot be adequately compensated by money damages” for violations of their right of publicity. Id. This is because celebrities, unlike non-celebrities, often “invest[ ] years of effort in establishing their public personae,” and without the right to control use of their names, images, and likenesses, “their ability to exploit their investments will be irreparably harmed by [the unauthorized] exploitation of their names and likeness ....” Id.

Here, the Kardashians have invested considerable efforts in establishing their public personae. These efforts include: (1) participating in the filming and broadcasting of several successful television shows that depict the Kardashians and their interactions with family members, friends, and associates; (2) using various social media platforms to communicate directly with their fans, including Instagram, Twitter, Facebook, and several mobile application games; and (3) entering into various business ventures in the fashion, cosmetic, and publishing

industries, including opening a boutique chain of clothing and accessory stores, developing clothing lines sold through various retailers and online, and publishing several books. Docket No. 16-1 at 12-15 ¶¶ 7-24. Without the right to control the use of their names, images, and likenesses in connection with the promotion of various goods and services, the Kardashians will be unable to exploit these efforts in establishing their public personae. Accordingly, the Kardashians have sufficiently established that will likely suffer irreparable harm without an injunction.

#### 2.1.3. The balance of equities favors the Kardashians.

\*9 “A preliminary injunction is an extraordinary remedy never awarded as of right.” Winter, 555 U.S. at 24. In determining whether to issue an injunction, the court must “balance the competing claims of injury” and “consider the effect on each party of the granting or withholding of the requested relief.” Id. (internal quotation marks omitted). In their opposition, Defendants argue that the balance of equities favors withholding an injunction for two independent reasons: (1) the Kardashians acted with unclean hands by violating Haven Beauty's exclusive licensing rights under the licensing agreement; and (2) enjoining Defendants from using the Kardashian trademarks would damage Haven Beauty's business, requiring Haven Beauty to terminate its employees and default on its obligations to creditors and distributors. Docket No. 20 at 9-12, 27-28. The Court rejects both arguments.

First, the unclean hands defense does not apply here. Unclean hands is a defense to trademark infringement. Fuddrucker's Inc. v. Doc's B.R. Others. Inc., 825 F.2d 837, 847 (9th Cir. 1987). In general, to make out an unclean hands defense, the defendant must show that (1) the plaintiff's conduct was inequitable and (2) the plaintiff's inequitable conduct relates to the subject matter of its claims. Id. However, the Ninth Circuit has significantly narrowed the unclean hands defense in the trademark context. See Cochran Firm PC v. Cochran Firm Los Angeles LP, 641 Fed.Appx. 749, 751 (9th Cir. 2016) (unpublished) (Callahan, J., dissenting) (“The unclean hands has an increasingly limited scope in trademark infringement suits.”). In the Ninth Circuit, it is not enough that the trademark plaintiff engaged in misconduct regarding the trademark generally.

Rather, the trademark defendant must also show that the plaintiff used the trademark with the specific intent to deceive consumers. Japan Telecom, Inc. v. Japan Telecom Am., Inc., 287 F.3d 866, 870 (9th Cir. 2002) (Kozinski, J.) (“To show that a trademark plaintiff’s conduct is inequitable, defendant must show that *plaintiff used the trademark to deceive consumers ...*” (emphasis added)); Dollar Sys., Inc. v. Avcar Leasing Sys., Inc., 890 F.2d 165, 173 (9th Cir. 1989) (“*Bad intent* is the essence of the defense of unclean hands.” (emphasis added)). This is because trademark law, in addition to protecting private intellectual property rights, also serves to protect the public from consumer confusion in the marketplace. Accordingly, “in deciding whether plaintiff’s alleged unclean hands should bar injunctive relief [in the trademark context], the Court must consider the public interest.” Gidatex, S.r.L. v. Campaniello Imps., Ltd., 82 F. Supp. 2d 126, 133 (S.D.N.Y. 1999). And, given the public interest in avoiding consumer confusion, courts will not withhold an injunction for unclean hands when, as here, allowing the defendant to continue using the trademark would cause consumer confusion. Id. (collecting cases).<sup>5</sup>

Here, Defendants allege that the Kardashians breached the license agreement’s exclusive licensing provisions by promoting competing makeup brands. Docket No. 20 at 11-12. Putting aside whether these allegations are true, Defendants have altogether failed to establish either that (1) the Kardashians breached the license agreement with the specific intent to deceive consumers or (2) the Kardashians’ breach of the license agreement actually caused consumer confusion. Without evidence of either, the Court cannot withhold the preliminary injunction against Defendants solely because the Kardashians allegedly breached the license agreement’s exclusive licensing provisions. See Dollar Sys., 890 F.2d at 173 (“[The plaintiff] cites no authority for its argument that simple breach of contract merits application of the unclean hands doctrine.”).

\*10 Second, the potential damage to Haven Beauty’s business resulting from the preliminary injunction also does not justify withholding the injunction. In trademark infringement cases between businesses, courts must consider the impact of the injunction on the respective businesses. Intl Jensen, Inc. v. Metrosound USA, Inc., 4 F.3d 819, 827 (9th Cir. 1993). “[T]he relative size and strength of each enterprise may be pertinent to this inquiry.” Id. However, when the plaintiff submits

substantial evidence that the defendant intentionally infringed upon the plaintiff’s trademarks, the potential damage to the defendant’s business resulting from the preliminary injunction does not affect the court’s equity analysis. Wetzels Pretzels, 797 F. Supp. 2d at 1029 (“While it is apparent that Defendants would suffer a loss of revenue and that its employees would, in all likelihood, lose their employment, it is Defendants who brought on those risks.”); see Boldface Licensing + Branding v. By Lee Tillett, Inc., 940 F. Supp. 2d 1178, 1198 (C.D. Cal. 2013) (enjoining trademark infringement even when injunction would cause millions in lost revenue in part because the infringer knowingly infringed upon another’s trademark); Moroccanoil, Inc. v. Moroccan Gold, LLC, 590 F. Supp. 2d 1271, 1282 (C.D. Cal. 2008) (“[A]ny injury that Defendants may suffer if preliminarily enjoined may be discounted by the fact that Defendants brought the injury upon themselves by intentionally adopting deceptively similar trademarks and packaging.”); see also Cadence Design Sys., Inc. v. Avant! Corp., 125 F.3d 824, 829 (9th Cir. 1997) (“[A] defendant who knowingly infringes another’s copyright cannot complain of the harm that will befall it when properly forced to desist from its infringing activities.” (internal quotation marks omitted)).

Here, as discussed *supra*, the Kardashians have established the strong likelihood that Haven Beauty intentionally infringed upon the Kardashian trademarks; namely, by continuing to use the Kardashian trademarks in connection with the promotion of Kardashian Beauty-branded cosmetic products without paying any royalties due under the license agreement. The Court will not withhold an injunction on equitable grounds to save Haven Beauty when its business model is based on intentional trademark infringement. Indeed, a denial of injunctive relief here would reward Haven Beauty for its misconduct.

#### 2.1.4. The preliminary injunction is in the public interest.

Lastly, the plaintiff must establish that the injunction is in the public interest. Winter, 555 U.S. at 20. Enjoining the unauthorized use of the Kardashians’ trademarks, names, images, and likenesses would not disserve the public interest here.



#### 2.1.4.1 Trademark infringement

“In the trademark context, courts often define the public interest at stake as the right of the public not to be deceived or confused.” CytoSport, Inc. v. Vital Pharms., Inc., 617 F. Supp. 2d 1051,1081 (E.D. Cal. 2009): see also Internet Specialties W., Inc. v. Milon-DiGiorgio Enter., Inc., 559 F.3d 985, 993 (9th Cir. 2009) (“[T]he usual public interest concern in trademark cases [is] avoiding confusion to consumers.”). As in other trademark infringement cases, the public here also has a strong interest in avoiding consumer confusion caused by the unauthorized use of the Kardashian trademarks. Enjoining Haven Beauty's unauthorized use of the Kardashian trademarks therefore would not disserve the public interest.

#### 2.1.4.2. Right of publicity

The public interest in stopping businesses from violating a person's right of publicity is similar to the public interest in stopping trademark infringement. As with trademark infringement, the public has no interest in allowing businesses to use celebrities' names, images, and likenesses for commercial gain without their authorization. See Kelly v. Primco Mgmt., Inc., 2015 WL 10990368, at \*16 (C.D. Cal. Jan. 12, 2015) (“[I]t would not serve the public interest to allow a person to exploit a celebrity's name and likeness for commercial gain when that person does not have the authorization to do so.”). Enjoining Haven Beauty's unauthorized use of the Kardashians' names, images, and likenesses here therefore would not disserve the public interest.

#### 2.2. The Court modifies the scope of the proposed preliminary injunction in part.

In their opposition, Defendants argue that the Kardashians' proposed preliminary injunction is overbroad in two ways. Docket No. 20 at 28-29. First, Defendants argue that the injunction applies to all defendants, but that the Kardashians have not shown that Hillair or the Individual Defendants used the Kardashians' intellectual property in commerce. Id. Second, Defendants argue that the proposed preliminary injunction prohibits Defendants from having any involvement in websites that display or mention the

Kardashians, and this prohibition is an improper prior restraint on Defendants' speech. Id. at 29.

\*11 The Court limits the injunction to Haven Beauty, its officers, employees, attorneys, and those acting in concert with them. From the complaint, it appears that the Kardashians seek to hold Hillair and the Individual Defendants liable for Haven Beauty's infringement under parent-subsiary, agency, employment, and alter ego theories of liability. Docket No. 1 ¶¶ 13-18. Neither the motion nor reply expressly argue parent-subsiary, agency, employment, or alter ego liability, and the Court will not manufacture the Kardashians' arguments for them. See W. Radio Services Co. v. Qwest Corp., 678 F.3d 970, 979 (9th Cir. 2012) (“We will not do an appellant's work for it ... by manufacturing its legal arguments ....”). The Court observes, however, that nominally limiting the injunction to Haven Beauty, its officers, employees, attorneys, and those acting in concert with them likely will make little to no practical difference here, given the close business relationship between Haven Beauty, Hillair, and the Individual Defendants.

That said, the Court will not further limit the injunction as an improper prior restraint on speech. The Kardashians specifically request only that the Court enjoin Haven Beauty from (1) operating or promoting (2) any website (3) that uses the Kardashians' intellectual property (4) in connection with the manufacture, promotion, or sale of goods and services. Docket No. 16 at 2-3. The injunction does not broadly enjoin Haven Beauty from having “any involvement” in websites containing Kardashians' intellectual property generally, id., and the proposed injunction is otherwise narrowly tailored to Haven Beauty's alleged misconduct here.

#### 2.3. The Court does not require bond here.

Under Federal Rule of Civil Procedure 65(c), after obtaining a preliminary injunction, the plaintiff must post a bond in an amount that would pay the costs and damages sustained by another party in the event that the court later determines that the bond should not have been issued. Fed. R. Civ. P. 65(c). District courts have broad discretion when setting the amount of the bond. GoTo.com. Inc. v. Walt Disney Co., 202 F.3d 1199, 1211 (9th Cir. 2000). Moreover, despite the seemingly-mandatory language in Rule 65(c), the Ninth Circuit has instructed district courts that they may dispense with the bond requirement altogether in certain circumstances, for

example, when “there is no realistic likelihood of harm to the defendant from enjoining his or her conduct.” Johnson v. Couturier, 572 F.3d 1067, 1085 (9th Cir. 2009) (quoting Jorgensen v. Cassidy, 320 F.3d 906, 910 (9th Cir. 2003)). Similarly, when the plaintiff establishes a strong likelihood of success on the merits, the district court has the discretion to impose a “minimal bond or no bond at all.” Van de Kamp v. Tahoe Reg'l Planning Agency, 766 F.2d 1319, 1326 (9th Cir. 1985).

The Kardashians argue that the Court should not require bond here because Paragraph 27(B) of the license agreement expressly provides that the parties are not required to “post any bond or other security” in the event that a court issues an injunction. Docket No. 16 at 32 (quoting Docket No. 16-2 at 38 § 27(B)). The Court agrees that bond is not required here, for two reasons. First, the parties here have expressly agreed to waive bond. See Just Tacos, 2011 WL 6140866, at \* 11 (waiving bond requirement for a preliminary injunction in a trademark infringement case because the underlying franchise agreement expressly waived bond); see also Centennial Broad., LLC v. Burns, 2006 WL 733945, at \*3 (W.D. Va. Mar. 20, 2006) (waiving bond requirement when the parties previously waived bond and the plaintiff corporation had sufficient funds to satisfy any subsequent judgment). Second, the Kardashians have established a strong likelihood of success on the merits. Van de Kamp, 766 F.2d at 1326. Taken together, both facts show that waiving the bond requirement is appropriate here.

### 3. Conclusion

\*12 For the reasons stated above, the Court **grants** the Kardashians' motion for preliminary injunction.

The Court **orders** that Haven Beauty, its officers, employees, attorneys, and those acting in concert with them, are enjoined from:

- (1) Using, displaying, mentioning, advertising, or promoting the Kardashian trademarks in connection with the manufacture, promotion, advertising or sale of goods and services of any kind;
- (2) Operating or promoting any website that uses, displays, mentions, advertises, or promotes the Kardashian trademarks, or the names, nicknames, likenesses, or photographic images of Kourtney Kardashian, Kim Kardashian West, or Khloe Kardashian in connection with the manufacture, promotion, and/or sale of goods and services of any kind, including, without limitation, the website [kbeauty.com](http://kbeauty.com), and the Instagram, Twitter, and Facebook pages for Kardashian Beauty, kbeauty, and kbeautyofficial; and
- (3) Using, displaying, mentioning, advertising, or promoting the names, likenesses, photographic images or words of Kourtney Kardashian, Kim Kardashian West, or Khloe Kardashian in connection with the manufacture, promotion, advertising, or sale of goods and services of any kind.

IT IS SO ORDERED.

### All Citations

Not Reported in Fed. Supp., 2016 WL 4487895

### Footnotes

- 1 In support of their opposition, Defendants request judicial notice of five trademark registrations on file with the U.S. Patent and Trademark Office and thirty-four online news articles and social media posts. Docket No. 24. Under the Federal Rule of Evidence 201(b), courts may take judicial notice of certain documents in the public record. See Fed. R. Evid. R. 201(b)(2). This includes, as relevant here, trademark registrations on file with the U.S. Patent and Trademark Office, Metro Publg. Ltd. v. San Jose Mercury News, 987 F.2d 637, 641 (9th Cir. 1993), and publicly-available electronic media, Von Saher v. Norton Simon Museum of Art at Pasadena, 592 F.3d 954, 960 (9th Cir. 2009). Accordingly, the Court **grants** Defendants' request for judicial notice. However, the Court takes judicial notice of these documents solely for their existence and content, and not for the truth of any statements in the documents.
- 2 The following section is based on evidence submitted by the parties in support of their respective papers. This evidence is extensive. For brevity, the Court summarizes only those facts necessary to the disposition of the motion.
- 3 For example, in an interview with fashion magazine Women's Wear Daily regarding the legal controversies surrounding the “Fierce” product line, Erin Dwyer, the senior vice president for global ecommerce and social media for Haven Beauty, was asked whether the Kardashians would be making promotional appearances on behalf of the “Fierce” product line.

In response, she stated that “[she] can’t speak to anything specifically,” but that “[*t*]he family is involved. They are aware of the license. They are aware of what we are doing.” Docket No. 16-5 at 35 (emphasis added).

4 Paragraph 27(A) requires that “[a]ll claims disputes, and other matters arising out of or relating to [the license agreement] shall be submitted to ... binding arbitration ... if the Parties are unable to settle the matter through good faith negotiations within 30 days of the date from which such claim, dispute, or other matter arose.” Docket No. 16-2 at 37 ¶ 27(A).

5 At oral argument, Haven Beauty relied upon So. Cal. Darts Ass'n v. Zaffina, 762 F.3d 921, 933 (9th Cir. 2014), in asserting that a heightened standard is not required for showing unclean hands in the license agreement context. While Zaffina was decided on more general principles, it does not reject Japan Telecom, and indeed cites the case. Id. at 932-33.

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